

University of Macau

Faculty of Business Administration



**A Case Study of Slotting Allowance
in China**

Xie Zhi, Jason

M-A5-5725-8

Supervisor: Dr. CHOW, Clement

Thesis Proposal presented to the

Faculty of Business Administration

University of Macau

In partial fulfillment for granting the MBA degree

(In Area of Marketing)

2009

TABLE OF CONTENTS

ABSTRACT	I
ACKNOWLEDGEMENTS	III
TABLE OF CONTENTS	IV
LIST OF FIGURES	VI
CHAPTER 1 INTRODUCTION	1
1.1 SLOTTING ALLOWANCE, EFFICIENCY SCHOOL AND MARKET POWER SCHOOL	1
1.2 OVERVIEW OF CHINESE GROCERY INDUSTRY	2
1.3 RESEARCH SCOPE	3
1.3.1 Coca-Cola Company (in China)	4
1.3.2 Carrefour Supermarket (in China)	5
1.4 SIGNIFICANCES OF THE RESEARCH	6
1.5 THESIS STRUCTURE	7
CHAPTER 2 LITERATURE REVIEW	8
2.1 SLOTTING ALLOWANCE	8
2.2 TWO SCHOOLS OF THOUGHT ON SLOTTING ALLOWANCE	11
2.2.1 The efficiency school	11
2.2.1.1 Signaling and screening	11
2.2.1.2 Cost sharing	12
2.2.1.3 Risk shifting	13
2.2.1.4 Shelf space allocation	14
2.2.1.5 Demand / Supply apportionment	15
2.2.1.6 Facilitating practice for lowering retail price	16
2.2.2 The market power school	16
2.2.2.1 Exercise of retailer market power	17
2.2.2.2 Channel relationships	18
2.2.2.3 Discrimination	19
2.2.2.4 Competitive foreclosure	20
2.2.2.5 Facilitating practice for raising retail prices	20
2.3 RESEARCH OBJECTIVE	21

CHAPTER 3 RESEARCH METHODOLOGY.....	23
3.1 QUALITATIVE METHOD – EXPLORATORY CASE STUDY	23
3.2 RESEARCH PROCEDURES	25
3.3 DATA ANALYSIS	36
CHAPTER 4 FINDINGS AND DISCUSSION.....	38
4.1 EFFICIENCY SCHOOL	38
4.1.1 <i>Signaling and screening</i>	38
4.1.2 <i>Cost sharing</i>	42
4.1.3 <i>Risk shifting</i>	45
4.1.4 <i>Shelf space allocation</i>	48
4.1.5 <i>Demand/supply apportionment</i>	49
4.1.6 <i>Facilitating practice for lowering retail prices</i>	51
4.2 MARKET POWER SCHOOL	59
4.2.1 <i>Exercise of retailer market power</i>	59
4.2.2 <i>Channel relationships</i>	62
4.2.3 <i>Discrimination</i>	64
4.2.4 <i>Competitive foreclosure</i>	67
4.2.5 <i>Facilitating practice for raising retail prices</i>	70
4.3 SUMMARY OF THE FINDINGS.....	72
4.3.1 <i>Both agree</i>	73
4.3.2 <i>Agree and disagree</i>	74
4.3.3 <i>Both disagree</i>	75
4.3.4 <i>Comparing with Western research</i>	76
CHAPTER 5 CONCLUSION AND MANAGERIAL IMPLICATIONS	78
5.1 CONCLUSION.....	78
5.2 MANAGERIAL IMPLICATIONS.....	80
CHAPTER 6 LIMITATION AND FURTHER RESEARCH.....	84
6.1 LIMITATION	84
6.2 SUGGESTIONS FOR FURTHER RESEARCH	85
REFERENCE.....	87