ABSTRACT

Slotting allowance, which refers to fees charged to defray the cost of stocking, displaying, and supporting new and existing products, has been given considerable attention since the introduction of the concept in the mid-1980s at a time when a great number of new products exploded in the foreign market. In spite of being commonplace, slotting allowances have remained extremely controversial, both with manufacturers and retailers. Presently, two schools of thought dominate the debate on slotting allowance, which are known as efficiency school and market power school. Efficiency school presents the possible positive impacts of slotting allowances on the market while market power school describes possible negative impacts. Both of these schools have their reasonable theories, but people are confused about the real effect of these fees.

Through a case analysis of the interaction between a giant manufacturer, Coco-cola, and a giant retailer, Carrefour, on the issue of slotting allowance in the China market, this research aims to present an empirical study on current views of practitioners, and explore which school of thought can better explain the phenomenon of slotting allowance in that market.

In addition, this research may help build a communication bridge between the manufactures and the retailers within the channel. Even though manufactures and

retailers play different roles and perhaps hold different perspectives of the effects of slotting allowances, this research can possibly improve their mutual understanding.

Finally, managerial implications are suggested for both the manufacturers and the retailers.