

Distribution Channel Pricing Model for E-commerce Applications

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ABSTRACT

This paper investigates the relationship between the slotting allowance charged by online retailers, the total sales and the saving for consumer's search cost. We propose a mathematical model to prove that the fees charged contribute to the sales of merchandise, improving the services of online retailers and reduce the search cost of consumers. Previous studies focused on the slotting allowance and fees charged by bricks-and-mortar retailers, such as supermarkets, department stores, etc. This research demonstrates the effect of proper slotting allowance and fees charged by online retailers and proves a similar impact of bricks-and-mortar retailers to improve distribution efficiency and provide more marketing opportunities to the suppliers.

Keywords: E-commerce, slotting fees, the sales of merchandise, the search cost of consumers

This research is partially supported by NSSF(12BJY113)and PPSSFUJP (2013SJB790021, PAPD).