

SLOTING FEE PRICING MODEL: A COMPARISON OF TRADITIONAL AND E-COMMERCE BUSINESS

*Robert Chi, Department of Information Systems, California State University Long Beach,
Long Beach, CA 90840, 562-9857166, Robert.Chi@csulb.edu*

*Melody Kiang, Department of Information Systems, California State University Long Beach,
Long Beach, CA 90840, 562-9857166, Melody.Kiang@csulb.edu*

*Jinguo Tao, Department of Trade and Economics, School of International Economics and Business
Nanjing University of Finance and Economics, taojinguo1@163.com*

ABSTRACT

Slotting allowances and slotting fees were defined as the payments by manufacturers to persuade downstream channel members to stock, display, and support new products. Two schools of thought offer different viewpoints on the impact of collecting slotting allowances and slotting fees. One argues that the collection of slotting allowances and slotting fees improves distribution efficiency and stipulates competition while the other thought argues that these fees damage competition. In general, retailers agree more on the former view and manufactures prefer the latter.

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

Previous studies focused on the slotting allowance and fees of physical store retailers, and the debate about its rationality has been in progress. But this controversy has not stopped the retailers from charging the fees. On the contrary, the slotting fee charges extend from the store retailers to online retailers. With the fast development of online business, more and more online retailers implemented a fee structure to charge slotting fees to compensate for the construction costs of the web presence and channels. However, this approach has led to the opposition of suppliers and manufacturers. What is the rationality of online retailers such as the e-commerce websites to charge the slotting fees? What impact does it have on suppliers, manufacturers and consumers?