Slotting allowances are relatively recent trends, particularly to the retail food industry. These allowances are lump-sum, up-front transfer payments from manufacturer to retailer when the manufacturer launches a new product. The practice has attracted some scrutiny because of uncertainty about its purposes and consequences. We draw from the extant literature to identify factors that potentially influence the relative magnitude of slotting allowances. Based on analysis of primary survey data from retailers and manufacturers, we observe that charging and paying of slotting allowances are affected by the relative strength of the players. Among retailers, the relative magnitude of slotting fees increases with retailers’ informational advantage over the manufacturer about the likely success of the new product, even when retailers recognize that the product is likely to be successful. Additionally, and consistent with the first finding, retailers with lower costs (i.e., potentially more efficient and powerful retailers) received higher slotting allowances. Furthermore, retailers charge higher slotting fees, even when concerns about manufacturers’ fulfilling postlaunch advertising commitments are minimal, implying that relatively powerless manufacturers are asked to provide credible commitments regarding postlaunch activities and are asked to pay relatively high slotting fees. Among manufacturers, the relative magnitude of slotting fees paid is lower for those who have a strong market share position. We discuss the theoretical, managerial, and public policy implications of our findings.

(Slotting Allowances; Information Asymmetry; New Product Introductions; Retail Food Industry)