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RESEARCH ARTICLE

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Slotting allowances in China: Theory development and regulation formulation strategy

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Abstract Under normal market competition, charging suppliers for slotting fees by retailers is a normal business practice. Although it is prevalent in China, the rationalities of slotting fees for established products and linear slotting fees are doubtful. The relevant departments of governments need to supervise and regulate these types of slotting fees. There are two available regulation formulation strategies: we can either learn from Japan to ban explicitly certain types of slotting fees, or learn from America to adopt an attitude of laissez-faire towards slotting allowances.

Keywords slotting allowances, suppliers, retailers, welfare

摘要 在一般市场竞争情况下，收取一次性通道费是一种正常的商业经营模式，但国内普遍收取的成熟商品通道费和线性通道费的合理性值得质疑，应成为政府规制政策的对象。针对目前国内的通道费之争，可以有两种规制思路：其一，可参照日本的规制思路，明确禁止收取某类通道费。其二，可参照美国的思路，采取少规制甚至不规制策略。

关键词 通道费，生产商，零售商，福利

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1 Introduction

Slotting allowance remains unregulated in the United States and France, but the anti-trust laws in these countries virtually avoid some kinds of slotting allowances. There are no slotting allowance regulations in China. Since the 1990s, a large number of foreign-funded retail enterprises have entered China retail market and domestic retailers have gradually gained domination over distribution channels owing to their scale-up development and chain operation, the charging of slotting allowances has become a common practice for China retail enterprises.

Without efficient commercial supervisions and proper industry self-regulations, however, retailers would possibly abuse their channel control power and exploit suppliers intently. This would cause an antagonism between retail industry and manufacturing industry and the instability of business-trade balance. For example, in 2002, *Trust-Mart* (a company owns the Trust-Mart chain of hypermarkets in China. Wal-Mart has agreed to buy 35 percent of its share and could eventually pay about $1 billion to control the company) was accused of charging high slotting allowances. *The Seeds & Nuts Roasters Association* and *the Association of Paper Makers* disputed with *Carrefour on* the slotting allowance issues in 2003. Because of disagreement on slotting issues, *Gome* (the biggest domestic appliance retailer in China) refused *Gree* (the biggest air condition manufacturer in China)'s products to enter its chain stores. In another case, six major suppliers called for a joint boycott against *Wu-Mart* supermarket (the biggest native-funded private supermarket in China).

Slotting allowances charging has become the major profit-making mode of many Chinese retailers (Lang, 2006). A majority of retailers would loss money or perform more badly without slotting allowances. Take Shanghai Lian Hua Supermarket Group as an example, its prime operating revenue was 260 million yuan RMB in 2004, while its slotting allowances income in the corresponding period was 730 million yuan RMB. That is to say, Lian Hua would suffer a loss up to 470 million yuan RMB if it did not charge suppliers for slotting allowances (Wu, 2005).

Prevalent as it is, slotting allowances charging encounters many disputes in China. The causes are twofold. First, Chinese economists have long neglected the problems of slotting allowance with "Chinese characteristics". There is no good guideline for both Chinese retailers and suppliers to follow. Second, slotting allowance charging without effective governmental supervision and proper self-regulation could be very conflict-provoking per se.

The remainder of this paper is organized as follows: Section 2 compares the Chinese slotting allowances with those of western countries, and presents a definition of slotting fees suitable to China's practical conditions and a rough classification of Chinese slotting fees. Section 3 briefly reviews the literature on

slotting allowances. Section 4 depicts some graphic models for different types of slotting allowances, and discusses the market outcomes and welfare effects of each type upon different market participants. Some brief conclusions are presented in the last section.

2 Concepts and classification of slotting allowances

Since the early 1980s, computers have been widely used by large retail stores in America. As reprogramming the computer system to recognize product UPC code gave rise to a cost of about 350 dollars, slotting fees first emerged in department supermarkets, and then spread to other stores selling electronics, computer software, medicines, books, etc. Slotting allowances in a narrow sense mean one-time payments a supplier makes to a retailer as a condition for the initial placement of the supplier's product on the retailer's store shelves or for initial access to the retailer's warehouse space (FTC, 2003; Sudhir, 2005). Scholars consider that slotting allowances are a family of marketing practices that involve lump-sum payments by manufacturers to persuade downstream channel members to stock, display and sell new products. However, Shaffer (1991) and Farrell (2001) described the fees broadly as manufacturers pay retailers in order to have their products gain patronage by the retailers. Although the charging range is different (i.e. the narrow one refers to new products, while the broad one refers to all the products of manufacturers), both of these two definitions agree that slotting allowances are collected lump-sum by retailers.

In China, due to the lag of relevant commercial law-making and weakness of retail industry self-regulation, some retail enterprises, when charging slotting allowances, abuse their channel control power and charge their suppliers for slotting allowances at random. We therefore use slotting allowance in its broad sense in this article. That is: All fees suppliers pay (passively or not) to persuade retailers to stock, display and sell their products.

To study slotting allowances explicitly and thoroughly, we classified them into several subgroups (as shown in Table 1). Considering slotting allowances are usually collected according to new products or established products[1], this paper follows this way of assorting. In addition, we use the concepts of *linear and non-linear slotting allowances.* The former is collected in proportion to certain products' sales volume, whereas the latter has nothing to do with products' sales volume.

[1] This article treats "mature products" and "established products" as different concepts, as distinguished by their definitions.

Table 1 Classification of slotting allowances

		New products	Established products
Slotting fees related to products' sales volume	Lump sum	I Code cost, *slotting fees*	II Pay-to-stay, display fees
	Nonlinear	III Failure fees	IV *Sales promotion fees*, *discount promotion fees*
	Linear	V *Year-end bonus*	
Slotting fees not related to products' sales volume		VI Festival fees, anniversary fees, new store open fees, etc.	

Note: Slotting fees in italic letters means there are more sub-types of similar fees under this category. We are unable to list all of them due to space limit.

The terms of new products and established products (not mature products) are different yet related concepts. "New Products" include not only new products not existing in the region, but also mature products which have been sold successfully in other areas but new to this region. "New Products" exclude seasonal products or upgraded established products. In contrast, "Established Products" refer to goods that have been sold in the market for a long time and usually with definite production standards. Retailers usually have accumulated certain sales experiences in selling these established products.

3 Literature

Based on our classification, new products fees (especially lump sum fees) have been thoroughly studied on their rationalities and welfare influences by western economists. However, when it comes to the effects of slotting fees and what are the appropriate ways to collect them, scholars, managers and public policymakers all have their own opinions and disagree with each other. Generally speaking, there are two schools of thoughts on the effects of slotting allowances. One views them as an efficiency-enhancing, and the other considers them as anti-competitive.

Efficiency-enhancing theory was based on the assumptions that all slotting allowances are lump sum and the shelf space should be allocated to its best possible use. The main points are as follows: 1) product proliferation has led to an oversupply of new products compared with their marketplace demand and that many of these new products lack true innovation, and slotting fees enable a

scarce retail resource to be allocated to its best possible use (Lariviere and Padmanabhan, 1997; Sullivan, 1997; Desai, 2000); 2) as a mechanism of guarantee provided to retailers by suppliers, slotting fees can reduce, or at least help shift the risk of new product acceptance away from retailers and back to manufacturers (Owen, 1994; Bloom et al., 2000; Sudhir, 2004); 3) the fees also facilitate the communication of retailers and suppliers. As the source of product innovation, the manufacturers own more information and will pay the fees if they have enough confidences in their new products. Therefore, retailers can judge correctly whether the products can be successful or not by a significant signal: slotting allowances (Lariviere and Padmanabhan, 1997; Desai, 2000).

FMI (2001)'s investigation confirmed that established products and products proved successful are always exempted from paying such money, which testifies the rationality of efficiency-enhancing theory to a certain degree. Some researchers (Bloom et al., 2003), however, found that some established products (such as beer and frozen food) actually pay high instead of low slotting fees when entering supermarkets.

Anti-competitive theory assumes that both manufacturers and retailers possess certain market power, and points out that the fees on established products are the results of intensified retailers' channel power. Shaffer's model (1991) proved that slotting fees may increase the retailers' profit and boost goods' prices, but the survey of FTC (2003) found no supporting evidence for Shaffer's assertion. Some researchers hold the views that more and more resourceful competitors foreclose smaller rivals from the market through bidding up the price of slotting. Others (Chu, 1992; Farris and Ailawadi, 1992; Rao and Mahi, 2003) contended that the increase in retailer power and influence advance the slotting fees, causing the profit flows from manufacturers to retailers. However, some market investigations and statistical reports (Farris and Ailawadi, 1992; Messinger and Narasimhan, 1995) showed that the practice of requiring slotting allowances does not affect the suppliers' profit-making abilities.

After the disputation between the *Seeds & Nuts Roasters Association* and the *Association of Paper Makers* and Carrefour in 2003, Chinese researchers started to study the origin and effects of slotting allowances. Yet so far most studies have focused on commentating the fees' effect. Very few scholars tried to analyze slotting allowances from economic perspectives.

Drawing on the anti-competitive theory, Ma (2003) studied the social welfare influenced by the fees (lump sum) on the assumption that one single giant retailer monopolized the retailing channel. Zhang (2006) applied the SCP model to discuss the lump sum fees' effect. These two papers showed some possible side effects of slotting allowances, but they did not propose explicit regulation and supervision suggestions.

Wang (2006), a Chinese scholar in China, first used the bilateral oligopoly model and game theory to study slotting allowances in retail industries. He pointed out that large retailers use linear slotting allowances to enlarge market share and transfer risk to smaller retailers, and slotting fees related to sales volume are actually borne by the competing small retailers and their customers.

However, Wang's paper has several shortcomings as follows. First, he overemphasized the importance of the linear slotting fees. His premise of "most slotting fees are often positively related to the sales volumes of corresponding goods" is unrealistic. Second, when establishing his model, Wang simply assumed that all supermarkets have identical profit margin, neglecting the fact that "low-price" supermarkets can gain higher total profit by means of occupying larger share of the market. In sum, Wang's assumptions of "lump-sum slotting allowances present a simple flow of profit from manufacturer to supermarket" still need further justification.

In conclusion, western researches have been concentrated on the first two types of slotting allowances. Since the other types of slotting fees (types III to VI) are unique to Chinese market, there are no mature theories or models to guide Chinese practitioners. Existing research conducted by Chinese researchers on the latter four types of slotting allowances are lacking in scientific classification and quantitative analysis. To provide a solid theoretical basis for future policy making or regulation formulation, we need to further develop the theory of slotting allowances. Below, we summarize present research on different types of slotting allowances in Table 2.

4 Model

4.1 Background of the model

In the retail market, services of different business formats available to consumers (T[2]) are different, thus differences in the prices of certain commodities can be broadly divided into different levels based on specific business formats. Suppose $T = 0$ in the same business format. Because there are "vertical (internal) competition" among enterprises within the same business format and "horizontal (external) competition" among enterprises of different business formats, retailers tend to reduce their prices to attract consumers as many as possible. Thus competition among retailers within the same business format is close to the state

[2] T includes the following parameters: freightage, brand effect, shopping environment, after service, consumer shopping perfections, etc. Because of T's existence, commodity prices in different retailers are different. This explains why shopping malls, chain supermarkets and convenience stores can coexist in the same business area.

Table 2 Existing research on slotting allowances and topics to be studied in the present article

		Existing research results	Problems to be studied in the present study
Slotting fees related to products' sales volume	Pre-paid Lump sum slotting fees	Efficiency-Enhancing or Anti-Competitive	Probe into the origin and effects of these types of slotting fees
	Nonlinear	No relevant research	Set up models to discuss these types of slotting fees' effects upon social welfare
	Linear	Larger retailers used these types of slotting fees to enlarge their market share and transfer risks to others (Wang, 2006)	Conduct qualitative analyses on these types of slotting fees
Slotting fees not related to products' sales volume		None	An Obvious embodiment of buyers' market power and we are not going to study it in the present article

of perfect competition (accord with Bertrand Model). Theoretically, profit gained by each retailer equals 0. Under such circumstances, the existence of slotting allowances would not influence commodities prices. In other words, from a price point of view, slotting allowances have nothing to do with consumers' welfare under perfect competition.[3]

Therefore, the purpose of this paper is to discuss how slotting-allowance-charging retailers affect the welfares of non-slotting-allowance-charging retailers and suppliers within the same business format on the condition that the competitions among different types of business are relatively stable.

4.2 Basic model

In the case of a fully competitive market, competitions between different business formats are quite stable. And the market shares and retail prices of retailers in each business format are definite. Suppose there were only two retailers or two rivals (A and B) with similar bargaining power in a market. A charges slotting fees from suppliers while B does not. Since A and B are in the same business

[3] Due to space limit, relevant deductions are omitted.

format, $T = 0$ and commodity sale prices $P_A = P_B$. Consumers are free to buy from A or B. Thus $\text{Sales}_A = \text{Sales}_B$ (that is, A and B have the same market shares). Suppose A is willing to accept a higher purchase price than B in order to gain slotting allowances (Shaffer, 1991; Bloom, 2000), thus purchase prices $P_a > P_b$; C_A , C_B are fixed operating costs, π_A, π_B are gross profits. To facilitate our discussions, suppose retailers' profit (excluding opportunity costs) > 0, as shown in Fig. 1.

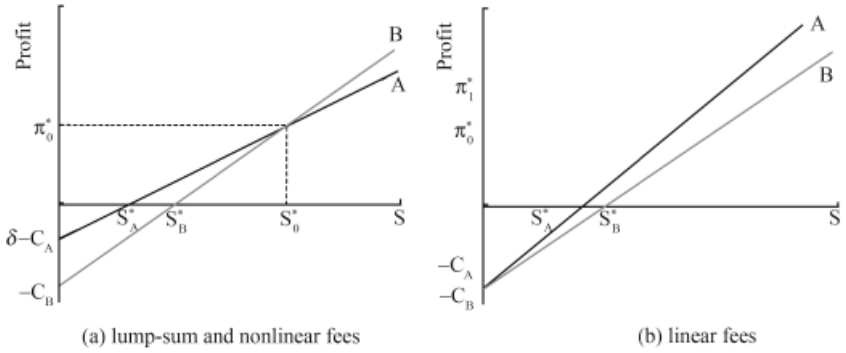

Fig. 1 Basic models

The X-axis stands for sales volume, and Y-axis refers to retailers' profit margin level. Lines A and B present retailer A and B's increased profit as sales volume goes up, S_* is the break-even points of A and B.

For lump sum and nonlinear slotting allowances,

retailer A's profit is

$$\pi_A = S_A * (P_A - P_a) - C_A + \delta \tag{1}$$

line A's slope is

$$(P_A - P_a) \tag{2}$$

retailer B's profit is

$$\pi_B = S_B * (P_B - P_b) - C_B \tag{3}$$

line B's slope is

$$(P_B - P_b) \tag{4}$$

In the basic models, lines A and B move up and down vertically as cost C and slotting allowances δ change. The slopes of lines A and B alter as the difference

between sale prices and purchase prices change. In addition, the intersections of lines A, B with the X-axis (break-even points) move correspondingly as lines A and B move.

For linear slotting allowances, profit of retailer A is

$$\pi_A = S_A * (P_A - P_a + \delta) - C_A \tag{5}$$

line A's slope is

$$(P_A - P_a + \delta) \tag{6}$$

Leaving out the possibility of retailers charge suppliers for lump sum and non-linear slotting allowances simultaneously, the basic model of linear slotting allowances is shown in Fig. 1 (b). We use this model to distinguish lines A and B. Suppose $(P_A - P_a + \delta) > (P_B - P_b)$ (though in reality, lines A and B tend to superpose with each other, that is to say, $(P_A - P_a + \delta) = (P_B - P_b)$, $P_a - \delta = P_b$.)

4.3 Lump sum slotting allowances that are not related to sales volume

4.3.1 Lump sum slotting allowances for new products

Fig. 1(a) shows that when sales expectation of certain goods is within the interval $[0, S_A^*]$, neither A nor B will purchase that goods; when falls into the interval $[S_A^*, S_B^*]$, A will consider to buy that goods, while B will not; when within interval $[S_B^*, S_0^*]$, both A and B are willing to purchase that goods, and A gains comparatively more profit; when within interval $[S_0^*, +\infty]$, both A and B are willing to purchase that goods, and B gains comparatively more profit. In addition, B's profit increases as sales volume goes up. As above, whether a retailer charges suppliers for slotting fees or not depends on certain goods' sales expectation—confidence in the future market success of that goods. As long as expected sales volume exceed S_0^*, B is willing to take all risks at the sales promotion stage (i.e. without charging slotting fees)—all for the sake of a higher return at the late stage; as a result of its low sales expectation, A reduces its business risks by means of collecting slotting fees from suppliers. In cases of extremely low sales expectation, retailers would choose not to buy that goods even if suppliers are willing to pay slotting allowances; under the condition that both retailers and suppliers are confident in the market success of certain goods, retailers would not charge suppliers for slotting allowances—which simply becomes meaningless.

Since new products are more likely to fail, if all the business risks are to be borne by retailers, as the traditional way of doing business does, retailers' enthusiasm for introducing new products would be hurt, resulting in a damage to

the welfare of the whole society. Under such circumstances, slotting fees charging would reduce retailers' business risks and encourage them to introduce more new products to market. With more variety of goods to choose from, consumers' welfare gets enhanced. Charging slotting fees for new products also satisfies suppliers' wishes of introducing their new products to the market as soon as possible. When retailers have strong confidence in the future success of certain types of new products, they may not charge slotting fees for these new products. Kelly (1991, 2001) pointed out that suppliers are willing to pay access fees for new products because they have enough confidence in their performance, and the more confidence suppliers have, the higher slotting fees they pay. This conclusion, however, is not in line with reality. According to our model, if retailers have great confidence in certain new products, they will be more concerned about purchase price rather than slotting allowances. Renowned brands such as Siemens and Haier have great influences upon the customers' choice, thanks to their emphasis on brand-building and products quality. Even slotting allowances charging is prevalent in retailing markets, these companies' new products are free from slotting fees. For example, in the FMCG (Fast Moving Consumer Goods) market, new products from Coca-Cola or Proctor & Gamble are exempt from slotting fees.

Conclusion 1: charging slotting fees for new products is a common business practice worldwide. The sales expectations of new products are the determinants of slotting fees charging and the amount of slotting fees charged.

Conclusion 1 verifies FTC member Owen's (1994) speculation[4], who suggested that slotting fees can actually reduce or eliminate the business risks of retailers. It is particularly important for some industries such as household appliances or software retailing business to study the slotting fees of new products. These industries are characterized with concentrated business formats, short product life cycle, and quick products update speed. As long as fair competitions among retailers are maintained, the existence of slotting fees is consistent with market laws in these industries.

4.3.2 Lump sum slotting allowances for established products

Figure 1(a) exhibits when $T = 0$ and information is available, retailers A and B should have similar sales expectation of the same established product. Thus $S_A = S_B = S_0$ under perfect competition circumstances and retailers A and B shall

[4] Household appliance industry and software retail industry are characterized with a faster product update speed (such as product function, style, etc.) and a high fixed operating cost, thus retailers in these industries tend to collect slotting fees from suppliers.

have identical profit margin. In this sense, charging slotting fees or not does not differentially influence both business modes and suppliers obtain the same profit from both A and B over a certain period. In reality, few retailers charge established products for slotting fees.

In Europe and the United States, charging shelf costs (pay-to-stay fees) for established products is still prevalent. This occurs because competition for these types of products (e.g. nutritive, bread or beer) is usually fierce. And it is difficult for customers to distinguish one brand from another due to the homogeneity of product quality. Under such circumstances, suppliers are naturally willing to pay retailers extra money to compete for scale shelf space or to protect their distribution channels. Since the longer their products stay on the shop's shelves, the better opportunities these products get picked up by consumers. Thus "pay-to-stay" fee is a natural outcome of market economy and open competition among enterprises.

For other established products characterized with a rapid upgrading speed, fierce competition, and many substitute products, neither suppliers nor retailers are unable to foretell precisely future sales volume of these types of products. In such cases, both sides need to negotiate how much slotting fee should be charged. In view of this, we put these types of "established products" into the category of new products.

In short, as western economists have pointed out, slotting allowances have both advantages (efficiency-enhancing) and disadvantages (anti-competition). Under normal market conditions, charging lump sum slotting fees is a normal commercial operation.

4.4 Nonlinear slotting allowances not related to sales volume

4.4.1 Nonlinear slotting allowances for new products

The most representative fee of this type is called "deposit for sale". It is charged when actual sales volume of certain goods is lower than expected. When actual sales volume of certain goods is over expected volume, suppliers are exempt from this type of slotting fee. As shown in Fig. 2. Since retailer A shares some business risks with suppliers in interval $[S_A^*, S_B^*]$, it gains more profit than B in interval $[S_B^*, S_0^*]$. Both A and B gain the same profit in interval $[S_0^*, +\infty]$. Taken together, A's slotting allowances strategies are unfair to B, because A gains the same profit as B, while in interval $[S_A^*, S_0^*]$, A transfers all his risks to his suppliers. Possible explanations include that A used its buyer's power, or the slotting allowances contract between A and his suppliers is opaque to B, thus both A's suppliers and retailer B's interest are violated.

Conclusion 2: the "deposit for sale" fee for new products damages the interests of suppliers or other non-slotting-fee-charging competitors.

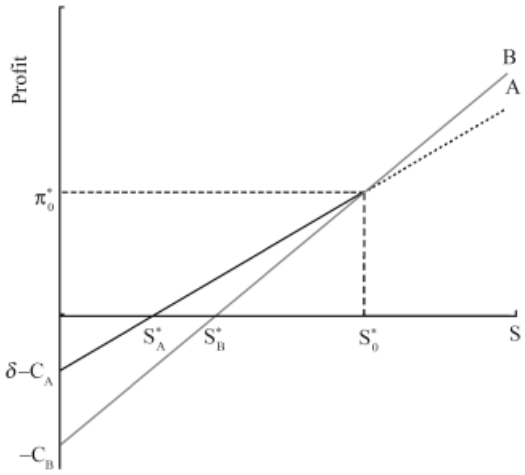

Fig. 2 "Deposit for sale" fee for new products

4.4.2 Nonlinear slotting allowances for established products

The most representative fee of this type is called "advertising fees for promotion". As the supply of all kinds of goods becomes abundant plus the homogeneity of product quality, consumer-oriented marketing competitions get increasingly fierce. Meanwhile, traditional marketing media's influence on consumer weakens gradually. Therefore, retailing terminals such as supermarkets or shopping malls increasingly become the principal media of sales promotion. Due to realizing that the promotion fee is favorable to their brand-building and product sales, suppliers tend to think that it is worthwhile to pay such a fee.

Conclusion 3: the charge of "advertising fees for promotion" shall be deemed by suppliers as "efficient".

Another special slotting fee is called "discount promotion", which is different from other slotting fees in its change of product sale price. To analyze the discount promotion fee for established products in details, we need first of all divide them into two sub-groups: a) products (Type 1) with few substitute products and low price elasticity (manufacturers of these goods are mainly an oligopolistic or monopolistic corporation); b) products (Type 2) with many substitute products and high price elasticity.

As illustrated in Fig. 3(a), for Type 1 goods, the total sale volume is always stable. If one retailer lowers the price, other retailers in the same business format will soon follow suit, (line B's slope decreases), which in turn triggers retailers in other business formats to cut their prices. All this will increase the welfare of consumers but damage retailers' profit margin. Since the total sales

volume of the market (S_0^*) has remained unchanged, suppliers are unable to gain additional profit. Moreover, retailers' interests got damaged as a whole. Thus neither suppliers nor retailers have the motives necessary for discount sales promotion.

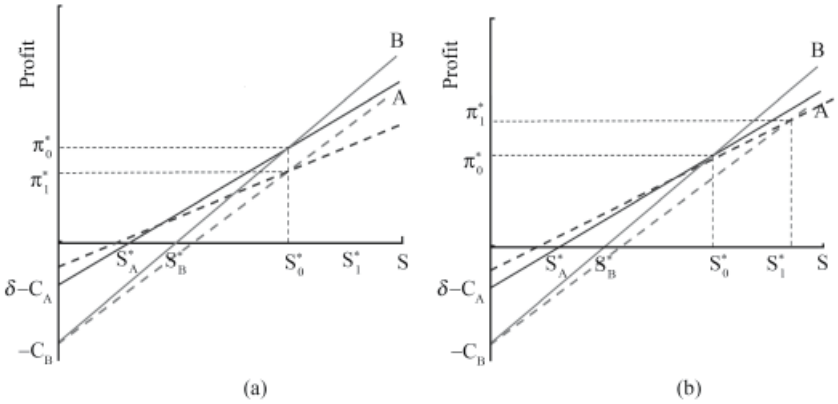

Fig. 3 Discount promotion fees for established products

Figure 3(b) shows that the price-cutting of Type 2 goods will scramble for other substitute products' market share (S_0^* moves rightwards along the X-axis), and thus increase the goods' sales volume. A sells more goods while still does not need to bear the losses of price-cutting. This would put B in a disadvantageous position if B does not charge its suppliers for this "discount promotion fee". We are still not clear about the profit (as sales volume increases) and loss (as unit product's price goes down) of suppliers. In both cases, consumers' welfare increases.

Conclusion 4: it is difficult to identify the impact of "discount promotion fee" upon welfare.

4.5 Linear slotting allowances

The "year-end refund fees" are typical linear slotting allowances in which the slotting fee is related to certain goods' sales volume.

According to our basic models, if retailers A and B have different procurement price and A would rather pay higher procurement price to get the year-end refund fees, it means A actually has a rather high sales expectation for the products. Since the year-end refund fee is collected at the end of a fiscal year, compared with the lump-sum slotting fee B collects, A takes more business risks. If both A and B have the same procurement price and A still get the "year end refund fee",

A must have used its market power in one way or another. Under normal market conditions, this is unlikely to happen.

Retail enterprise's size also has a significant influence on the forms of slotting fees they charge. If both retailers A and C charge suppliers for slotting fees, but A is much bigger then C. As noted earlier, compared with A (large retailers), C (smaller retailers) have smaller bargaining power. As a result, A will get lower purchase prices than C. If the refund fee at the end of the year is progressively related to the product's sales volume, the balance within a business format will be destroyed. A will get more slotting fee per product unit. In this case, the gap between big retailers and small and medium-sized retailers will ever increase, which in turn will damage the interests of both suppliers and smaller retailers.

Conclusion 5: it is difficult to identify the impact of "normal" slotting allowances upon welfare, while progressive linear slotting allowances will change different retailers' market positions.

5 Conclusion

In short, sales expectation of new products is the determinant of retailers' choice of whether or not charging suppliers for slotting fees. In a competitive market economy, slotting allowances charging does not have a negative impact on consumers' welfare.

Lump-sum slotting allowances are, as we have pointed out, both efficiency enhancing and competition blocking. More specifically, slotting allowances have both advantages (efficiency-enhancing) and disadvantages (anti-competition). Under normal market competition, retailers charging suppliers for slotting fees is a normal business practice. Although charging of slotting fees is prevalent in China, the rationalities of slotting fees for mature products and linear slotting fees are doubtful. The relevant departments of governments, need to supervise and regulate these types of slotting fees.

Generally speaking, governmental regulations on slotting fees vary in different countries: Retailers in the UK are free to charge suppliers for slotting fees except some special goods; in contrast, Japanese retail enterprises can only collect particular types of slotting fees. In France and Germany, there are no specific governmental regulations banning slotting fees. In the USA, FTC allows a single retailer to collect slotting fees from suppliers, under the condition that suppliers do not bring a lawsuit against such fees.

Drawing on the above analyses and rationale, we propose the following two suggestions for improving slotting allowances supervision in China.

First, we can learn from Japan and forbid explicitly retailers from collecting certain types of slotting fees. From a point of view of operation and regulation cost, such regulations are easier to abide by. However, this requires relevant

department of governments have clear understanding of the influences of all types of slotting fees upon social welfare.

Second, we can also learn from the USA and adopt an attitude of laissez-faire towards slotting allowances: to make few regulations on slotting fees (or even no regulations at all). However, we should noted that the USA has possessed the so-called "the Magna Carta of free enterprise", that is to say, the United States has already had a complete system of anti-trust laws (e.g. "Sherman Anti-trust Act", "Clayton Anti-trust Act", "Robinson-Patman Act", etc) plus an advanced government supervision system over slotting fees. To learn from the United States, Chinese government needs to make anti-trust laws of its own as well as improve its anti-unfair competition supervision mechanism.

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