Export Basics - Listing Fees or Slotting Allowances (Pay-to-stay fees)

Many grocery store chains charge listing fees that cover their costs in rearranging the store shelves and the warehouse, plus the administration costs associated with adding a new product.

Supermarkets may also demand a pay-to-stay fee – (rent) on shelf space allotted. These fees depend on many variables, including potential sales volume, trade allowances, product promotion offered (e.g., samples, in-store demos, promotional pricing, co-op advertising), product category, and company size. In grocery marketing, shelf space and position are critical.

Listing fees can determine whether an item gets placed on a middle shelf or down at the bottom where it's harder to find. An end of the aisle or "end cap" display costs more money because products get higher visibility.

Critics regard slotting fees as unearned store discounts that give a competitive edge to larger manufacturers who can afford them, while depriving consumers of variety, new product innovations, and possibly more competitive retail pricing.

Supporters of the fees contend that they enable stores to make room for the thousands of new products introduced annually protecting grocers from having to shoulder all the risk of stocking items that may not sell.

According to retailers, fees serve to efficiently allocate scarce retail shelf space, help balance the risk of new product failure between manufacturers and retailers, help manufacturers signal private information about potential success of new products, and serve to widen retail distribution for manufacturers by mitigating retail competition.

Some retailers also charge de-listing or failure fees. These fees are charged when products are taken off the shelf, likely due to products that do not meet agreed to sales targets.

Exporters who produce products for private label brands can benefit through the elimination or reduction of listing fees and promotional costs. However, there is a risk that the retailer will switch suppliers if there is a lower cost producer available.

Listing fees are not always expected for established products or for new offerings that have a high likelihood of success. Some product categories do not have listing fees, such as in the produce department or products behind the delicatessen counter, particularly with the ready-to-eat products.

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In the United States, the following categories are likely to have listing fees:[i]

- breakfast cereals
- ice cream and frozen desserts
- baked goods and tortillas
- snack foods
- seasons and dressings
- beverages

For Alberta exporters, the way that listing fees are handled can vary by the export market. For example, in Japan suppliers do not normally sell directly to retailers. Their distributor in the market would be the one negotiating and paying the listing fee. When they purchase from the Alberta supplier they will be considering those costs in their sales negotiations.

For additional information, contact:

Shelly Nguyen
International Initiatives Officer
Alberta Agriculture and Forestry
shelly.nguyen@gov.ab.ca
780-422-7103

[i] United States Department of Justice, "The Economics of Slotting Contracts", November 8, 2006. https://www.justice.gov/atr/economics-slotting-contracts (sourced: August 4, 2017)

Prepared by: Marcia O'Connor
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www.agrifoodalberta.ca