

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 demonstrations and sampling, promotional pricing, co-op advertising)
- product category
- company size

In grocery marketing, shelf space and position are critical. Listing fees can determine whether an item is placed on a middle shelf or down at the bottom where it is harder to find. An end of the aisle or "end cap" display costs more money because products get higher visibility.

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.

Exceptions

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.

Examples of some products that do not usually require listing fees include:

- flour and sugar
- oils
- dairy
- meat and seafood

Some large retailers have done away with slotting fees.

Critics and supporters

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.

Know the market

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

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

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

For information on exporting, Alberta companies can contact:

The Export Development Section
Agriculture, Forestry and Rural Economic
Development

agrifoodexports@gov.ab.ca

Source: Edwards, Phil, "The Hidden war over grocery space", Vox, November 22, 2016.
<https://www.vox.com/2016/11/22/13707022/grocery-store-slotting-fees-slotting-allowances>

Observa, "Know Your Slotting Fees", January 29, 2018. <https://www.observanow.com/know-slotting-fees/>

