

**MANAGING CHANNEL COORDINATION: MODELING THE EFFECTS OF DOMINANT RETAILERS' POWER ON QUANTITY DISCOUNTS**

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**ABSTRACT**

Power retailers are playing an increasingly dominant and significant role in today's retailing industry. This paper focuses on how to achieve the best channel coordination by analyzing the joint decision policies in a channel system consisting of a supplier and a dominant retailer. We extend the classic channel model (Jeuland and Shugan 1983, Weng 1995) by investigating the impact of considering both operation cost and selling power simultaneously on channel coordination. Our study demonstrates that channel coordination can be achieved by taking quantity discount into account. Furthermore, the proposed model contributes to explain the emergence of "franchise fees" or "street money" in channel coordination.

References Available on Request.