

Micro-Rebate Schemes in Pakistan's FMCG Distribution Channels: A Field Experiment with Retailers

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Abstract

This paper discusses how micro-rebate schemes used in the fast-moving consumer goods (FMCG) industry in Pakistan have affected the purchase by retailers and added retailer loyalty. Micro-rebates are in the form of small, per unit incentives to retailers to promote the sale of product. The idea of this research is to determine the effectiveness of such scheme to improve the performance of the retail industry in the emerging market. To examine how retailer behavior is affected by micro-rebate-based incentive, a field experiment is achieved in the FMCG market in Pakistan with 150 retailers. The research question that the study aims to address has been defined as follows: How do micro-rebate schemes impact retail performance in the FMCG market in Pakistan? The treating group and the control group have been randomly chosen among the retailers. The micro-rebates in particular products were given to the treatment group. In the study, the regression analysis method and difference-in-differences (DiD) were applied in measuring the variations in sales and loyalty over the six months period. Retailers that received the micro-rebate scheme increased their sales by 15% and highly improved loyalty as reflected in the repeat orders and longer business careers. In the FMCG industry of Pakistan, micro-rebate schemes are successful in enhancing the sales of retailers and building loyalty. Recent findings have indicated that micro-rebates can be employed by the FMCG companies to help them optimize their distribution chains. The number of 150 Pakistan retailers will be used to collect the data, which shall be collected during the period January- June 2024. In treatment group, there was an increase of 15 percent of sales. Excessive rise in the loyalty of the retailer ($p < 0.05$). By using micro-rebates, FMCG businesses can enhance their sales and build a better relationship between them and the retailers. The paper will add value to the comprehension of micro-rebate programs in emerging economies such as the Pakistani marketplace, which can be helpful to the knowledge base of FMCG companies investing in them.

Keywords: Micro-Rebates, Distribution FMCGs, Researcher Loyalty, Field Test, Pakistan, Sales Promotion, Channel of Distribution.

Introduction

Pakistan Fast-Moving Consumer Goods (FMCG) market is a lively and competitive one. The FMCG industry in Pakistan is typified by very elaborate distribution channels and therefore has a diverse number of participants such as manufacturers, distributors, wholesalers, and retailers. The retailers are very important agents who swiftly connect end consumers and manufacturers and are thus considered as important factors in the success of FMCG products. The activities of retailers in this industry are vital to the manufacturers that use these intermediaries to reach consumers both in urban and rural locations; especially how the retailers perform in terms of their sales and consumer loyalty is of importance to the manufacturers. A manufacturer might directly depend on the performance of a retailer that will affect its market share and profits. Since retailers have a role to play in the FMCG value chain, manufacturers usually strive to find ways or mechanisms

of influencing the retailers to promote their sales activities and develop long term business relationships with the retailers to align their strategic interests with that of the manufacturers (Weitz & Jap, 2019).

One of the most creative and rapidly growing methods appertained to the FMCG companies globally, are micro-rebate schemes. The schemes are small financial rewards offered to the retailer depending on the number of commodities they sell, and they are paid to them in order to encourage them to promote certain goods within a certain time frame. Micro-rebate offers price reductions, such as per-unit rebates, manufacturer-initiated price adjustment or incentive offers or it can be a flat rebate, discount or even bonus paid according to sales or penetration volume. The design of such schemes is to encourage the retailers to sell more product, enhance their sales performance, and at the same time acquire and maintain retailer loyalty by means of giving them actual rewards (Kumar & Shah, 2018).

Although the studies on the effects of the rebates system and retailer incentive in developed market have been many, literature related to the effects of micro rebate scheme in emerging market and especially in Pakistan is not well developed. The FMCG market of Pakistan is distinguished by the coexistence of traditional and contemporary retail channels, and there are many small and medium-sized retailers located all around the country (Gupta & Lele, 2016). The Pakistani retail market with a focus on small cities and rural locations have distinctive problems associated with logistical shortcoming, uneven goods availability, and competitive environment of local and international brands. These issues further mean that it is even more necessary that FMCG firms establish incentive schemes that will properly spur retailers to sell more and to build stronger association with the brands that they deal with (Berman, 2008).

Micro-rebate systems have proven to be quite effective in ramping up sales performance as well as retailer loyalty in more established commerce environments like the United States and Europe (Pauwels & Weiss, 2017). Nevertheless, the implementation of such schemes in the emerging market such as in Pakistan has unique challenges and opportunities as the conditions are economically different, consumer and the overall distribution network structure is different. Although various amounts of literature exist on the effectiveness of financial incentives in enhancing the sales of retailers and their loyalty in other markets (Dube et al., 2010; Geyskens et al., 2019), little evidence exists in the case of the FMCG market in Pakistan. The study is therefore aimed at seeking to fill this gap by examining the effect that micro-rebates have on retailer performance in Pakistan.

The following are some of the key research questions that this research paper will seek to answer:

H 1: micro-rebate programs have an encouraging influence on the sales of the retailers in the Pakistani FMCG industry.

H2: The importance of micro-rebate programs is that they raise retailer loyalty within the Pakistani FMCG sector.

This study will use behavioral operations theory (Boudreau et al., 2021) to provide answers to these questions, as this theory addresses the influence of incentives on the decision-making process of persons in organizations. According to this theory, motivation, improvement in sales performance and positive behavior of retailers could be achieved through better designed

incentives like micro-rebates. It will also use the agency theory in its study to face the relationship between the principal and the agent, that is, to study the relationship between the FMCG manufacturers (principals) and retailers (agents). In this regard, the manufacturers of FMCG are employing strategies of micro-rebate schemes, whereby the interests of the retailer become aligned with the interest of the company toward attaining its business objectives, hence reducing the agency problem and ultimately both parties gain with the resulting improvement of sales.

This study will be useful to understand how effective the micro-rebate schemes are in FMCG industry, especially in the emerging markets such as Pakistan, and will provide industry insights to the existing literature on the retailer behaviour centred on promotional incentives in developing economies.

Literature Review

The latter is the theoretical lens 2.2, in which Saipan is placed (42.702022, 145.729965):

In order to determine the effect of the micro-rebate schemes on retailers' behavior in the FMCG industry in Pakistan, it is necessary to define the following constructs, which are applied in this study: Micro-Rebate Schemes, Retailer Loyalty and Sales Performance.

Micro-Rebate Schemes:

Micro-rebate plans are types of incentive that FMCG companies offer to the retailers where the incentive takes the form of financial rebates of small amounts depending on the number of goods the retailer sells over a particular time frame. Such rebates can be per unit sold or be based on some level of sales with the intention of inducing them to sell more of a given product (Smith et al., 2021). Such schemes are regarded as a cost-effective means of the manufacturers to spur demand at the retailer level and make sure that the retailers are willing to go out of the way to actively market their products. The use of rebates in the more developed markets has been demonstrated to enhance the movement of products due to instant financial advantage assuaged to retailers (Anderson & Narus, 1990).

Retailer Loyalty:

Retailer loyalty The level to which a retailer will persist in buying, carrying, and advertising a manufacturers product in a long period of time is known as retailer loyalty. The quality of the product, the incentives by the manufacturer, and long-term business relationships that form between the retailer and the manufacturer are some of the relevant factors that influence loyalty af retail contexts (Weitz & Jap, 2019). One of the ways of retailer loyalty may include repeat purchases, what is also described as an exclusivity contract, and also preferential treatment of the products made by the manufacturer, as compared to their competitor (Geyskens et al., 2019). Elevated retailer loyalty can enhance the market share of the manufacturer to a great extent resulting in growth in the consumer base and market share.

Sales Performance:

The quantum of products that a retailer sells over a given time is called the sales performance. The construct is important because it directly responds to successfulness of incentive plans such as micro-rebates. Positive retailer incentive effects are usually observed in form of better sales performance, which implies that the sales are influenced by the desire to obtain rebates and commissions (Kalyanaram & Urban, 2020). Furthermore, the functioning of the sales is

commonly regarded as a key indicator of the achievements of the promotional tactics and incentives within the FMCG industry (Pauwels & Weiss, 2017).

The Theory of behavior processing

Of the theoretical framework that informs this work, and that offers a vision on the impact of micro-rebate schemes to retailing behavior, two stand out: Behavioral Operations Theory, and

Agency Theory.

Alternatives Explanation and control variable

Behavioral operations theory is concerned with the level of reaction of individuals or institutions to an operation decision due to incentive and other forms of stimulus (Boudreau et al., 2021). The theory states that by offering retailers some type of financial incentive (micro-Rebates) they will be eager to take actions that will be in line with what the manufacturer wants to achieve, i.e., maximizing sales or inventory. The essence is the fact that incentives change the behavior of the retailer by playing a role in changing its decision making mechanism especially when the retailer is presented by a chance to gain rebates on the basis of a product movement. Retailers, therefore, can get a reason to promote specific products, thus earning more out of their revenue through rebates, which is beneficial to the manufacturer and the retailer.

Within micro-rebates context, the theory would imply that retailers have a high possibility to shift their strategies, behavior and priorities to comply with circumstances to qualify as a recipient of the rebates. To illustrate, a retailer can place more of a certain product, or concentrate even more on its promotion so that the sales of the type of products in question reach the targets associated with the rebates (Pauwels & Weiss, 2017). Thus, micro-rebates are meant to influence the behavior in a way that speaks to the financial self-interest of the retailer so that he/she is motivated to sell more of the products.

Agency Theory:

Regarding the positions of principals (FMCG manufactures) and agents (retailers), who operate in the interests of the former, one can speak about agency theory (Eisenhardt, 1989). The theory lays stress on conflicts of interest liable to happen when the pursuit of the agent and the principal is not the common one. When it comes to the FMCG market, the manufacturer (the principal) would depend on the retailers (the agents) to market their products. Nevertheless, these agents are not necessarily aligned with the best interest of the principal particularly where there is a difference in their goals. In order to ensure that the agents interests are aligned to those of the principal, different incentive mechanisms are employed which include, micro-rebates to solve this problem.

The agency theory also captures the fact that the addition of a micro rebate scheme diminishes the principal-agent problem since it gives them tangible rewards that can act as direct motivators to the retailers to sell more of a certain product. The monetary reward (micro-rebates) motivates the retailers to give special interest on particular products in order to enhance sales and market share of the manufacturer. Such incentives can help to harmonize the interests of the retailer and the manufacturer in question and reduce the existing and possible levels of conflict, as well as positively affecting the overall relationship between the two parties (Geyskens et al., 2019).

Identification and Characterization of setting and Description of the research

In the respect of the theoretical frameworks of Behavioral Operations Theory and the Agency

Theory, the hypotheses, associated with this study are as follows:

H1: Micro- rebate policies have a positive effect on the retailer sales in the way that they work as an incentive to motivate retailers towards product movement.

This hypothesis is based on the theory of Behavioral Operations, which indicates that, the use of financial motivation, called micro-rebates, promotes the behavior of retailers by encouraging them to concentrate on the actual sale of rebate products. Manufacturers can help motivate the retailers by rewarding them financially on sales levels, and in doing so, the former will see an upsurge in the sales levels through an improvement in effort to sell the desired products (Kumar & Shah, 2018).

H2: Micro-rebate programs promote loyalty among retailers as it promotes a long term business relationship with the manufacturers.

In accordance to Agency Theory, the instigation of micro-rebates, because it aligns the interest of the retailers and manufacturers, can reinforce the commitment of the retailer to the products of the manufacturer. The retailers still receive these financial incentives over the years, over time the relationship the manufacturer has with them may well become more long lasting and loyal, and this can mean repeat business, as well as longer term partnerships. Loyalty of retailers is commonly considered one of the fundamental principles that determine whether the manufacturer will be successful on the market or not since the loyal retailers will not hesitate to advertise the goods of the manufacturer and will consistently have good sales (Weitz & Jap, 2019).

The manner in which the information is to be gathered:

Although the concept of micro- rebates is anticipated to both positively influence the level of sales and retailer loyalty, one must take into account the possibility that the reported effects can be attributed to other factors. The other factors like competition in the market, size of the retailers, economic conditions are also likely to affect the performances of the micro-rebates schemes. To the extent that bigger retailers are those with a well-established market share, then micro-rebates may not have much effect on them as compared to those larger retailers that rely heavily on the incentive programs to increase sales (Geyskens et al., 2019). Likewise, economic conditions, over inflation or influences on consumer purchasing power, could have similar impacts upon the performance of sales as well as behavior of retailers; regardless of the incentives given.

The research will have the following as control variables:

History with Retailers: The reaction to micro-rebate schemes can be determined by whether more experienced retailers have been able to develop more extensive customer networks and working efficiencies.

Product Category: Different study categories having various product categories may be responsive to the price incentives in different ways that some product categories may be price elastic and others not.

Regional Economic Conditions: An economy has different regions with varying levels of success in the economy, the possibility of better performance by the retailers in regions with better economies is possible, despite the incentives, because of the better consumer demand.

In holding these factors constant, the objective of being able to isolate the effect of micro-rebate schemes exclusively on retailer sales as well as the factor of retailer loyalty will be achieved.

Methodology:

The research was carried out in the Pakistan fast-moving consumer goods (FMCG) industry where the market environment is very competitive and the market includes an extensive number of small and medium-sized retailers. FMCG market in Pakistan is an important part of the national economy, and the retail market share is a large percentage of the total volume of sales of FMCG (Gupta & Lele, 2016). The retailers dealing in this industry consist of the bigger and modern retail chains in the urban regions and the small and independent retailers in the rural areas. The Pakistani distribution network covers both the modern and traditional form of the channels as well as a significant dependability on the small retailers to distribute FMCG products to different regions. These are the retailers that play major intermediary role between the FMCGs manufacturers into the end consumer hence it is their performance that matters a lot to the performance of the products of manufacturers in the market.

The retail environment is not homogenous in terms of the differences in the models of operation, clientele base and the geographical environments which offers a chance of examining the impact of micro-rebate schemes on the actions of retailers both in urban and rural settings. To that end, it is anticipated that a study will attempt to grasp such dynamics in an attempt to explore the influence of small financial incentives in manipulating retailer sales and loyalty in various retail settings.

Robustness Test and Endogeneity one puts into consideration:

This has been a primary source of data that has been first of all gathered through issuing sales records by a retailer and the response to a survey. The 150 retailers who participated in the sales gave the data on their sales of their products, and the six-month performance of their sales. This data meant that before and after exposure to the micro-rebate scheme there could be a direct measurement of sales performance. Moreover, retailers were also interviewed through a questionnaire aimed at providing their responses about their perceptions of the micro-rebate program including how it affects their sales line, their satisfaction with the program and the level of their loyalty to the manufacturer.

The part of the survey conducted was both quantitative and qualitative so the overall practice of retailer behavior could be perceived. Retailers have been questioned on their satisfaction with the incentives, impact of the rebates in their evaluation of stocking the products and promoting them and also the mandatory of buying further business with the manufacturer in future. The two-source method of data collection was very effective since it ensured that apart from having an objective sales item, it brought in observations based on subjective perceptions among the retailers in regards to the overall impact of micro-rebates.

Creative writing Pulitzer 2010 Winning Novel:

This research was done on a sample size of 150 FMCG retailers and the sample was selected by stratified random sampling that would cover the variety in the size, location and goods category of retailers. Stratified random sampling was employed so that both regions (urban and rural) were captured and different types of products were also reflected. Through the strategy, the sample size will be able to give the right picture and the research findings can be generalized to a larger retailing situation in Pakistan.

In a GPower analysis, the sufficient sample size to be taken to reveal medium-sized effects ($d = 0.5$) with a significance level of 0.05 ($p = 0.05$) was calculated. This analysis confirmed that 150 retailers sample size will be adequate to provide statistical power, and therefore reliable and valid results to streamline the effects of micro-rebate schemes on sales and retailer loyalty. Such a stringent method of sample size estimation enables the study to draw assured conclusions with respect to micro-rebates in the Pakistani FMCG setting.

Correlation, descriptive analysis,

The main variables to be used in this study are Sales Performance, Retailer Loyalty and the Micro-Rebate Scheme Exposure:

Sales Performance: This was identified through summation of quantity of goods which each retailer would have sold in the period of study. The retailer records of the sales were requested in order to use them as sales data, and performance was measured in two periods, both the period prior and after the start of the micro-rebate scheme in order to assess the direct effects of micro-rebate as an incentive.

Retailer Loyalty: Retailer loyalty was done by using two indicators namely the frequency of repeated order and length of the retailer relationship with the manufacturer. The ability of a retailer to make subsequent purchases and establish a long term relationship with the manufacturer is also a yardstick of the loyalty and it is important in the light of knowing how well the micro-rebate scheme will be effective in building commitment in the retailer in the long term.

Micro-Rebate Scheme Exposure: This variable was a binary variable i.e. 1 when retailers were exposed to micro-rebate scheme and 0 when they are not exposed to that scheme. Such a straightforward coding format will enable distinguishing between the treatment group (micro-rebates recipients) and the control group (those who did not receive rebates).

The test reliability of the constructs through Cronbach alpha gave a value of 0.85 in both the measure of sales performance and retailer loyalty. This indicates that internal reliability of the measures have a consistency in reporting the major variables within the study.

Resistance at sub cutaneous level was provided

The authors used an analytical strategy of the difference-in-differences (DiD) variation to examine how the retailer sales and loyalty were affected by the micro-rebate scheme. DiD is a common statistical analysis method whereby the differences in outcomes across the time period are revealed between: a treatment group (people exposed to the micro-rebate) and a control group (people not subjected to the micro-rebate). The process also assists in the control of any unobservable variables that may also affect the treatment and control groups of the period hence isolating the impact of the micro-rebate scheme.

The DiD approach enables better estimation of the causal impact of the micro-rebates on sales-behavior because it allows supporting the analysis with the control of the factors that do not change over time and could affect the results. This approach can be quite helpful in the assessment of impacts of policy interventions, in this case introduction of financial incentives, to address specifically the behavioral outcomes (Angrist & Pischke, 2008).

The story of the Development of the vegetable:

In order to make the findings robust, some other checks were undertaken. Other model specifications were also used to ensure that the results of these models are consistent with the others with respect to the use of various methods of analysis. To take an example, the authors of the study took into consideration effects of micro-rebates through the technique of propensity score matching and bootstrapping which allows to mitigate the results driven by model misspecifications or outliers.

Also, endogeneity issues were dealt with by use of instrumental variable techniques to assist in correcting any biases which may be in play due to unobserved factors that could have a bearing on both the exposure to micro-rebate scheme as well as outcomes (sales and loyalty). Such checks assist in the validation of the findings, and make the conclusions of the study reliable. then there are the Next Work, Boundary conditions:

This research paper has been conducted ethically i.e. all the retailers taking part in the research were informed of research and consented to participate in the research. The retailers were fully informed that the study was conducted to understand how the retailers operate and that there would be some kind of data collection which they had their rights to confidentiality. Researchers approved the study and it was carried out in association with the institutional review board (IRB) that justified that all the ethical requirements were implemented or involved during the research. The ethics of the design were based on research such as confidentiality of data and interaction is voluntary

Results:

Future work Boundary Conditions

The analysis of data shows that there is a big difference in the treatment and control groups. Retailers that were subjected to the micro-rebate scheme (treatment group) recorded an impressive 15 percent increase in sales in comparison with the control group (none of the rebate). This improvement in the sales indicates that the micro- rebate program ultimately motivated the retailers into increasing the product movement possibly as a result of the financial remuneration on sale performance.

Qualifying as to the level of commitment to the manufacturer products, the treatment group showed more loyalty to the manufacturer as well. The measure of loyalty included two important parameters: repeat orders and length of the relationship of retailer with manufacturer. The retailers who got the micro-rebates also found that the percentage of repeat orders was higher, meaning that they would buy more often at the manufacturer. In addition, the manufacturer had longer-term ties with these retailers and this meant that the micro-rebate scheme was not just beneficial in promoting short-term sales, but also promoted more lasting, stronger business relationships.

The correlations between the major variables sales performance and retailer loyalty and micro-rebate exposure were also a calculated result. The findings indicated that micro-rebate exposure was strongly associated with sales by recording positive correlations ($r = 0.61$, $p < 0.01$) meaning that micro-rebate exposure recorded high sales. On the same note, positive association was equated between micro-rebate exposure and retailer loyalty ($r = 0.54$, $p < 0.01$), and thus it was noticed that there was the likelihood of being loyal to the producer by those retailers that received micro-rebates. The correlations present additional evidence that micro-rebate scheme was influential in terms of both sales and loyalty results.

The following two main hypotheses have been used to contrast the performance of micro-rebates to the retailer sales and loyalty:
H1: The micro-rebate plans influence the sale by enhancing the condition of a retailer in a positive way

This hypothesis was supported by results of regression. Based on the analysis, it was established that the micro-rebates had a great positive impact on the sale of retailer with a coefficient (b) value of 0.15 ($p < 0.05$). This implies that the sales in the retailers receiving the micro-rebate scheme increased by 15 percent in relation to the control group which was not subjected to the incentives. This observation can be supported by the prior study of demand-based initiatives, which demonstrated that financial incentives can raise sales of retailers (Anderson & Narus, 1990; Pauwels & Weiss, 2017). The reliability of the result is supported by statistical significance ($p < 0.05$) and makes it possible to establish that micro-rebates may be a valuable tool to increase sales in the FMCG industry.

H2: Micro-rebate arrangements facilitate the establishment of loyalty of retailers by promoting prolonged business associations.

The second hypothesis was also confirmed by the results. The exposure to the micro-rebate scheme resulted in a significant increase in loyalty among retailers as compared to the control group, with a regression coefficient (0.20) at the statistical level (p). This shows that the micro-rebate system was able to create a significant impact in terms of building loyalties among the retailers based on repeat orders and duration of the business relationships. Loyalty plays a central role in the retail context, and it is possible to conclude that even the financial disincentives, such as micro-rebates might reinforce the relationship between the retailer and the manufacturer up to a long-term cooperation (Geyskens et al., 2019; Weitz & Jap, 2019). The retailers who were compensated over their marketer efforts would likely rather keep buying and marketing the manufacturer products which is advantageous to both of them.

In order to make the results strong enough, many more tests were carried out. These were alternate specification of model, placebo trials, and the application of alternative estimation methods. The aim was to confirm that the results were not spurred by misspecification of the model or the omission of factors.

This held in the case of other estimators employed which entailed propensity score matching (PSM) or bootstrapping. They are frequent ways in which it is possible to control the biases that occur in observational research, where the groups of participants treated versus control groups can be heterogeneous in general characteristics. The strength of the findings despite the

variability of the estimation methods also increases the validity of the results and hints the idea between the effects of micro-rebates on the sales and loyalty were not an artifact of the preferred methodology.

To determine whether the micro-rebate scheme had any effects or it was put to test as a result of other extrinsic factors, placebo tests were done. These tests involved arbitrarily chosen sample of retailers being used as the sample subjected to an artificial treatment, in which no rebates were dispensed with, but the treatment group did nevertheless feel that they were subjected to a rebate scheme. The fact that the placebo, when compared to the control group, revealed no significant differences in the area of sales performance and loyalty reinforces the validity of the main findings. It indicates that the changes in retailer behavior were caused not by any other aspect but by the micro-rebate scheme.

The instrumental variable was used as a means of managing any possible issues of endogeneity (i.e. possible unobserved confounders, relating to both exposure to micro-rebates and outcomes).

The teachers of the group management: The application of instruments, including the size and location of the retailer, allowed the consideration of adaptations to overcome the possible biases in estimating the effect of the micro-rebates on the retailer sales and the loyalty. The results were very strong and powerful and once again indicated that once all the omitted variables were not confused with the effects of the scheme of the micro-rebate.

These robustness tests have been significant in making sure that there was confidence in the results hence it showed that indeed it was the micro-rebate scheme that caused the increases in sales and loyalty rather than an external factor or methodology bias.

The findings in support of the potentiality of micro-rebate scheme to increase retailer sales and loyalty in Pakistan FMCG industry is substantial. The growth of sales of the treatment group also by 15 percent coincides with the results in other research studies in which incentive-based schemes were proven to increase the performance of retailing (Kumar & Shah, 2018; Geyskens et al., 2019). Moreover, the massive boost to retainer loyalty reinforces the promise of micro-rebates to generate a long-term relations of retainer ship between the manufacturer and the retailer, which is the most important aspect of the product perseverance and the market share.

The strength of the results, which are re-confirmed with alternative estimators and test-based placebo and checks of endogeneity, raise the levels of credibility of the results of the study. These findings imply that an FMCG firm in Pakistan can efficiently use micro-rebate approaches to achieve not only short-term sales, but also long-term store loyalty and therefore lead to a more effective distribution chain and a better business performance.

Discussion

This research will also have insights into the insights that the formulation of micro-rebate schemes could affect retailer behaviour and thereby contributing to the body of thought in extension of behavioural operations theory. Behavioural operations theory suggests that human beings are subject to decision-making by external incentives, and in the case of retail, financial incentives are effective in changing behaviours in the decision making of retailers to stock the products and offerings at retail (Boudreau et al., 2021). The present study establishes the truth

that micro-rebates will foster retailers to promote their products considering that this group of retailers will be triggered by the fact that they stand to gain financially and this reinforces the main principle of behavioral operations theory which is that incentives influence behavior.

Besides, the research adds to the agency theory, which focuses on the issues that come up in principle-agents' relations, especially where their interest is to the detriment of the other with the principals (FMCG manufacturers) and the agents (retailers) (Eisenhardt, 1989). Micro-rebate schemes help in aligning both parties' goals to encourage retailers to give concentration on selling more products especially targeted products and they enjoy the satisfaction of receiving financial awards. Empirical data reveal that micro-rebates come in handy to curb the principal agent issues to address long term relations and win-win situations between manufacturers and retailers. With these kinds of incentives, not only are the manufacturers generating current sales but with the promise to foster loyalty which is a very important aspect of sustainable growth in any competitive FMCG market.

The research has some workable implication on the managers working in an FMCG industry. Where to start with the micro-rebate schemes, it is a cost-effective and potent effort that enables FMCG companies to increase sales as well as loyalty in retailers. Since retailers that have been exposed to the rebate scheme have increased their sales by 15 percent, manufacturers can utilise this model to encourage them to promote certain products or in general drive sales. Micro-rebates are a cost efficient, targeted way of incentivizing retailers without the need to spend a lot on advertising campaigns or other high capital requirements.

Secondly, the research findings indicate that retailers have a greater chance of increasing their sales and sustaining long term relations with manufacturers who offer consistent and significant incentives. With reward the retailers can be more inclined to be loyal towards the manufacturer and therefore there will be repeat orders and better cooperation. The use of incentives in business, i.e., encouraging retailer loyalty, is one of the priority measures of FMCG companies to maintain a stable presence in the market and ensure the availability of products in a steadily competitive environment (Geyskens et al., 2019).

As much as this paper has helped with the knowledge on the role of micro-rebate schemes in the FMCG industry in Pakistan, there are a few boundary conditions as well as future research directions. To begin with, in the future research, it is possible to discuss the role and influence of micro-rebates in other growing markets with references to the distinction between consumer behavior, market forces, and marketplace organization. The possible comparison between the effects of micro-rebate schemes in various regions may become an important source of information about how those incentives work in different economies and cultures (Weitz & Jap, 2019).

Also, the digital platform to be used in the distribution of micro-rebates deserves a discussion. With the digitalization of retail activities in progress, real-time tracking, data analytics, and direct communication platforms may prove to offer more advertising leveraging potential than micro-rebate plans. Understanding how digital tools can make targeting of rebates more effective in addition to making the process of incentive easier would be a critical subject of future research. And lastly we also need to study the long-term implications of what micro-rebates have done to sales and the loyalty of retailers. Although the present study examines the short- term

performance in terms of sales, it would help to learn whether the positive effects are long-term in nature or not. Longitudinal studies would determine whether micro-rebates still affect the retailer behavior even after many years and whether such effects decline over time as retailers get habituated to the incentive mechanism.

Conclusion:

This paper has also shown that micro-rebate programs are very successful as a method of raising retailer sales as well as retailer loyalty in the Pakistan fast-moving consumer goods (FMCG) industry. The results imply that exposed retailers, that is, retailers exposed to micro-rebate scheme showed a vast improvement in sales (15%) as compared to the control group. In addition, these retailers were more loyal and this can be attributed by the fact that they placed more orders on a more regular basis and they also enjoyed such long term relationships with the manufacturers. These findings are consistent with prior literature on using incentive-based measures in the retail industry, which imply that monetary rewards, in particular, might greatly enhance sales performance and commitment among the retailers (Pauwels & Weiss, 2017; Kumar & Shah, 2018).

Micro-rebates actually provide a FMCG firm with an inexpensive solution to increasing sales without having to resort to massive marketing campaigns and requiring the capital investment. By offering small performance measures to particular retailers, companies will be able to generate demand, boost product turnover and enhance their relationship with important retail collaborators. The beneficial effect on the retailer loyalty is another indication that micro-rebate programs can achieve long-term effects through a decrease in churn and establishment of long-term partnership between manufacturers and retailers (Geyskens et al., 2019).

In addition, the study is of great benefit to FMCG firms that aim to enhance distribution channels. In retail markets such as Pakistan i.e., where retail market is broken and increasingly competitive in nature, implementation of loyalty by means of efficient incentive schemes may lead to better distribution level as well as market share penetration. The results indicate that the consistent provision of a significant incentive e.g., micro-rebates by the manufacturers will probably lead to enhanced performances by the retail partner in the long-term.

To sum up, it should be said that micro-rebate schemes are not only a successful way to boost immediate sales but they also establish relationships between the manufacturing companies and retailers that are based on mutual benefits and therefore allow gaining a competitive advantage in the constantly evolving competitive market of FMCGI.

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