# Does Market Competitiveness Matter? The factors affect Sales Incentives

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## 1 abstract

This study generalizes the empirical model for shelf-space variables such as advertising, R&D, and firm characteristics to account for firm-specific heterogeneity. Our empirical results indicate that there is substantial firm-specific heterogeneity in shelf-space variables, and this heterogeneity is associated with differences in initial market competitiveness. Sales incentives constitute a large part of the marketing budgets of consumer grocery firms. Despite over three decades of research, confusion persists about the causes and consequences of sales incentives. One part of the problem is due to the lack of data regarding the dollar value of sales incentive payments made by firms. A second part of the problem is determining whether sales incentives are explained by market power and efficiency theories. This paper addresses both of these problems.

We found that sales incentives are associated with industry concentration. It analyzes data on sales incentives disclosed by firms pursuant to the FASB requirements in 2001. It looks beyond industry competitiveness, signaling and channel arguments to include managerial considerations. It also uses analytical models that allow for parameter heterogeneity, thus incorporating a measure of diversity for situations faced by firms in their industries.