Complete guide to rebate management





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Introduction

Rebates are among the most valuable instruments suppliers and distributors have to increase the efficiency of their supply chains and build stronger long-term relationships with one another.

Rebates also have a significant impact on the bottom-line, for large businesses even a small improvement in procedure can lead to the discovery of millions of dollars.

Manufacturers offer rebates to promote and drive sales of certain products, as well as to offer value and loyalty to customers. For distributors, on the other hand, rebates are essential to their gross margin so it's essential they make sure they achieve revenue goals that trigger maximum rebate.

However, 4% of potential rebate revenue typically goes unclaimed. Could you be one of those organizations potentially missing out on hundreds of thousands of dollars each year?

If so, it's essential for any organization to regularly evaluate their existing rebate management process and identify areas for improvement. This all starts with a dedicated rebate management system.

We know that the world of rebates can sometimes seem complicated and overwhelming, but as rebate management experts we are here to help. This guide covers all the bases, helping rebate professionals like you understand the ins and outs of rebate management and how they apply to your business.



What is rebate management?

In simple terms, rebate management is the process of recording rebate agreements, tracking purchases and sales against those agreements, and managing accruals and rebate claims in a timely manner. However, with a dedicated rebate management system it can become much more with the ability to forecast benefits, model proposals, determine net net margins and influence trade activity to maximize returns.

Accurate rebate management can be a real difficulty for any business, irrespective of the scale of their rebate programs and is often a complicated process. An organization can easily have hundreds of suppliers, and tens of rebate deals with each one. The sheer volume, variety and complexity of their rebate deals with suppliers makes effective rebate management a challenge. Much financial risk is involved if calculations aren't made consistently and correctly on both sides of the trading relationship.

Rebate agreements can be based on product — specific incentives, certain performance metrics, and a broad range of other factors. To keep track of them, suppliers and distributors need more than spreadsheets. To handle such complexity, a robust rebate management system and streamlined processes must be put in place to manage the timely and accurate claiming of all rebate revenue earned.

What are the different types of supplier and customer rebate agreements?

We cater for virtually every conceivable deal mechanism that exists — product specific, location specific, defined time periods, tiers, different units of measure, and so on. There are 300+ deal types already represented on the system including:

Product launches
When introducing new products, it is common to link spend on the new range to discounts on regular purchases.

For example, a supplier might offer an extra 1% discount across the entire product range in exchange for a spend of $x on the new product. This type of deal is also a great way to move people from placing the same 'regular' order month in month out.

For the company who wants to stock the latest products anyway, this deal is enticing. Until, that is, it comes to reconciling money spent on one range with discounts achieved on another. Most standard purchasing systems can't help with this, but unless accurate records are kept the deal can fail to be realized.

Growth incentives
Where the supplier is keen to increase the total volume not just the individual order volume, a rebate based on incremental growth in orders is often used.

This could take the form of a year on year target, with a supplier rebate applying if

the purchased volume exceeds the growth baseline. That in itself can cause problems for buying groups or multi-branch operations who sometimes find it difficult to aggregate the total spend by product line for comparison with the previous year.

End of life promotions
As old versions are being phased out, suppliers might plan to ship as much of the remaining stock as possible before the new version appears. This is sometimes achieved through extra volume discounts on the old lines. The same thing happens with changes to packaging design—buyers are encouraged through specific time-based discounts to shift quantities of the old design before the new one is released.

Product mix incentives
To encourage buying groups and

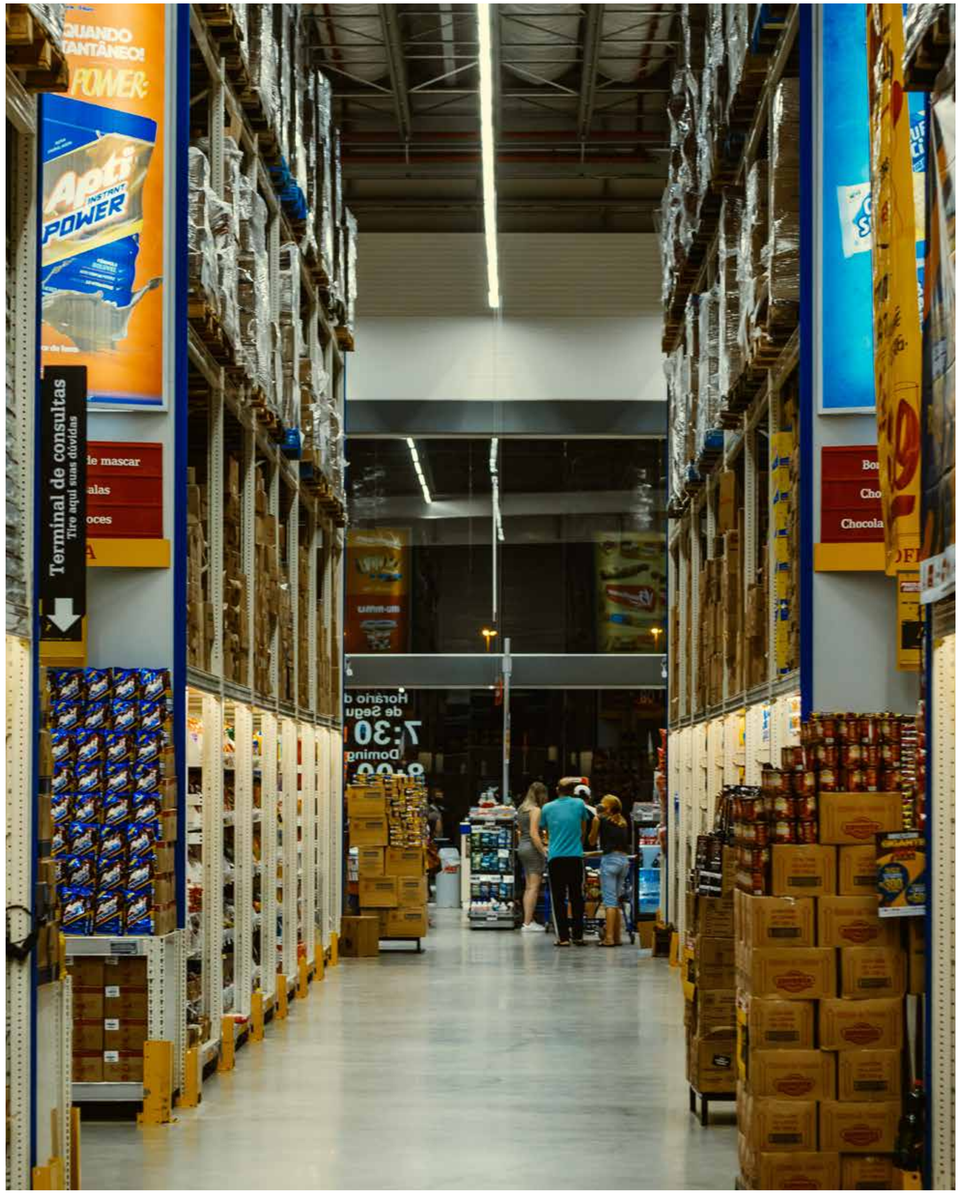


distributors to make purchases across a range of products, suppliers might provide a rebate based on total spend over a period. Where the buyer usually buys only a few lines, this incentive is used to try to switch them away from other suppliers for other product lines.

Suppose you supply veterinary products and a buying group buys only medicines from you, and tends to get pet toys and accessories from elsewhere. The buying group may have a relatively fixed demand for your medicines, and therefore little in the way of negotiating power. However, by offering a reduction if they include other product lines into the mix, they get a discount on their medicine purchases and the supplier gets larger orders across the whole product range.

Central distribution centre rebates
In order to cut logistics costs, some suppliers prefer to deliver to a central distribution centre (CDC). This leaves the buyer with the cost and task of distributing to their branches / buyers from their CDCs. For those companies who have existing transportation routes between their CDC and branches anyway, this can be an attractive proposition.

In these cases, whilst the purchasing company isn't adding too much to their own costs by agreeing to ship from their CDC to branches, they can benefit



from the discounts offered. In fact, we know of at least one case where the total value of central distribution centre rebates funds their own transportation division!

Marketing funds
Marketing funds are often made available to distributors via a rebate that is linked to purchases, but where the accrued fund is to be used for jointly — agreed marketing activities. Maintaining marketing funds usually goes beyond the means of an accounting system, with additional trading partner collaboration capabilities such as activity authorization, evidence collation, and assets exchange being important aspects.

Special pricing agreement
An agreement offered jointly between a manufacturer and a distributor to supply products to a defined market segment at a specially reduced price. SPAs are



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difficult to manage because they often exist in high volume, need rapid approval each time to secure the target opportunity, are often negotiated locally, and require close operational cooperation between the manufacturer, the distributor and the customer being supported. A joined-up partner ecosystem for SPAs management is the solution to streamline this important business activity.

Conditional discounts
Any number of conditions could be applied to drive purchase decisions in support of the suppliers' commercial and financial goals. Some examples include:

1. A volume discount across all products
2. A rebate on a product range, provided the volume purchased exceed x in y months.
3. A discount on one product range dependent on purchases of another. If you buy x of these you will get a discount of y off those.

What is the most common way of managing rebate agreements?

Many businesses start out managing their rebates in manual spreadsheets that tend to become overloaded with data, prone to errors and have no audit trail. Another way businesses manage their rebates is by relying on data from trading partners, but this is a slippery slope and can lead to disputes. This can soon graduate to using ERP systems or even bespoke systems created internally, however these systems are not created by experts in the rebate management space. They often fail to handle even deals with the slightest of complexities including the 300+ deal types we've encountered over the years.

Whilst many core business systems have some functionality to help monitor trading agreements that involve vendor rebates, most have neither the flexibility nor the extensive range of functionality that is needed to support the increasingly complex world of rebate management.

It can be easy to neglect your rebate agreements and operate under the assumption that your current rebate management process is handling the situation, however all too often companies

are finding out that this assumption is incorrect and has been for a while.

What are the consequences of poor rebate management?

Lack of functionality has resulted in missed rebates and poor accrual accounting. But worse than that, if your business doesn't support rebate accounting fully then the whole purpose behind creating deals involving rebates to increase profit is missed, and you are wasting precious time and resources for no benefit. Below are some of the consequences of poor rebate management:



Inaccurate budgeting and forecasting

If you can't get accurate visibility across your rebate agreements, you can't accurately forecast the impact on revenue, or budget for the quarter/year ahead – which can lead to unpleasant surprises for the business and its investors.



Data errors

Manually entered rebate data is prone to errors and, as your business grows and the number of deals you manage increases, you'll find that spreadsheets slow down and calculations get more complex. Rebate accountants have to rush to complete tasks on schedule which can lead to human errors and oversights with financial data. Finding and fixing the problem takes even more time. This is less likely to happen with all your data in one system.



Missed or delayed rebate payments

Companies can have whole teams dedicated to negotiating and managing rebate, however a lack of collaboration between the teams or a shortage of time can lead to missed or delayed payments. It is likely that rebate income is going to slip through the cracks and be missed unless you have a handle on your rebate accounting processes.



Disappearing trading agreements

When there's a backlog of trading agreements waiting to be signed off manually, it's not uncommon for emails or paper documents to be temporarily misplaced or completely lost on someone's desk or filed away in a drawer. The rebate accounting team needs to know what was agreed before they make any payments.



Compliance issues

Historically, businesses have been known to misrepresent rebates due to their estimated nature to make the accounts look better. IFRS 15 is moving auditors to verify that companies who make trading agreements involving rebates have a robust process in place for determining appropriate accruals and profit reporting. Otherwise, the consequences of misreporting are severe. For example, in 2017 Tesco, the largest supermarket in the UK, was hit with £214m in penalties after misreporting rebate earnings.



Disputes with trading partners

Rebates exist to encourage mutually beneficial relationships between suppliers and distributors. If there's disagreement over the terms of the deal, or if the distributor is seen not to be delivering on the terms of the deal, it can lead to a loss of trust and may even pave the way for the end of the relationship.



Slow deal approvals

If you're going back and forth with your trading partner trying to get a deal approved over email it's not only inefficient but also time consuming. There is also a chance of the deal not getting approved on time if, say, the person goes away and doesn't

leave a handover with a team member or, worse yet, there can often be older versions of the agreement floating around.

What is the importance of collaboration in rebate management?

All trading agreements involve multiple parties looking to achieve mutual aims – usually profitable growth. And by working together, everyone can achieve their goals. Most companies keenly understand this symbiotic relationship, but too often companies work in isolation from each other. The challenge is to get all companies aligned on the goals so everybody knows what success looks like, and how to win.

Distributors and suppliers record trading agreements in different 'internal' systems and track progress independently. Meaning misinterpretation and discrepancies creep in, and disputes arise. And instead of mutual benefits, trading agreements deliver mutual headaches for both suppliers and distributors.

Rebate programs are a great way to reward collaboration throughout the supply chain, which results in improved business performance for all participants. Benefits include greater market share, increased revenue and better relationships between supply chain partners.



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We find that when both parties collaborate on their trading agreements, they both have the same understanding of the deal, they reduce the risk of contract disputes, and they're more likely to maintain a strong relationship.

How is Enable different and how does our rebate management software work?

The purpose of rebate management software is to have one complete system that supports and integrates all of these functions, in order to streamline processes and information across an entire organization. By creating a smooth flow of information that is always in sync, your rebate team across all divisions have access to the same, consistent information.

Enable is the system of record for trading programs and deals. We encourage buyers and sellers to set up all of their deals in Enable. We cater for virtually every conceivable deal mechanism that exists – product specific, location specific, defined time periods, tiers, different units of measure, and so on. With over 300+ deal types already represented on the system, you can get started fast.

Enable offers analysis, modeling and forecasting tools to help buyers and sellers check the impact of their deals, negotiate and agree deals with their trading partners (typically suppliers or customers) and get those deals signed off by the relevant people within their business and their trading partners' businesses.

We provide collaboration tools so trading partners can review the deals being proposed to them online, comment on them, and sign them off. There's also an audit trail to show who did what and when.

Enable tends to pull in 'master data' (data on products and locations) and transaction data (purchases, and/or sales) from a company's ERP software. Once deals are agreed, Enable calculates all the deal earnings, allows cash to be collected and/or paid against deals, and sends journal entries back to the accounting system.

The deal economy

Rebates, market development funds, special pricing agreements. In the US alone,

The B2B deal economy in figures: North America

$6.6
trillion of goods sold through distributors



50
vertical markets

$500
billion paid in retrospective rebates

Source: Benfield Consulting, 2018

these b2b trading agreements add up to hundreds of billions of dollars every year. We call this the deal economy. Whether you have deals with suppliers, distributors, resellers, buying groups — or all of the above — we're here to help you manage them more effectively, and seize every opportunity the deal economy represents.

Who should use rebate management software?

Rebates are prevalent in many industries because they can have a significant impact on an organization's bottom-line. Have you noticed other companies in your industry that seem to have noticeably streamlined processes, are able to claim rebates faster, and generally excel against the competition? Their secret is likely to be rebate management software.

It's not just about the size or complexity of your deals right now, it's where you want/expect your organization to be in the future that determines your need for rebate management software. A lot of smaller organizations don't think rebate management software is a reasonable option based on their size, but if your company plans to grow and offer more complex type deals, rebate management software is a necessity.

Specific examples of industries / types of businesses that stand to benefit by implementing rebate management software are:

Building industry
Manufacturers of building materials supplies regularly use rebates as a mechanism of maintaining their stated price, but incentivizing trading partners to purchase in higher volumes in order to get a retrospective discount. In addition, builders' merchants, who are selling their products out, deal in customer rebates. They are paying out rebate to a particular customer of theirs as a result of that customer earning the rebate.

But the building industry is seeing greater price pressure than ever before, particularly as customers can compare prices online and use the results to negotiate discounts. Therefore, they are exploring new strategies to drive profitable growth including better supplier relationships which can generate significant amounts of funding in the form of trading agreements like rebates or special pricing agreements.

An example of a builders' merchant who found their existing systems let them down was MKM Building Supplies. They needed a method of keeping on top of the supplier rebates they receive, so they decided to implement Enable.

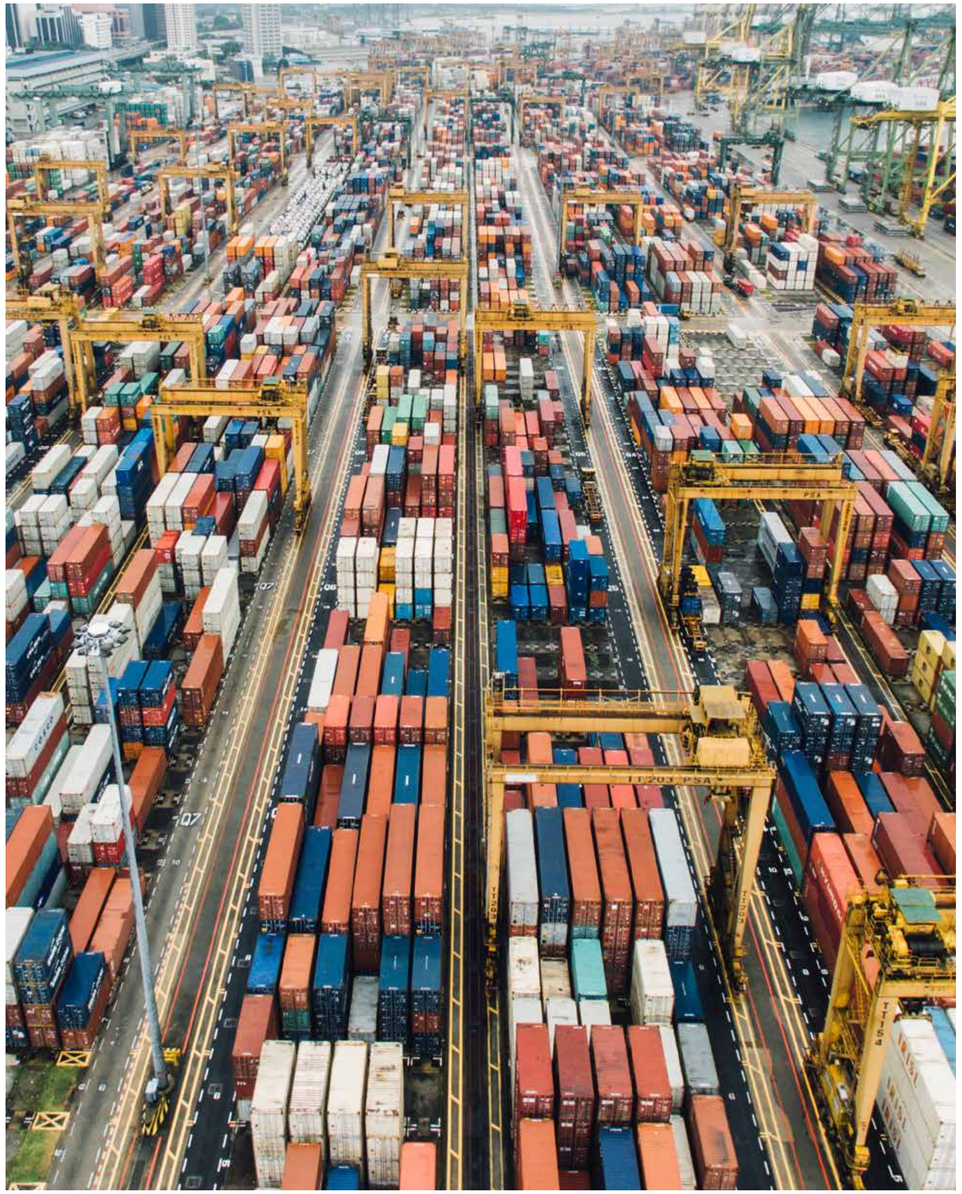
Wholesalers
According to research by the Aberdeen Group 50% of retailers utilize rebate programs as part of their customer loyalty and promotions mix. The retailers buy the products in bulk from the wholesalers who work as intermediaries between the retailer and the manufacturer. The retailer then adds their margin and sells it to consumers who want their product to be affordable and delivered quickly.

However, in more recent years, wholesale has experienced a revolution of its own due to online marketplaces like Amazon where customers can find

everything they need in one place. This doesn't mean physical retail is far becoming obsolete, but it is in a profound need for digital transformation especially when managing its promotions, pricing and rebates. To remain competitive wholesalers should establish a great working relationship with retailers and keep close track of the deals they've struck by using a rebate management system where they have greater visibility and can collaborate with each other.

Manufacturers

Manufacturers, who are the vendors selling their products out, deal in customer rebate. They are paying out rebate to a particular customer of theirs as a result of that customer earning the rebate. In the past, those giving away rebates were sometimes accused (unfairly) of dishonesty and of trying to make it difficult for their customers to claim rebates;



however, without accurate records, and a consistent way of recording, communicating, tracking and assessing rebates, it's not surprising that errors and disputes were common.

Today, there's an alternative way of seeing customer rebates, and several manufacturers are embracing the customer who wants a structured, planned trading arrangement with them because they understand that customer rebates are an opportunity for mutual benefit. Rebates are a way to serve their customers better and to engage in a joint go-to-market strategy. They see rebate management as an essential part of their growth strategy and treat customers as true partners.

Distributors

Whether you are a distributor involved in paying rebates out to your customers, or a distributor involved in receiving rebate from your suppliers, accurate rebate management must be a priority. This is because the successful and efficient handling of rebate fosters better relationships with trading partners and can be the difference between profit and loss for some companies. For many distributors, the sheer volume, variety and complexity of their rebate deals makes effective management a real challenge.

Enable was born out of the DCS Group (UK), one of Europe's largest distributors of health and beauty products, and continues to support many leading distributors across the UK, Canada and US to maximize the performance of their B2B deals.

Buying groups

Having lots of members and suppliers, buying groups deal with many complex rebate agreements

which can be difficult to process manually. And so, for those involved in the supply chain to get the maximum return on their investments, the buying group needs to have a rebate management system at their disposal. This will make the trading agreements between all parties easier to understand and calculate, plus fewer claims should be challenged. At Enable we have seen the proof of this having worked with buying groups since 2002, including Unitas Wholesale, UAG, Lumbermen's Merchandising Corporation (LMC) and Affiliated Distributors (AD).

How will a rebate management system benefit your business?

Improve your margins
A dedicated rebate management system should contain an extensive reporting suite to report and analyse the outcomes of the automated calculations. Rather than thinking of a rebate management system as a calculator, you should see it as a niche business intelligence tool.

With the correct information displayed in one place you can easily identify which included products and trading partners deliver the highest margins and, conversely, which ones do not. This will inform any future negotiations and allow your commercial team to spend less time worrying about keying deals into a system and more time negotiating the most beneficial deals for your business.

With a truly collaborative rebate management system, negotiation and approval can all take place in the same system allowing you to model proposals and understand their potential benefit before engaging in discussions with your trading partners. Having true visibility of your net margins throughout the rebate process will empower your business.

Increase order volumes
When the complexity behind entering, tracking and calculating incentive rebate agreements is removed with a dedicated rebate management system, you and your trading partners can focus on utilising the different types of incentive rebate agreements to benefit each other.

A system should be able to provide you with clarity on any opportunities you may be close to realising so that you can understand whether you should increase orders with certain trading partners to increase return on investment or perhaps engage with them about adjusting the agreement as your forecasts are predicting you could far exceed your current targets.

Furthermore, having the visibility to offer promotional deals for new products, support marketing of certain products at specific points throughout the year and reward the performance of your best or most loyal trading partners will all increase volumes year on year and help to forge better trading partner relationships. Through this, your company can push its brand out into the marketplace and become more competitive.

Operational efficiency
If you're running things manually, you might find it hard to enforce common processes across your organization. Consistency is the key to efficiency, and rebate management software creates the consistency needed to streamline your processes and improve deliverability. Rebate management software helps you automate tasks so you and your employees can shift focus to value-added activities and spend less time on administrative tasks.

Increased clarity
A rebate management system may well and truly be the missing piece of your rebate management puzzle. With it in place, you will be able to clearly see the full rebate picture for your business and solve many of the basic problems faced by those still in the dark ages of rebate.

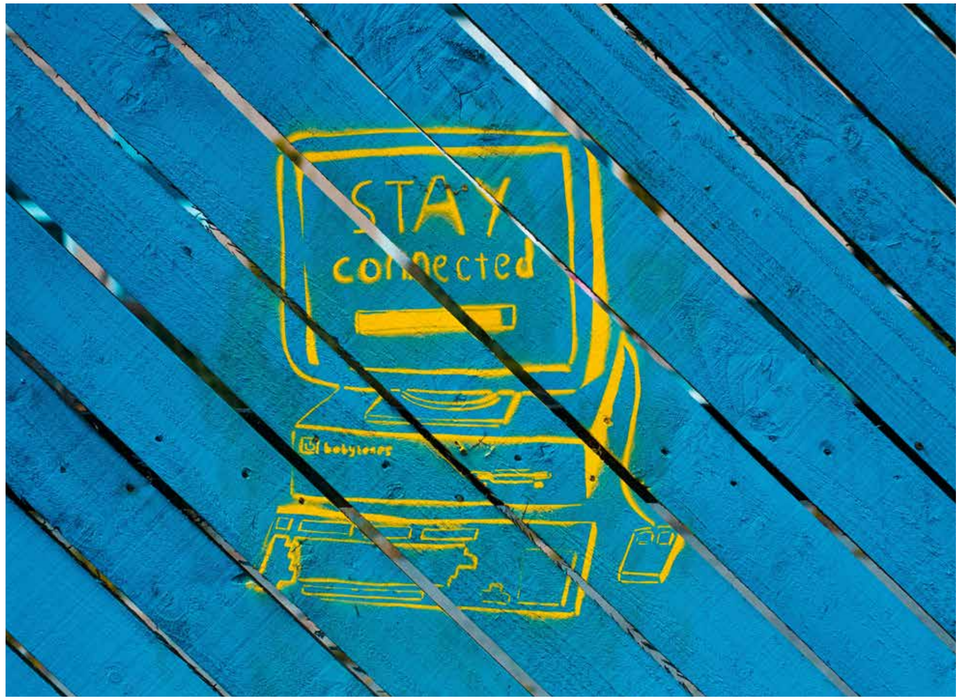
Automatic calculations
Calculations can be run automatically, more accurately (down to multiple decimal places using real time data) and more reliably (without the risk of human error). This again will reduce the number of disputes

and difficult conversations that are required between trading partners allowing them both to focus on analyzing agreements and negotiating better deals.

Centralized deal repository

If there is a lot of paper moving around your company, but very little real communication occurring, a rebate management software solution can help. A single source of truth enables you to improve communication between departments, and instead of storing important documents and spreadsheets on personal computers, you can house all your important data in a centralized deal repository that eliminates redundancies.

This increases data accuracy because there is no need for duplicate entry of any piece of information. When every member of your rebate team can access the specific information they need quickly, all from the same integrated system, your entire business runs more smoothly, and you waste less time hunting down information and verifying its accuracy. With all this data at your fingertips you can analyze and correct any discrepancies as they arise, instead of waiting weeks or months to react to issues and make modifications.



Data driven decisions

Manual systems are error prone. Without rebate management software in place, you may find that your business information is not reliable. You or other members of the team may also be relying too heavily on guesswork which can lead to ineffective decision-making.

A rebate management software will help you combat these challenges by collecting a robust amount of data that can be used to build meaningful reports. With those reports, you can achieve the level of deal transparency you need in order to make sound business decisions. Because rebate management software puts timely and accurate information at your stakeholders' fingertips, numbers can be analyzed in real time. This allows management to make time sensitive decisions based on current data at any given time of the year.

Making a business case for rebate management software

One of the most critical steps involved in implementing any new software system is building a business case. It's not easy to convince key stakeholders or a board of directors to write a check, especially when this involves changes to business processes that they think have worked just fine for many years without failure.

Any technology investments must deliver value to the business. To define this value and corresponding costs, the business case must clearly define your plan. It should pull together all the assumptions and the rationale for why you want to implement this new software, and really clarify everything including costs, benefits and what could go wrong. It is important that the business case owner is comfortable with everything as they could be held accountable.
Without a solid business case

What do our customers say?

SCOTT FERGUSON President, United Aqua Group

“If you are working with rebates, and you want to go to work and not tear your hair out, you should work with Enable.

If you’re working with rebates and you want to work with an incredible group of people, who’s just going to make the whole process infinitely easier, then you want to work with Enable.”



MARK GILHAM Finance Director, Grafton Group plc

“Working with Enable is a refreshing experience. Our queries and requests are always met with a ‘can do’ approach, which has allowed us to tailor the software and implement it in a way that works best for us.

Even when a request is not currently feasible, the Enable team works with us to find alternative solutions and workarounds.”



for moving to new rebate management software, it’s unlikely that the funding required to select, implement and support a better system will be approved.

The following key points should be included:

1. Describe the business challenge
2. Assess the potential benefits
3. Assess the potential costs
4. Assess risks and issues that might arise during the implementation
5. Recommend the preferred solution
6. Describe the implementation approach
7. Measure potential and actual ROI

Some companies think they can build a system internally but that’s not always the best way. Let the rebate management experts who are good at building software do it for you. You’ll be satisfied with the results!

Considerations when choosing a rebate management solution and vendor

Once you’ve got your business case approved it’s time to choose a solution and a vendor. This is a critical decision that needs careful consideration. They hold the key to ensuring you obtain an immediate ROI and continued success long into the future.

There are many software vendors that claim to be ‘the right fit’ for your business, but there isn’t any who can handle the complexities of rebate management like Enable. If you want to get the best from your rebate management software, then it is essential you choose the right partner to allow you to reach your business goals.

It’s important that you are as prepared as possible and know fully what your organization needs from a vendor. Don’t be afraid of asking too many questions because a new solution is a big investment. It’s vital that your business be prepared to dedicate a lot of time and resources to this project and that it is not treated as an afterthought if you truly want to reap all the possible benefits of rebate management.

Some possible questions to ask a software vendor include:

1. Have you worked with similar companies to ours?
2. What size companies do you typically work with?

3 How long will it take to implement this software?
4 What do you offer in terms of support and training?
5 What costs are involved?
6 How is your solution different from the competition?
7 How quick is your response time to problems or questions?
8 Does it integrate with other systems?
9 What benefits can the software bring to my company?
10 What are the defining features and functionality of the software?

Contact Enable today at **hello@enable.com** or visit **enable.com** to schedule a demo.

Rebate management software: Implementation and onboarding

Implementing and onboarding a rebate management system is a strategic undertaking, and because business processes can vary between businesses, implementations will vary depending on your own unique requirements.

Deployment of any new system will inevitably bring changes to both data and processes across your business. Your choice of rebate management software and vendor will be critical to the success or failure of your new system.

It's also important to add that if you are to truly extract the full range of benefits expected from your new rebate management software, planning is essential. From writing up your list of requirements to selecting your internal project team; all need to be carefully considered to ensure a successful implementation.

At Enable we have a dedicated Customer Success team who use their expert knowledge of the product and our customers to get you up and running as efficiently as possible. Ideally within 12 weeks! With our structured onboarding process below, you will be able to confidently use Enable to start sharing trading programs with your collaborators. We'll guide you through activation and beyond, helping you to evolve and take advantage of all the features Enable has to offer.

Head to our **Help Center** to find out more about onboarding.

To summarize

As you can see, whilst there is a lot to consider, a rebate management system can be truly transformational. We hope with this whitepaper we have in some way demystified the topic of rebate management — what it is and everything that goes with it.

Whether you decide to move to a rebate management solution now or in a few years' time, be careful not to hold on to legacy systems and ad-hoc, manual process that can lead to missed deal earnings, subpar pricing, poor cash flow, strained partner relationships, and financial compliance violations.

By investing in a cloud-based rebate management tool, you will reap the benefits the trillion-dollar deal-economy represents and have greater transparency into your rebate programs, however complex. It not only promises to deliver better business outcomes but also foster long-term and more meaningful partnerships for the purpose of mutual gain.

Leading companies worldwide are driving profitable growth with Enable.
Are you ready to join them?

enable