



The Importance of Measuring Your Rebate Programs



When you cook, you probably follow a recipe. If you're baking, you definitely do. Cooking is an art, but baking? That's a science. You need the right proportions of dry ingredients (like flour or salt) to wet ingredients (like butter or milk) or your cake just won't turn out right. Measuring matters.

And just like measuring matters in the kitchen, it matters in other places. You'd never drive a car, for example, that didn't have a speedometer or a gauge telling you how much gas you have left. If you're a woodworker building a table or a chair, you don't just eyeball lengths. You measure twice so you only have to cut once.

We're constantly measuring things in our personal lives — and in our working lives. We're told our goals must be SMART: specific, **measurable**, achievable, relevant, time-bound.

But finance teams will be the first to tell you that they don't always measure rebates. And if they do, they might not be measuring them accurately. If you're not in finance, that might surprise you. If you are, or if you deal with rebates regularly, you know how time-consuming a process it can be to calculate all your rebates out. And plenty of tensions arise between trading partners because of disparate calculations.

So, let's talk about why it's so important to accurately calculate rebates quickly and efficiently while being able to see key indicators about your rebate programs at a glance.



A Game of Numbers: Calculating Rebates Owed or Due

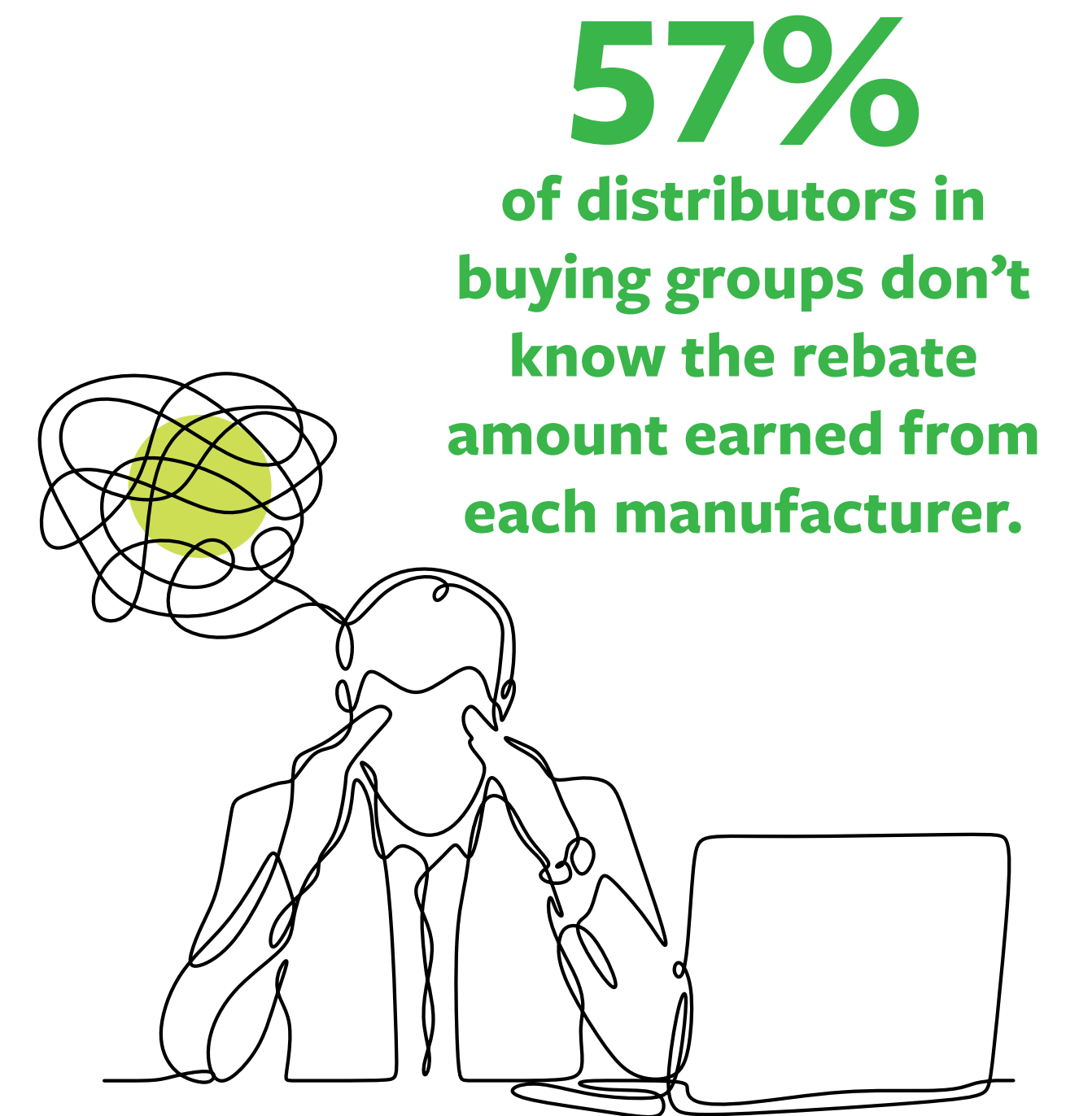
Depending on where your business sits in the supply chain, you're probably in one of two situations with your rebate program:

- If you're a supplier, you calculate how much you owe your customers and tell them what you're paying them in rebates.
- If you're a customer, you likely rely on your suppliers or buying group to tell you how much you're making in rebates. **57% of distributors in buying groups don't know the rebate amount earned from each manufacturer.**
- This is all well and good—until someone makes a mistake. We've found two things to be true:
 - **Companies managing customer rebates on spreadsheets tend to overpay by 0.21%, equating to an average of \$83,000 annually.** If you're a supplier, that could be you.
 - **Distributors using spreadsheets to manage rebates typically fail to collect 1% of rebates owed—an average of \$218,829 annually.**

So, whether you're a supplier or a customer, chances are you or your trading partner aren't calculating the numbers quite right. And chances are, that's led to a dispute which has ultimately damaged your trading relationship.

You don't want that. Your trading partner doesn't want that. You both want your numbers to be accurate—and the same.

This means using a better tool to manage your rebates than spreadsheets.



Increasing Profitability

When your business goals are in alignment with your trading partners' goals, you have tremendous opportunity for growth. But even if goals aren't entirely aligned, there are still ways for you to use rebates to increase your profitability.

Enterprise Resource Planning Solutions

Most companies like using their enterprise resource planning (ERP) solution to manage their rebates because they're already using the ERP. Given the time, energy and resources that go into implementing a new ERP, this makes a lot of sense.

Unfortunately, many ERPs are incapable of handling complex rebate programs. Many ERPs will only allow users to utilize a single rate, which forces many companies to create a "blended" average rate across all their deals.

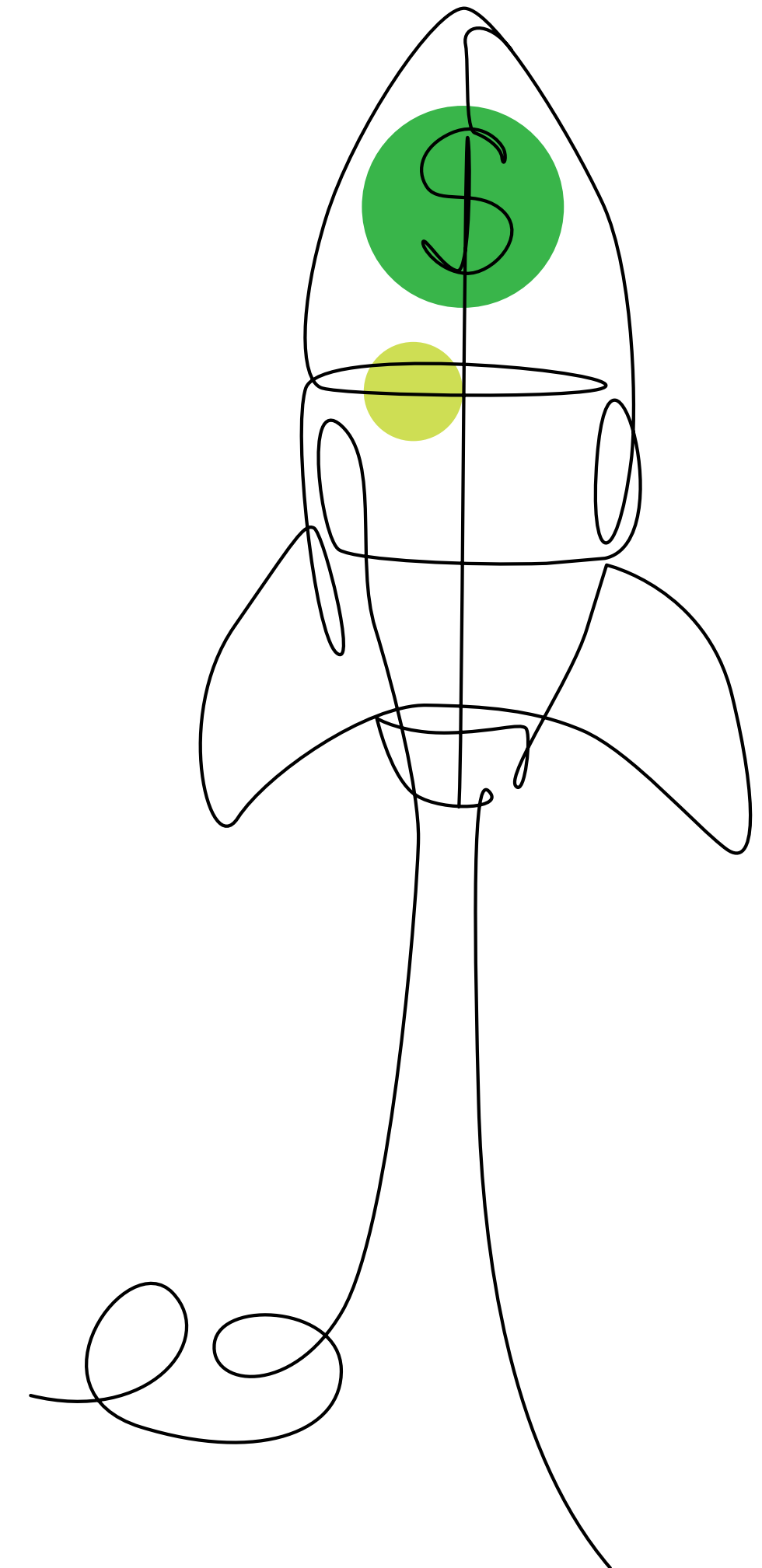
While the ERP handles other aspects of procurement and sales quite well, when it comes to rebates, companies still need to extract data into spreadsheets and calculate their rebates owed or due manually.

Rebate Management Software

The great thing about rebate management software is that it's built specifically to manage rebates, whether simple or complex. Rebate management software—especially a good rebate management software—allows you to manage all your trading agreements and rebates in a single location. From there, you can negotiate terms, calculate rebates owed or due, see progress toward goals and more, depending on the software in question.

Another benefit of rebate management software is shorter implementation time. ERP implementation is notoriously lengthy, so if you're considering an ERP specifically for rebate management, you're probably better off with rebate management software.

If you're already using an ERP, good rebate management software will integrate seamlessly with your ERP. The two systems will work together to provide you with everything you need—but the ERP's onboard rebate management system will be redundant.





Measurement Matters: Understanding Your Tool's Reporting Capabilities

Before you decide whether you want an ERP or a dedicated rebate management software solely based on their ability to calculate rebates owed or due, you should consider one more thing: reporting capabilities.

25% of distributors report not knowing how they measure their rebate goals. Meanwhile, **46% of manufacturers believe that better awareness of their trading program from their trading partner would improve the effectiveness of their rebate program.**

This tells us that customers and suppliers have an opportunity to work together by using tools that increase visibility into rebate programs while simultaneously providing more reporting capabilities.

As you consider which tool you want to use to manage your rebates, ask the following questions:

- Does this tool show me how close I am (or my trading partner is) to achieving program goals? For example, if I'm participating in a volume rebate program, does the tool show me how close I am to reaching my next volume threshold?
- Does this tool show me which deals are up for renewal?
- Can I see at a glance what products are and aren't eligible for rebates?
- Can I see how much I've earned in rebates per product?

If the tool you've selected doesn't let you report on some (or, in our opinion, all) of these points, it might not be the right tool.

Let's take a look at what you should be able to report on or measure about your rebate programs.

Enterprise Resource Planning Solutions Trading Agreement Renewals

Whatever system you're using to manage your rebates should let you know when your trading agreement is about to expire. For many businesses, this is currently a manual process. Every year, they have to check each trading agreement for expiry dates—or set calendar reminders. A good rebate management tool will house that information for you and let you know when agreements are up for renewal.

A better rebate management tool will facilitate deal negotiation within the tool itself, allowing you to change terms (such as rate or start/end dates) and sign off on the final program all in one place.

Housing your deal terms within the confines of your rebate management tool means that you and your trading partner are always on the same page. Everyone is clear on what products are part of the agreement and what the rebated rate for each product is. You'll never have to search your inbox for terms again.

Progress Toward Goals

This might be a bold statement, but if your rebate management tool can't tell you how close you are to meeting your goals, you might want to consider a different tool.

For customers, goals tracking is critical. If a customer knows how close they are to their next volume threshold, they may decide to spend more. If a supplier sees multiple customers or a buying group is close to a volume threshold, they may decide to offer a product mix incentive including the product from the volume threshold to make the product even more enticing.

More visibility into a rebate program will only benefit you. Speaking of...

Visibility into Rebated Amounts

75% of distributors report that knowing rebate amounts would influence their support of a manufacturer. That's a huge number! When manufacturers communicate rebate amounts to distributors, they're more likely to do more business. So, for manufacturers specifically, you want to find a tool that lets you work with distributors and retailers to show them this information.

This may mean a dashboard that lists individual products and their rebated amount, or it may mean easier access to trading agreements that are all stored in one location. Either way, when you offer increased visibility, you offer increased transparency, which results in increased trust and loyalty between you and your trading partner.





Start Measuring Your Rebate Programs Today

Do all these insights sound too good to be true? We're excited to tell you that they're not. Enable offers you all these insights and more via our Executive and Partner Dashboards. These dashboards are available to Enable customers or anyone who collaborates with Enable customers through Collaborator, providing you with unparalleled visibility into the progress and success of your rebate programs.

Managing rebates can be hard, but it doesn't have to be. Stay on top of your rebates with Enable. Schedule a demo today and see either or both dashboards in action.





About **Enable**

Enable helps manufacturers, distributors, and retailers take control of their rebate programs and turn them into an engine for growth. Starting with finance and commercial teams, Enable helps you better manage rebate complexity with automated real-time data and insights, accurate forecasting and stronger cross-functional alignment. This lets you — and everyone in your business — know exactly where you are with rebates. Then you can extend Enable externally to suppliers and customers, setting them up with one collaborative place to author, agree upon, execute on, and track the progress of deals. Find out more and try it for free at [**enable.com.**](https://enable.com)

