



# The 2024 State of Volume Rebates for Distributors



## Introduction

We are doing business in unprecedented times. Transformation occurs across industries at unheard-of speeds, challenging us to keep pace with fluctuating market conditions, political upheaval, increasing costs of labor and supplies, rising consumer expectations, consolidation and so much more. Suppliers and customers within the supply chain face these challenges every day as they work tirelessly to maintain relationships, protect margins and achieve revenue growth.

**Amid all this uncertainty, an unlikely hero has emerged: the humble rebate.**

For many companies, rebates have become a strategic lever offering the means to foster stronger relationships between trading partners while simultaneously driving internal efficiencies and, ultimately, bolstering the bottom line.

Rebates have had many names over the years—spiff, promotion, special pricing agreement, ship-and-debit to name a few—but they are, at their core, any transaction where funds flow back through the supply chain. Rebates are behavioral motivators. By negotiating and implementing effective rebate agreements, companies throughout the supply chain can incentivize bulk purchasing, loyalty, prompt payment and other desirable behaviors. In these scenarios, both customers and suppliers win, promoting healthier trading relationships. These lasting partnerships contribute to a more resilient and competitive supply chain.

**But how do we get there? How do we turn rebates into a lever for growth?  
How do we use them as tools to bolster trust between suppliers and customers?**

**The key is good rebate management.**





**Rebates drive financial performance** while shaping the strategic landscape of supply chain operations.”



For years, rebate management has been good enough, but as the supply chain faces all these mounting challenges, good enough isn't, well, enough. Maybe this is a bold statement, but we can't just scrape by on the basics, relying on cumbersome spreadsheets, rigid ERPs and error-prone manual processes. We need tools and platforms that work for us, that allow us to manage every type of rebate no matter how complex, that allow us to work together on creating, negotiating and executing contracts and that allow us to have full control over who sees our data, how and when.

Good rebate management allows us to maximize revenue streams, avoid revenue leakage and maintain a healthy cash flow. In turn, this empowers us to invest in innovation, technology and talent—critical components for staying ahead in our ever-evolving landscape. Good rebate management opens communication, reduces disputes and ensures that both parties fully benefit from agreements. This collaborative approach not only enhances the efficiency of day-to-day operations but also positions us as reliable partners.

**The role of good, effective rebate management cannot be overstated. Rebates drive financial performance while shaping the strategic landscape of supply chain operations.**

And that's why Enable decided to revisit how manufacturers and distributors are using volume rebates. If rebates are the key to supply chain success, we wanted to peel back some of the mystery surrounding their uses and how effective they really are at motivating behavior and achieving business objectives. We asked manufacturers and distributors across **13 industries** about their volume rebate programs. Some of what we learned hasn't changed too much from last year, but we've also uncovered new gaps and areas of friction—communication between manufacturers and distributors remains a hot topic—while discovering some exciting areas of opportunity, too.

This report comes in two halves: one unpacking what we learned about distributors, and one focusing on manufacturers. This part of the report focuses on distributors. Reading both reports will paint a fuller picture of how volume rebates are used to support the supply chain.

## Key Stats

1

### Rebates Remain Critical to Distributors

- **87%** of distributors report that rebates are critical to profitability.
- The availability of a rebate program with a supplier matters to **79%** of distributors.
- While rebates are critical to profitability, only **43%** of distributors report knowing the rebate amount earned from each manufacturer they purchase from.

2

### Distributors View Rebates as a Tool for Relationship Building

- Most distributors (**72%**) believe manufacturers offer rebates to become a preferred vendor.
- However, only **47%** believe that a rebate program is an expectation—and only **18%** view a rebate program as a requirement.

3

### Better Tools are Needed to Track Rebate Performance

- Just over half (**58%**) of distributors track performance against supplier goals.
- While **28%** of distributors use Excel and **19%** use an ERP, **26%** of distributors don't know how they track performance.
- Distributors have concerns over accuracy in claiming all they're owed: **52%** don't believe they receive all the rebates they earn.

4

### Communication Remains a Key Concern, both Internally and Externally

- An increased number of distributors (**48%**) report that only purchasing and senior management are aware of supplier volume rebate programs.
- For one-third of distributors, teams only know there's a rebate program because vendors are marked as "preferred."
- When it comes to communication between manufacturers and distributors, **33%** of distributors report they only hear from manufacturers when they reach out first.
- One in four distributors report poor communication between themselves and their manufacturers.



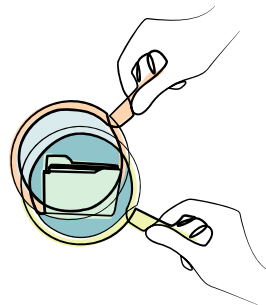
# Rebates Remain Critical to Distributors

When upwards of **90-100%** of profit for a distributor can be attributed to rebates, it's obvious that rebates are critically important to success. They are a linchpin for profitability. **87%** of our distributor respondents affirmed the essential role of rebates in the financial health of their businesses.

Let's start with some good news: on average, distributors have a volume rebate program with **57 of their top 100 manufacturers**. That's up from **50** last year. This tells us that manufacturers see the value in offering rebate programs to their distributors even in the face of rising complexity. We hope to see manufacturers offer more programs to more distributors, especially because rebates remain so important to distributors.

The reliance on rebates as a key driver of distributor profitability underscores their necessity in the relationship between manufacturers and distributors. As distributors navigate the intricate landscape of supply chains and market dynamics, rebates become a vital tool for optimizing revenue streams, enhancing competitiveness and ultimately ensuring the sustainability of their operations. Manufacturers who support distributors with rebate programs thus become valued partners.

So, it comes as no surprise that **79%** of distributors told us that they make partnership decisions based on whether or not a supplier has a rebate program. And this has increased over previous years. Rebates are becoming even more important to distributors.



## Greater Visibility is Needed

Distributors are very aligned on the critical role rebates play. And yet, despite the financial impact of rebates on profitability, only **43%** of distributors report having clear visibility into the rebate amounts earned from each manufacturer they purchase from.

This knowledge gap points to a need for improved transparency and communication between distributors and manufacturers. Without a comprehensive understanding of the rebate amounts, distributors may miss opportunities for optimizing their rebate earnings, potentially leaving valuable incentives on the table, and manufacturers may lose out on opportunities to improve relationships and increase sales volume.

As distributors and manufacturers align their strategies, addressing this gap becomes crucial for unlocking the full potential of rebate programs and fostering a more collaborative and lucrative distribution ecosystem.

**This also ties directly into a need for better communication between manufacturers and distributors—something we'll talk about a lot more later.**

# Distributors View Rebates as a Tool for Relationship Building

Before we unpack communication, let's talk about how distributors look at rebates. A lot of manufacturers are of the opinion that they have to have rebate programs—that rebates are a cost of doing business.

## But this isn't necessarily the case.

Yes, rebates are critically important for distributors, but only **47%** of distributors say that a rebate program is an expectation. Only **18%** view rebate programs as requirements. This perspective challenges the notion that rebates are universally deemed obligatory by distributors. Instead, distributors seem to view rebates as a nice to have, a tool for fostering loyalty between them and a preferred supplier.

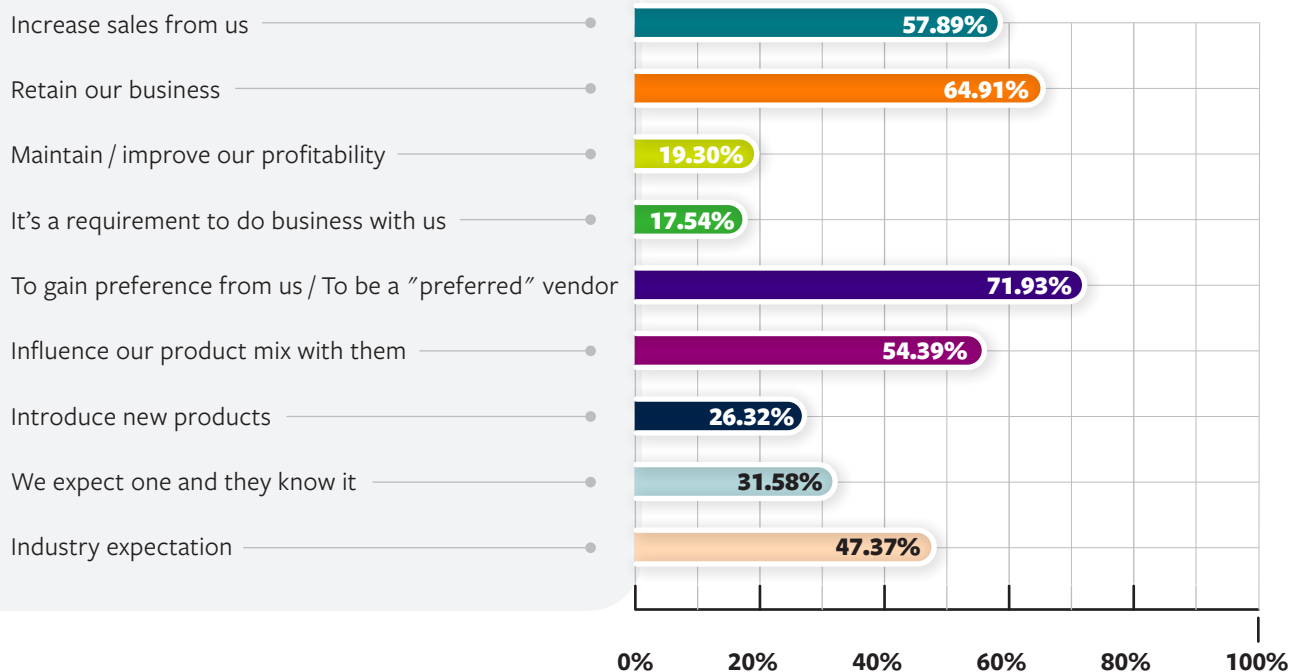
Indeed, most distributors (**72%**) believe that manufacturers use rebates to become preferred vendors or to maintain loyalty. This nuanced understanding suggests that, for distributors, the value of rebate programs extends beyond mere financial transactions. Rebates are seen as strategic instruments for fostering strong and enduring partnerships.



## What Manufacturers Should Know: Why Rebates are Offered

Most distributors believe that manufacturers offer rebates to become the distributor's preferred vendor, retain business and increase sales, in that order. This is very similar to last year, though business retention and increasing sales volume switched places. It's important to realize that distributors don't view rebates as a cost of doing business—which is often the perception that manufacturers have.

### Why Manufacturers Offer Rebates



And we believe rebates are at their best when they're used in this capacity. Instead of being viewed as a cost of business or a necessary evil, rebates should be viewed as drivers of shared business goals, whether that's increasing sales volume, influencing product mix, protecting margins or something else entirely. When manufacturers and distributors align on those goals, they can support each other. As one of our respondents said, "[Rebates are] **100%** a partnership between customer and a supplier."

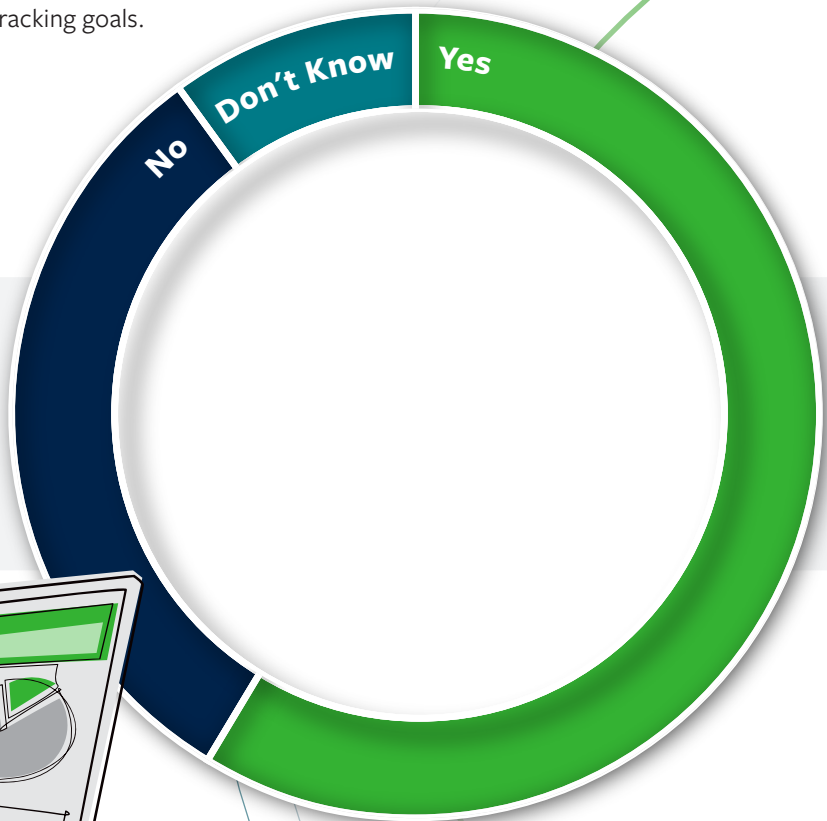
## Better Tools are Needed to Track Rebate Performance

If rebates are so critical to distributors, then it stands to reason that distributors are tracking the programs they're involved in at a granular level, right?

Our research revealed that just over half (**58%**) of distributors track performance against supplier goals. While this is a majority, the number still feels low. But there are good reasons why the remaining **42%** of distributors may not be tracking goals.

### Tracking Performance Against Supplier Goals

- Yes **58.82%**
- No **31.37%**
- Don't Know **9.80%**



Many distributors (around **66%**, per our research) belong to buying groups, and those buying groups handle tracking goal progress on the distributor's behalf. Others don't know what the goals are—only **43%** of distributors told us that manufacturers communicate goals to them. For some distributors, the problem could be that they lack the technology that facilitates goals tracking, and for others, it simply might not be a priority.

Right now, nearly half of distributors use either spreadsheets (**28%**) or ERPs (**19%**) to track their performance against goals. But neither tool is optimal. Spreadsheets are labor-intensive and require constant, manual updating. Reports don't autogenerate; someone has to build them. All this combines to create a lot of work that takes an employee away from other, more valuable tasks. ERPs, meanwhile, are notoriously sparse in their support for rebates. They often have predefined structures and workflows. If a company heavily relies on spreadsheets for specific processes or calculations that are not easily accommodated within the ERP's structure, users may find the ERP system less flexible for their specific needs. While some ERPs have onboard reporting capabilities, they are rarely effective at goal-tracking.

One respondent told us, "Calculations are time consuming due to the complexity of our programs. Sometimes, the data we need isn't readily available." It's clear that spreadsheets and ERPs just aren't getting the job done. Neither tool calculates rebate values quickly, one is prone to errors, the other is extremely limited in capability, and neither provides critical reporting functionality. Better platforms are needed.

We were most alarmed, however, to discover that **26%** of distributors weren't sure how they track program performance at all. Considering how difficult it can be to track performance, maybe this isn't surprising, but when we consider how critical rebates are, it is absolutely paramount that distributors know where they are in their progress toward goals. Proximity to the next volume threshold could mean a larger rebate payout to the distributor—and an increase in sales for the manufacturer—if it's met.



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Advance your career, show off your skills and help grow your business with Rebate Strategist University. Learn the skills you need to transform your company's rebates into a strategic engine for growth with this 4-lesson course.



## Poor Goals Tracking Results in Friction Between Manufacturers and Distributors

You might be thinking we're making a mountain out of a molehill. After all, both manufacturers and distributors have relied on spreadsheets and ERPs for years. This is true, and both tools have done their jobs.

But when **52%** of distributors believe they're not receiving all the rebates they earn, that's a problem, and it stems from inaccurate data and the inability to accurately track against goals. Ultimately, this skepticism leads to friction between manufacturers and distributors that ultimately results in breakdowns of trust—something we see throughout the supply chain.

**Repairing trust isn't going to happen overnight, but creating more certainty around accurate reporting will definitely help.**

To that end, we'd encourage distributors to make sure they're tracking progress against supplier goals. Start by ensuring you know your goals. Reach out to your manufacturer (or buying group) and review your contacts. If you're the person who manages your rebates, now is the time to check your spreadsheets or ERP—or the time to learn what you're using to track your goals. Eliminate the friction that can arise from disputes by actively agreeing on numbers throughout the year, not just when you expect a payout.

## Communication Remains a Key Concern, both Internally and Externally

Last year's report talked at length about the troubles manufacturers and distributors have with communication. Difficulty communicating both internally and externally remained a theme this year, too.

One in four distributors said that communications between themselves and manufacturers are poor or never happen. Another **33%** told us that they only receive communications when they seek it out.

We'll lead with a bold statement: both manufacturers and distributors need to communicate more effectively with each other and with key stakeholders. For rebate programs to be effective, both parties need to understand yearly goals and the progress they're making toward them.

**Let's unpack this a little more.**



### Breakdowns in Internal Communication for Distributors

We asked distributors how rebate programs are communicated throughout their companies. One-fourth of respondents told us that information isn't communicated at all. This will obviously result in siloed data, with different departments unaware of the details of rebate programs. Ultimately, this means decisionmakers won't have all the information they need to make those decisions.

We also found out that for nearly half (**48%**) of distributors, only purchasing and senior management are aware of supplier volume rebate programs. This is up just a little from last year (**44%**). In last year's report, we talked about the importance of ensuring finance teams are also aware of rebate programs. Without that information, they can't forecast properly and accomplish other key tasks. While it may be appealing to limit knowledge of rebate programs to minimize too much input, distributors should do a pulse check and make sure this information is communicated clearly to all stakeholders, from purchasing to sales to finance.



## Distributors Desire Improved Communications with Manufacturers

Distributors report frustration when it comes to external communications. One in four report poor communication between themselves and their distributors. This likely contributes to the lack of knowledge of goals on the distributor side of the equation and leads to frustration and friction between trading partners.

In fact, only **41%** of distributors say they receive progress updates from a salesperson. These updates are usually communicated quarterly or, worse, only annually, meaning that distributors have no time to adjust strategies if they're going to miss a target. This leaves distributors feeling like they're in the dark for much of the year, resulting in increased frustrations that erode trust between trading partners. When suppliers and distributors are in closer contact, adjustments can be made to strategies throughout the year that benefit both parties.

The communication landscape between manufacturers and distributors reveals further challenges, with **33%** of distributors reporting that they only receive communication from manufacturers when they initiate contact. This reactive approach to communication suggests a potential gap in the proactive sharing of information, leaving distributors in a position where they must actively seek updates rather than receiving timely and consistent communication from manufacturers.

Manufacturers and distributors both should reevaluate their communication strategies, both internally and externally. Information about volume rebate programs must be shared to all key stakeholders, not just purchasing and senior management. And manufacturers should consider being more proactive in their communications with their distributors such that shared goals can be reached more effectively. Waiting for distributors to initiate contact may result in missed opportunities and a diminished sense of partnership. Instead, establishing regular communication channels, providing updates and actively sharing relevant information can foster a more collaborative and informed relationship.

## Where do Distributors Go from Here

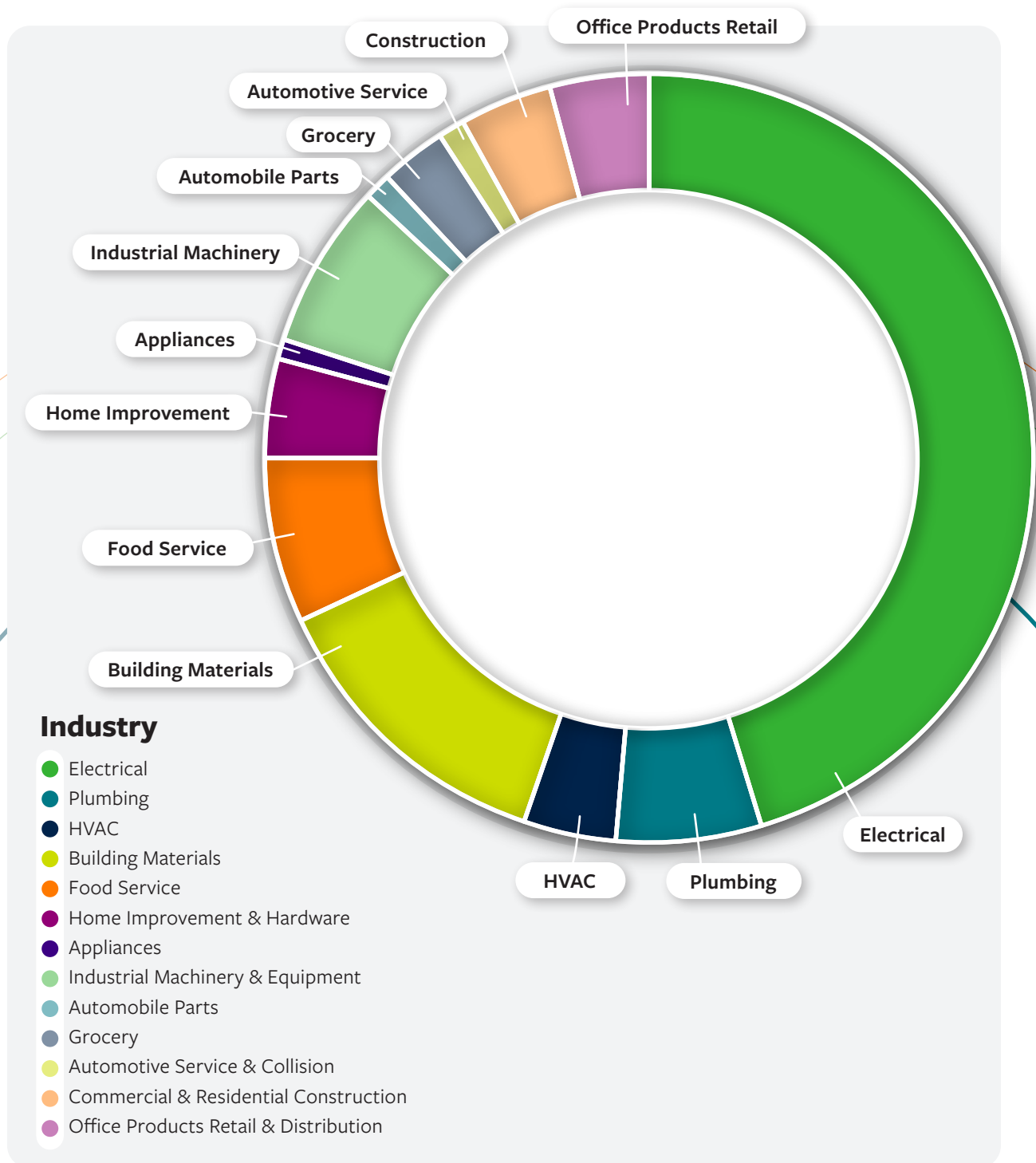
Regardless of your experience with rebates, we can acknowledge that they are critical for the success of distributors throughout the supply chain. They protect margins and drive revenue all while helping manufacturers and distributors maintain better trading relationships.

Over the coming year, there are plenty of challenges to overcome, both internally and externally. Distributors will almost certainly want to work on improving internal communications, and they should also work with their suppliers to improve external communication as well. Distributors seeking to understand the impact of rebate programs on their bottom line will need to seek out tools that provide better analytical insights and visibility into performance against goals.

Now, more than ever before, rebates play a critical role in building stronger and longer-lasting trading relationships between manufacturers and distributors, and their importance will only continue to grow.

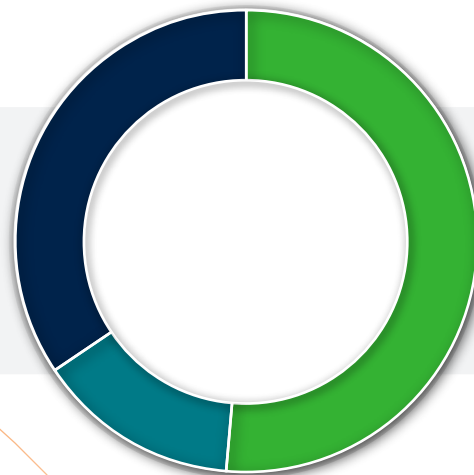
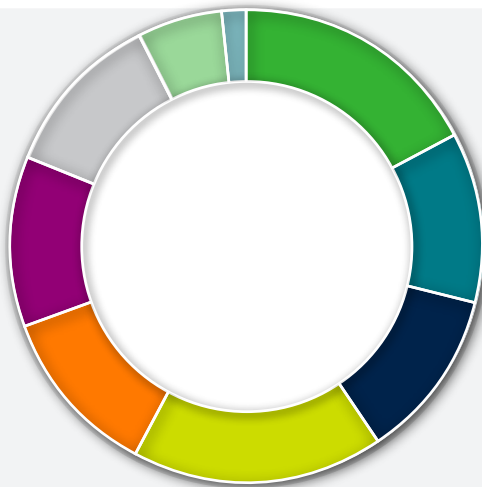


# Demographics



## Business Type

- Distributor / Wholesaler
- Retailer
- Manufacturer

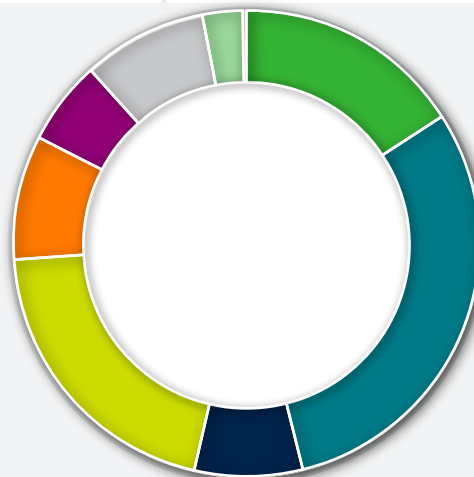


## Revenue

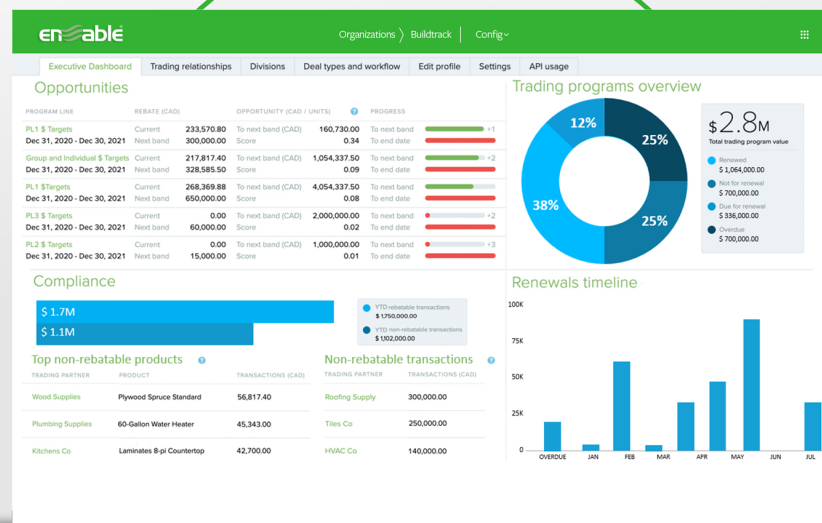
- < \$25M
- \$25-50M
- \$50-100M
- \$100-250M
- \$250-500M
- \$500M - \$1B
- \$1B - \$5B
- \$5 - \$10B
- \$10B+

## Title

- President / CEO
- Senior sales management
- Regional Sales management
- Branch manager
- Purchasing
- Accounting / Finance
- IT
- Sales
- Regional / Field Management



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## 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).