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8 Rebate Strategies to Maximize Margin Across the Supply Chain



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If you're in the business of rebates, you're an influencer.

No, really!

Think about the rebate programs your business offers. Think about what they're designed to do. Move product, yes. Drive revenue, certainly. But more than that, rebates are about influencing behaviors. When you promise your trading partners rebates, you're encouraging them to engage with you in specific ways.

This means you — yes, you — have levers you can pull to improve your company's margins. You can help influence trading partners and their behaviors.

You're probably wondering how you can influence anything when you're managing your company's rebates. That's great, because we're here to tell you.

Let's unpack 8 strategies to increase margin with rebates.



1. Offer Tiered Incentives to Drive Higher Volume Purchases

Imagine your business offers a 2% rebate for up to 10,000 units purchased—and no more. You’re not incentivizing your partner to purchase more from you when you offer them this flat rate. In fact, many partners may not purchase more units than the maximum among they’ll receive a rebate for. That means you’ve got more product in your inventory than you want!

What’s the solution? Tiered incentives!

Tiered incentives — also called volume incentives or incentive bands — are a great method to help your company increase margins. Instead of offering a partner a flat rate rebate, tiered incentives allow you to offer more rebates for more products purchased.

Units Purchased	Amount Rebated
0-10,000	2%
10,001-25,000	4%
25,001-50,000	10%

Now, you’re incentivizing your partners to change their purchasing behaviors. When partners notice they’re close to meeting or exceeding a rebate threshold, they’re more likely to step over that threshold when they know there’s something in it for them. In this case, they’re getting a greater rebate from you.

You can offer both retrospective and non-retrospective tiered rebates. Retrospective tiered rebates are much easier to manage. The minute your partner reaches their threshold, their rebate value goes up. In our example above, this means the minute your partner purchases their 10,001st unit, they receive a 4% rebate on their entire purchase. By comparison, non-retrospective rebates mean your partner receives a 2% rebate up to their 10,000th purchase, but for all units purchased after that, until they reach their next threshold, they’ll receive a 4% rebate. Calculating non-retrospective rebates are much harder without an ERP (to help manage inventory) and a rebate management system, such as Enable.



2. Protect Your Margins with Mix Incentives

If you have a few products that sell well or produce the highest revenue, consider creating incentive mixes with those products. For example, if you sell construction products, such as bricks, timber, drywall and insulation, one of those items may be slow to sell but have a high margin — let's pretend it's the drywall.

You want to move more drywall because it's good for your margins, but your customers aren't buying it in the volumes you want to see. To help move more drywall, you offer customers an incentive when they buy a mix of drywall and other products.

For example, you tell them customers that if a specific amount of their purchase is drywall, then they receive a rebate on their whole purchase. This incentivizes your customers to buy more of the product that increases your margins while giving them money back on their whole purchase. Everyone wins!



3. Move More Product with **Promotional Incentives**

Maybe your concern isn't moving a product with inherently high margin — maybe you need to move a product you have too much of. Promotional incentives are an excellent strategy to move product that otherwise might not go anywhere. Simply let your customers know that for every extra unit they purchase, they'll receive a rebate.

These sound like discounts, but they work differently. When you offer a discount, you impact the price perception of your product in the marketplace, which you don't want to do. To avoid accidentally manipulating the market, offer promotional incentives instead of discounts.



4. Create **Marketing Opportunities** for Partners

Some partners will work with you on marketing initiatives for specific product lines. If you have products you want to sell more of, you might ask a partner to help out. Let's say you have overstocked decorative aggregates, like river stones. You want to move this product, but you're having trouble doing so.

Reach out to your trading partners and suggest collaborating on a marketing campaign. If they promote decorative aggregates, including the items you want to move, you'll help fund their marketing campaign as a rebate. This is a great technique to encourage your partners to promote inventory you want to move.



5. Offer Rebates for **Loyalty**

Retaining trading partners is just as important as forming new relationships—if not more so! To encourage your partners to keep doing business with you it may be beneficial to offer rebates when multiple divisions within that partner's organization also do business for you.

What does this mean? Imagine you sell a lot of drywall to a home improvement retail chain with locations across the country. You can set up an incentive structure in such a way that the parent company gets a larger rebate as more of their locations sell your drywall. This incentivizes the company to promote your drywall, install product display and keep information about the product up-to-date to encourage sales.



6. Motivating Slow Sales with **Stock Cleanses**

When your trading partners agree to sell a range of your products, sometimes that range doesn't sell as well as expected. Or, more likely, only certain parts of that range sell well. Obviously, you want to move that stock, and we've already discussed some ways you can do that.

But this unsold stock becomes even more of an issue for you when you're ready to release your next product range. Now, that old range is taking up space on your shelves. So, what action do you take?

One solution is to create a stock cleanse fund. For every \$1 of the stock sold, one cent goes into a fund that the retailer can then claim back. This helps ensure that product is selling, keeping your margins up.



7. Create **Stocking Incentives**

Sometimes, you want to ensure your products are sold by accredited retailers. When you do this, you can offer a special stocking incentive. If the retailers stocks a minimum amount, you may choose to give them an additional rebate on top of what they normally receive from you.

For example, you're a high-end vacuum manufacturer. You only sell to specific retailers, who typically receive a 5% rebate from you for purchasing a given volume of vacuums. But because the retailer is an accredited seller who understands your product deeply or has agreed to hold a minimum amount of stock, you provide them an additional 2% rebate on top of the 5% they already receive.

This encourages retailers to keep your items in stock and understand them on a deeper level, making them more likely to sell to customers and thus requiring the retailer to restock more often.



8. Offer **Logistics Rebates** for Bulk Purchases

Another strategy for growing your margins is to offer logistics rebates when your partners purchase in bulk. For example, you may offer an additional rebate if a partner purchases a whole pallet instead of making unit purchases. Perhaps you have a number of factories producing the same product. You could also offer a logistics rebate to a partner who purchases an entire lot from one, two or all of your factories. These logistics rebates are a great way to encourage your trading partners to purchase more from you and boost your margins.



Managing Margin- Improving Rebates

Rebates have dramatically increased in complexity, and managing them in spreadsheets is difficult at best. Knowing that, you may think it's impossible to implement many of these margin-improving rebate strategies.

But we're here to tell you that nothing is impossible.

There are plenty of tools out there that make rebate management easier, and we happen to think Enable is a great one. It will help you fully understand margins at a granular level, so you can agree the right deals and make the right sales and purchasing decisions. Without that visibility, you have very little chance of influencing margin.

So if you're ready to dive into a world where rebates are a strategic tool deployed to improve margins, we're ready to help you.

Contact us today at hello@enable.com.



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.

