

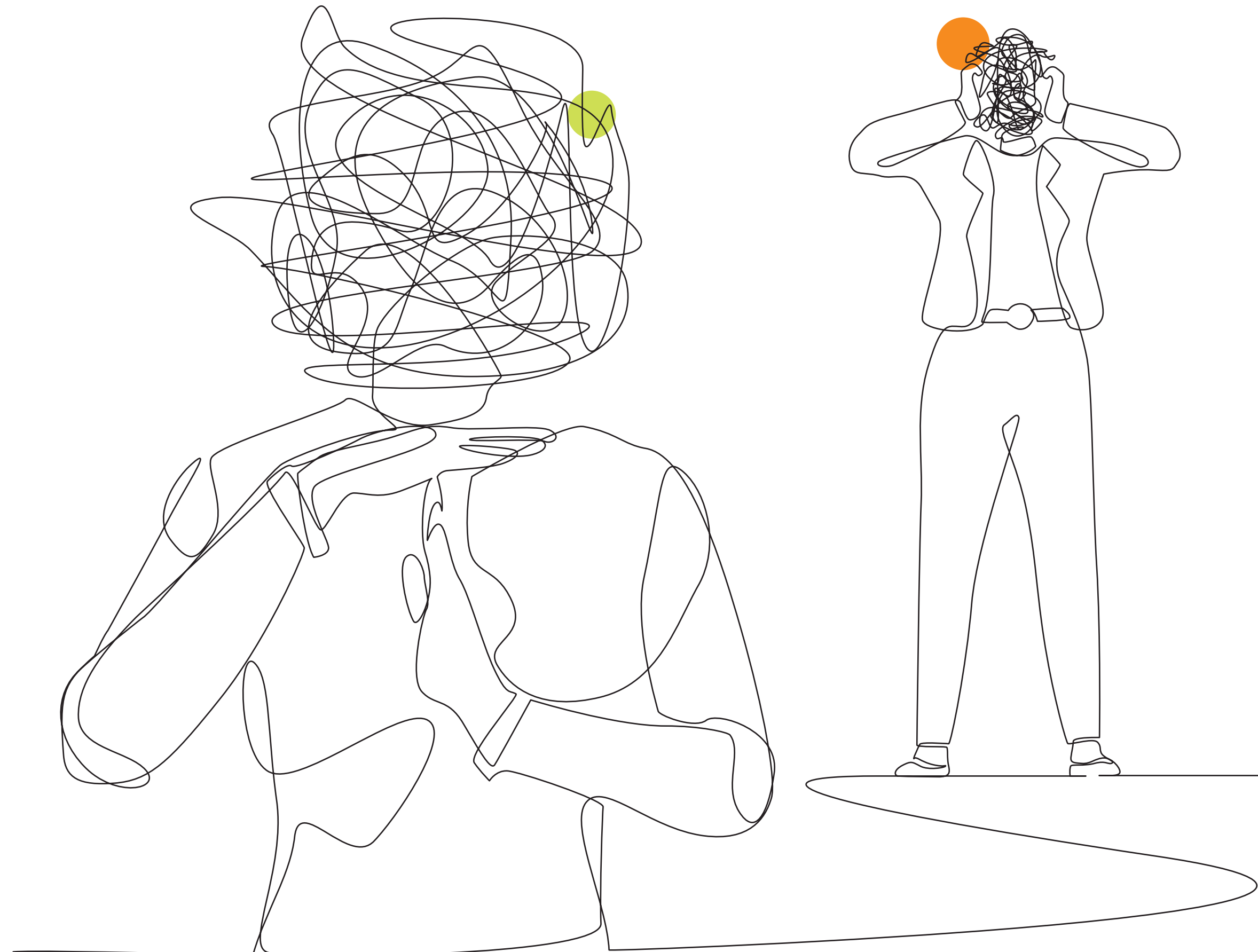


The Annual State of Volume Rebates for Manufacturers 2022



The global supply chain faces tremendous pressures. Consumer expectations have increased over the past decade, accelerating demands on suppliers and retailers. Lead times between order and delivery have vanished, and for many consumers, shipping costs are now a dealbreaker. As if consumer demands aren't enough for the stressed supply chain, those same consumers work for companies who are part of the supply chain — and they're bringing those consumer expectations with them to their jobs.

Today's supply chain grapples with the ongoing impact of the COVID-19 pandemic, the war in Ukraine, surging fuel costs, spiraling costs of labor and raw materials, the threat of stagflation and economic recession — whether current or impending — all in addition to rising consumer demands. **All these factors build up, stressing relationships between trading partners** and, ultimately, reshaping trading behaviors between manufacturers, distributors and retailers. On top of everything else, these changes have accelerated mergers and acquisitions, yet another contributor to stress and frustration.

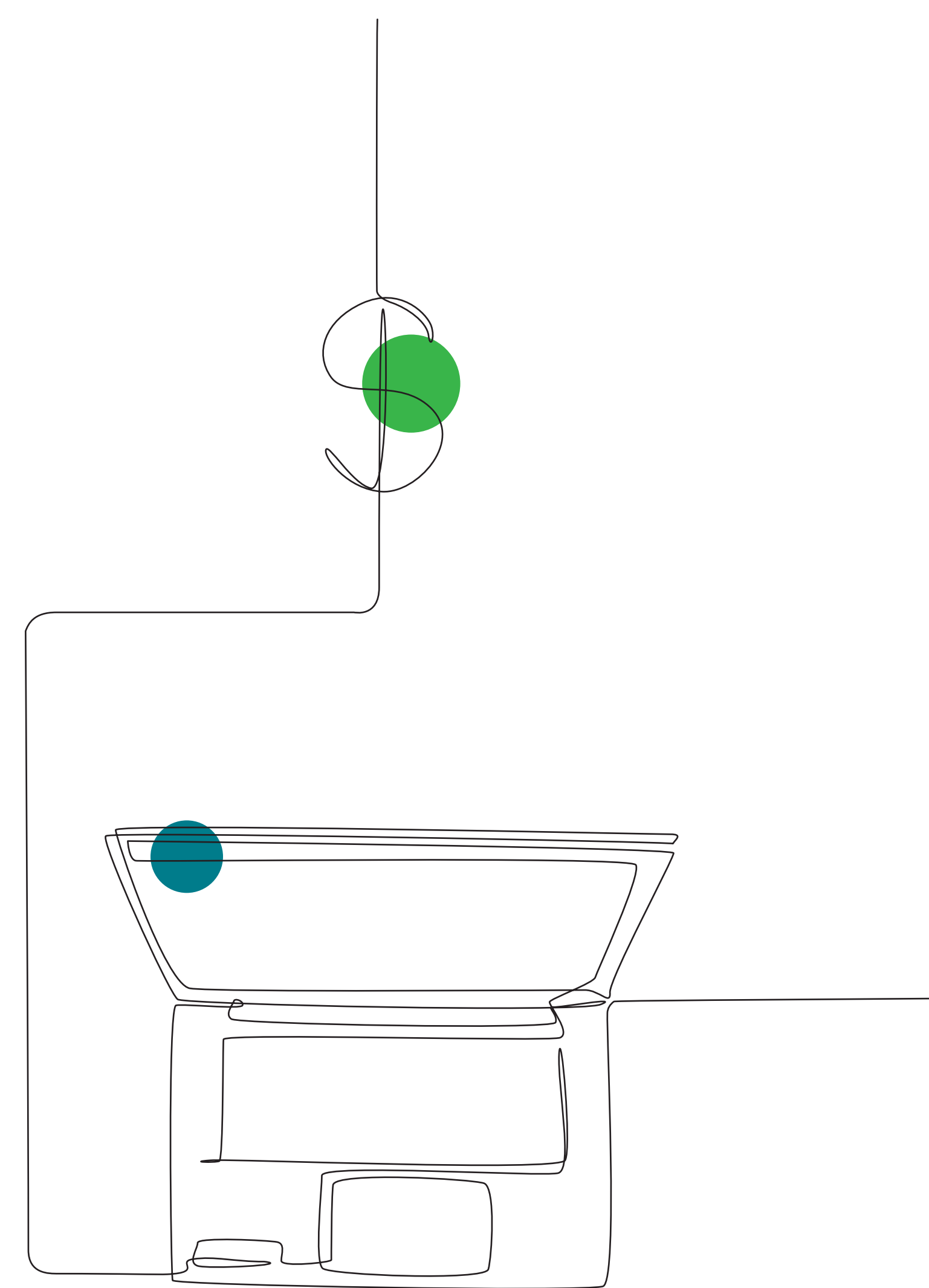


While consolidation forces trading decisions between partners away from the local level to a more abstract corporate level, more and more businesses operate in silos. This means that trading partners' data-sharing fluidity is broken, resulting in disputes that further erode trust and complicate end service to the customer.

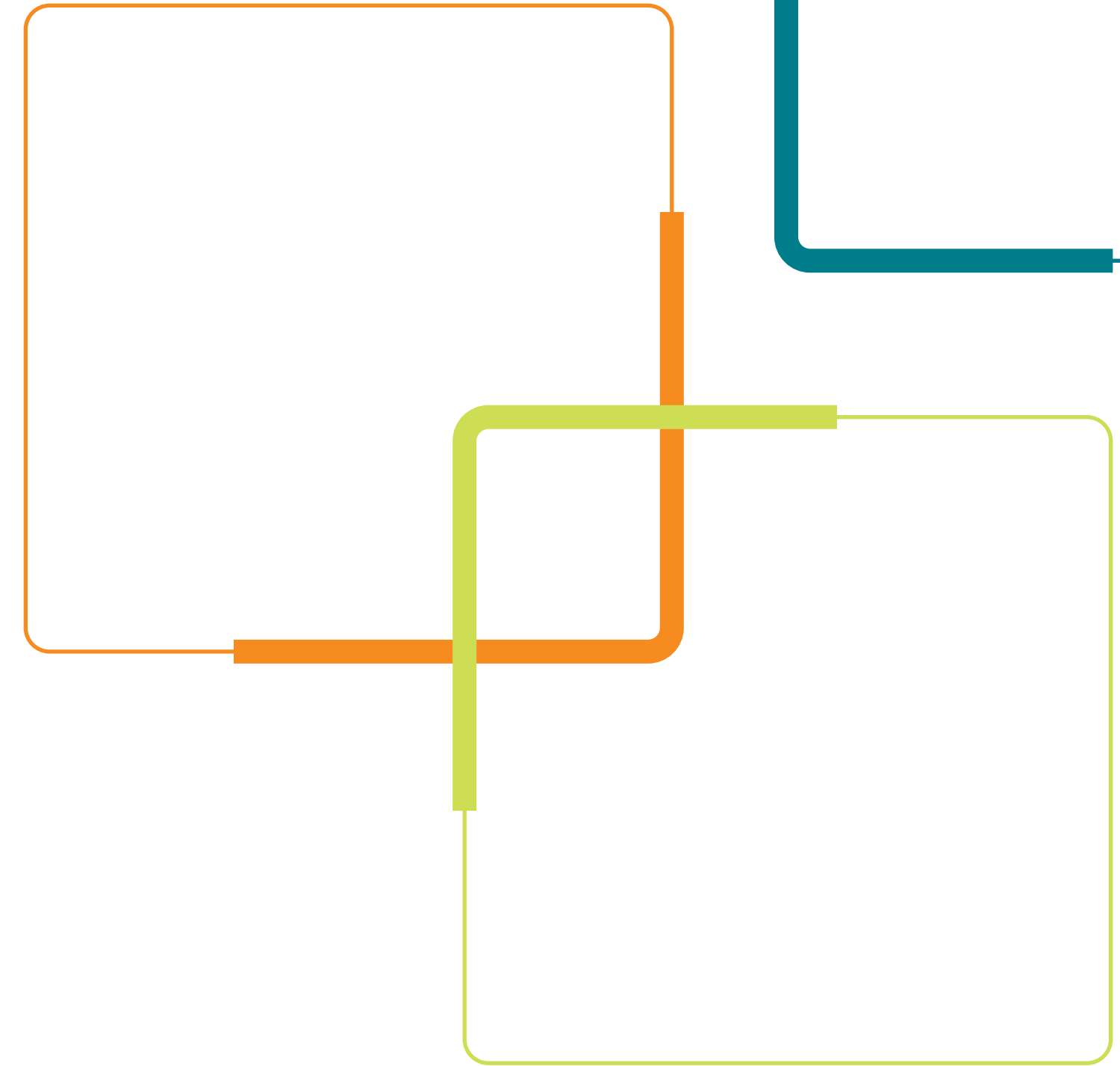
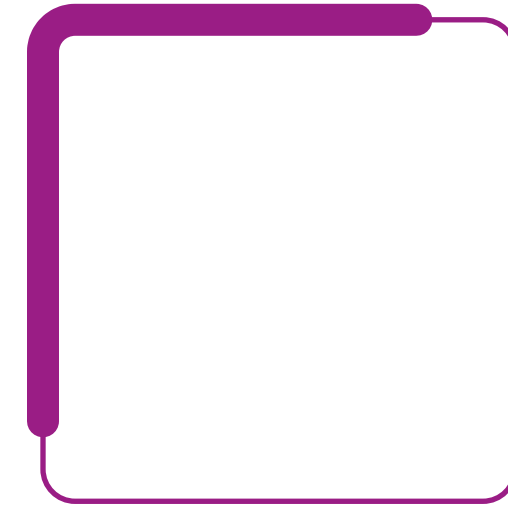
With all this bad news, seeing a light at the end of the tunnel for a struggling supply chain may at first seem difficult. But there is a light—and that light is rebates. As businesses continue to function under these incredible pressures, **rebates offer a tool to alleviate stress, build trust and encourage more desirable behaviors between trading partners.** Ultimately, when managed correctly, rebates help both parties in a trade agreement reach their desired outcomes. They are a powerful motivating tool and can be used to build trust between trading partners.

Taking all of this into consideration, Enable decided to survey manufacturers and distributors. We asked nearly 250 manufacturers and distributors across 14 industries about their volume rebate programs. We wanted to learn more about how trading partners use their rebates, how important rebates are to business and the challenges trading partners face in executing their rebates. Some of what we learned confirmed what we already knew—that **rebates are integral to distributors' profitability equations and that many manufacturers already use rebate programs to increase trust and influence long-term behavioral changes.** But we uncovered some challenges for both distributors and manufacturers, too: namely that communication is a difficult barrier to overcome.

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 manufacturers. If you'd like to read about the distributors' side of the equation, you can find that version of the report [here](#). Reading both reports will paint a fuller picture of how volume rebates are used to support the supply chain.



1 Key Takeaways

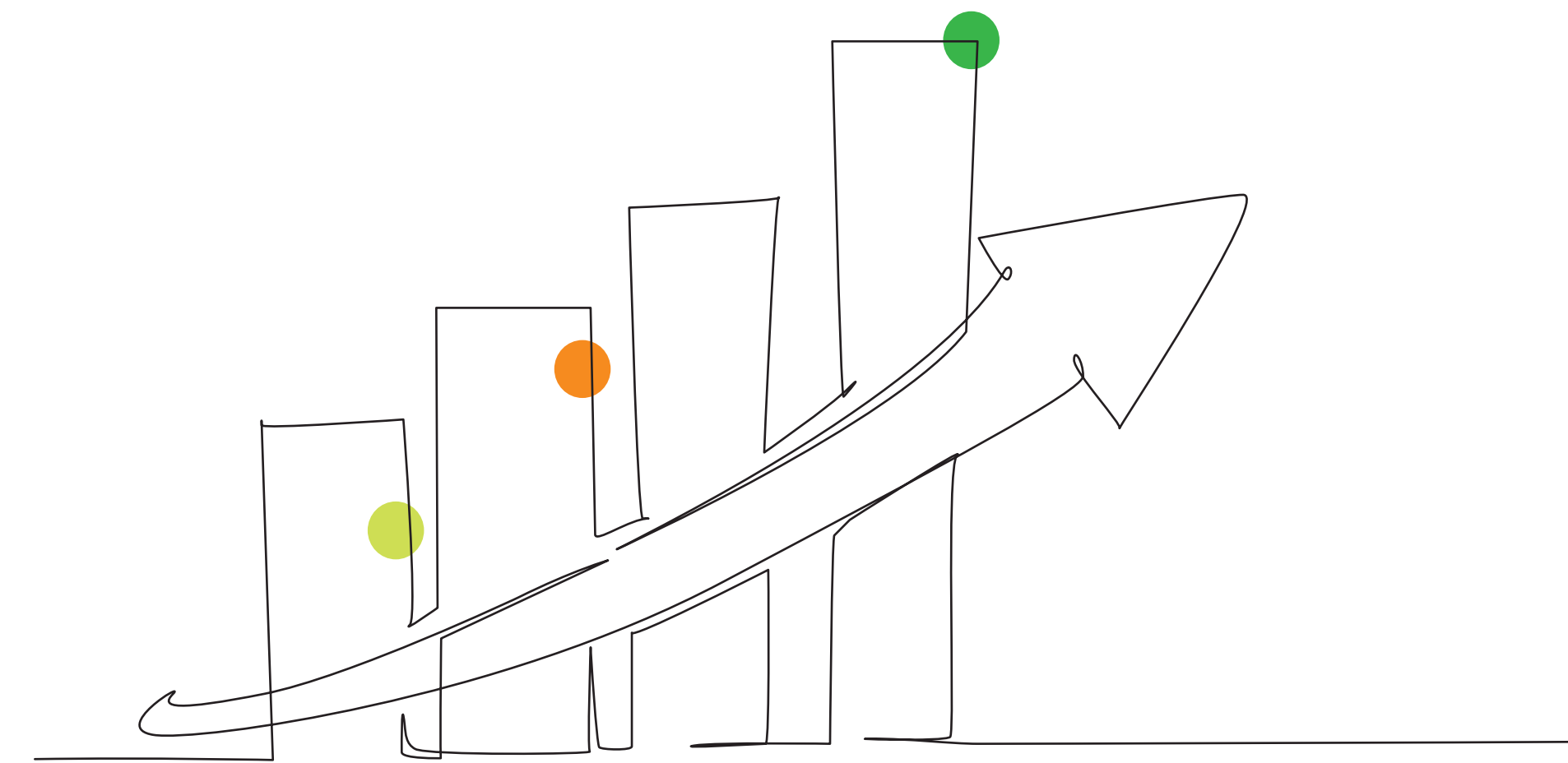


An Overview of Manufacturer Rebate Programs

2 in 3
manufacturers
offer annual
rebate programs
to influence long-term
behavioral changes.

Only
2%
of manufacturers think
their rebate strategy
is very effective at
achieving their goals.

Manufacturers rated
the ease of rebate
management
"fair"



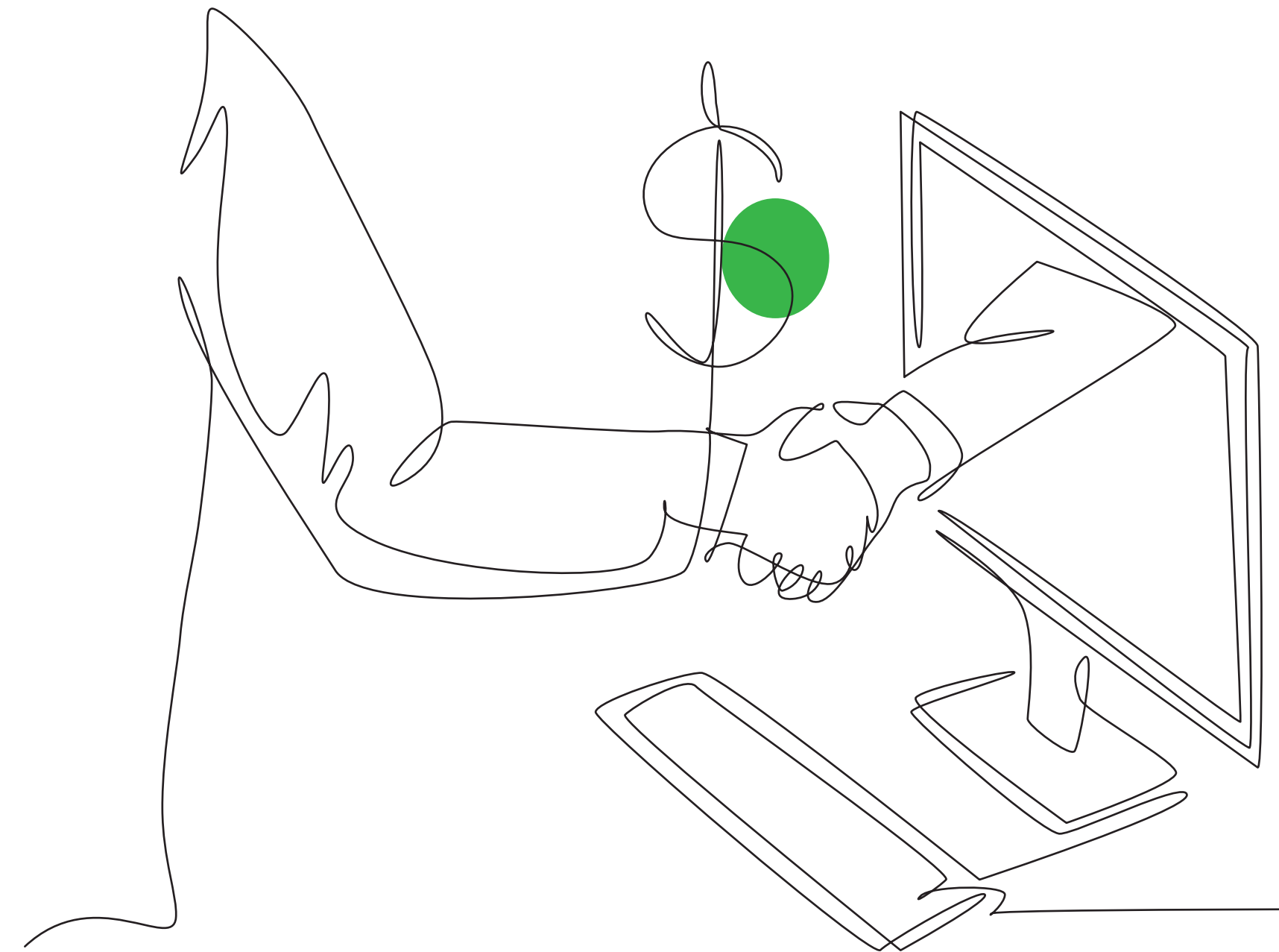
Opportunities for Improvement: Awareness and Analytics

46%

of manufacturers believe that better awareness of their trading program from their trading partner would improve the effectiveness of their rebate program.

42%

of manufacturers believe that better analytics would help program effectiveness.



Opportunities for Improvement: Reporting

Nearly
1 in 4

manufacturers don't know how many distributors they support with their volume rebate programs, and 40% don't know how many retailers, contractors or dealers they support.

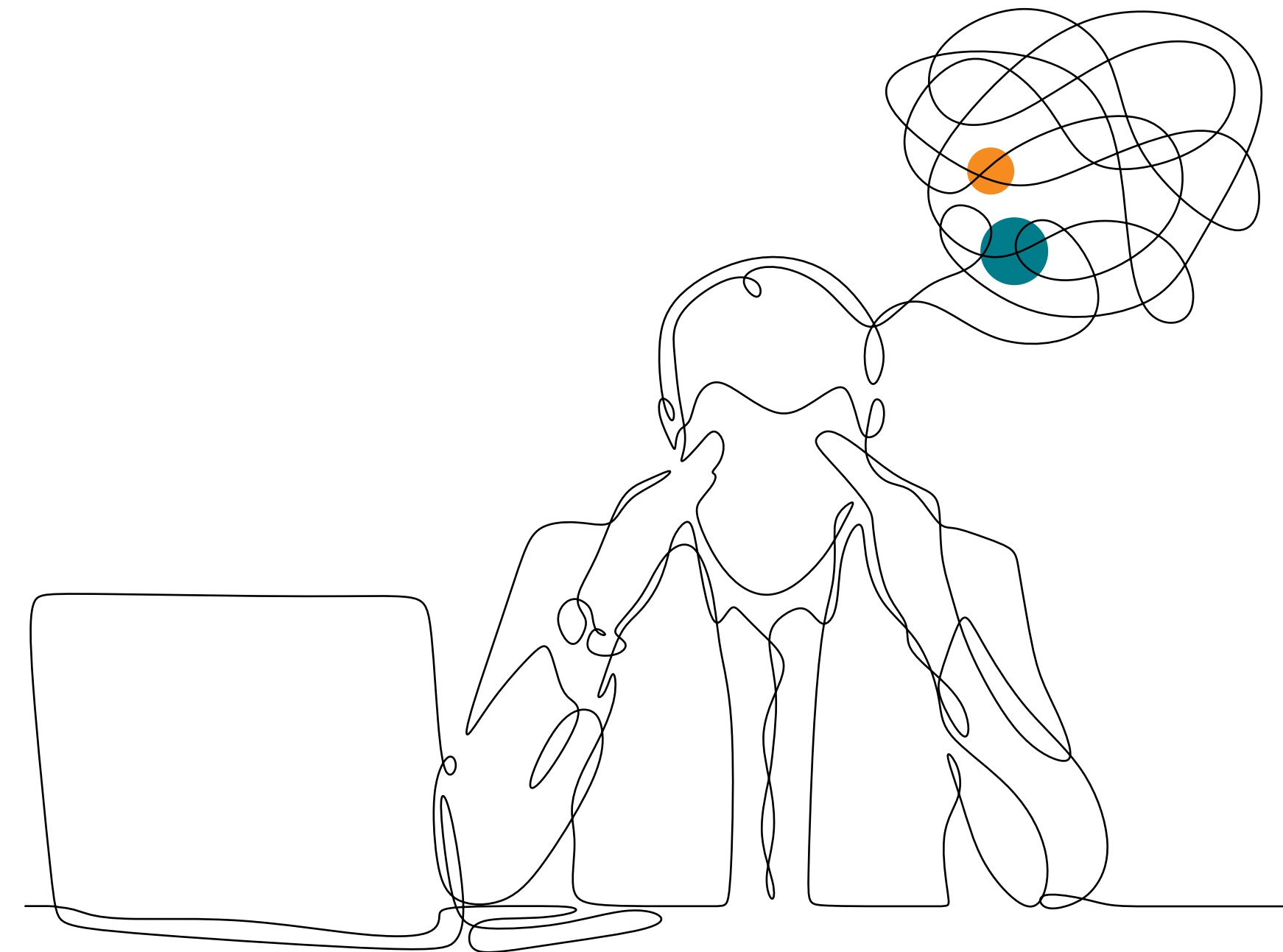
Manufacturers reported that calculating rebates was not a time-consuming process, but only

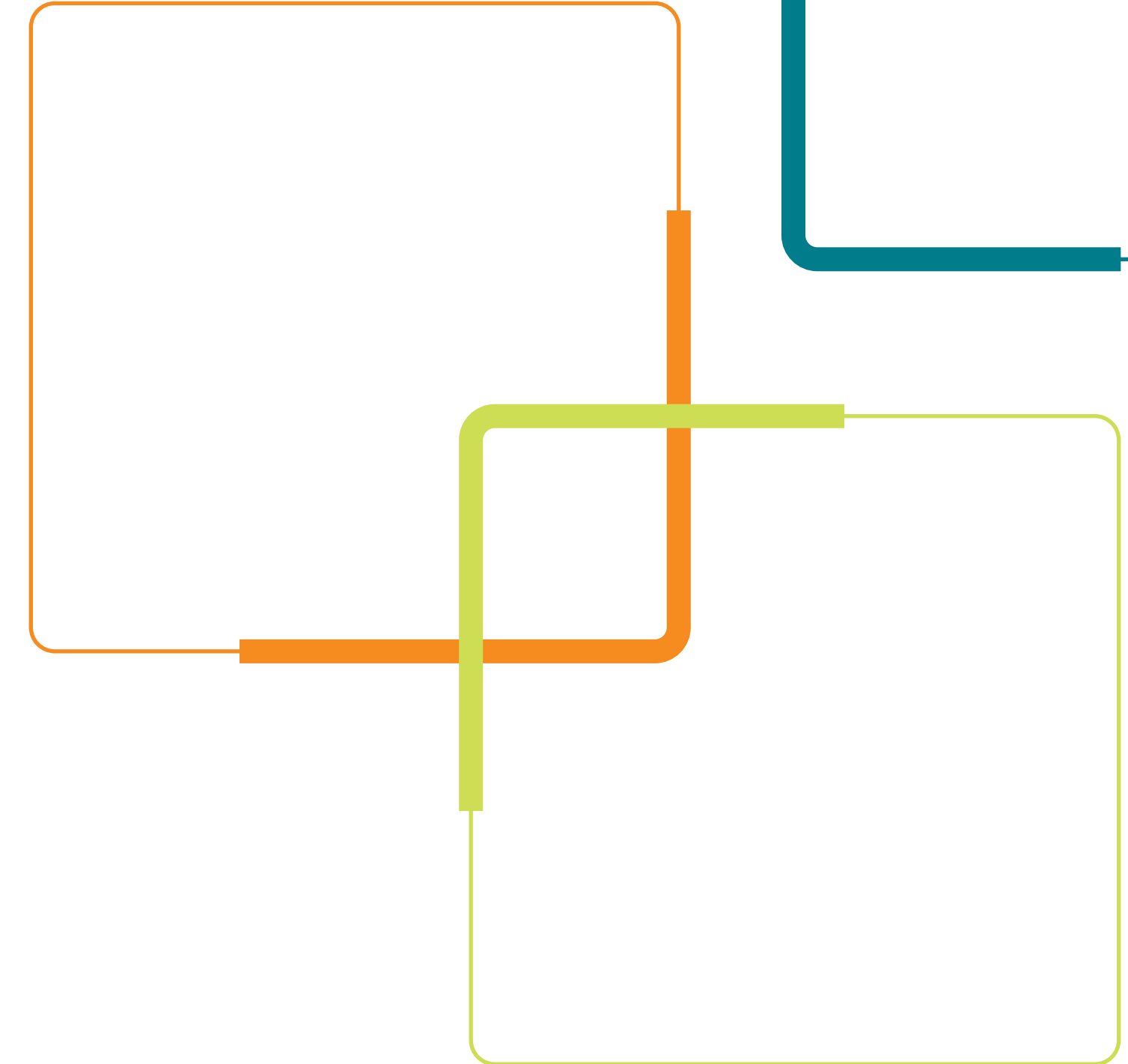
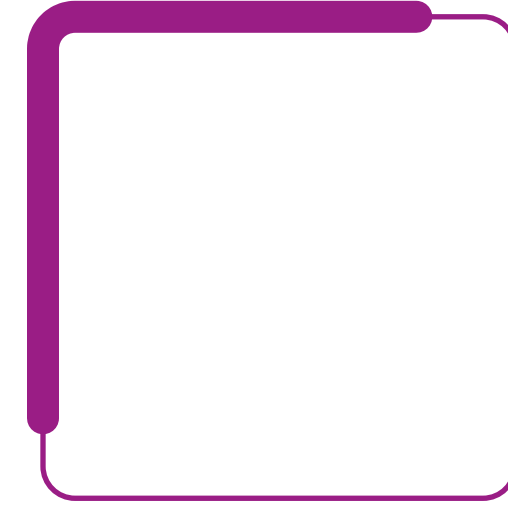
4%

have reports available on demand.

36%

of manufacturers said their biggest concern about administering their rebates is that rebate calculations don't match up.





2

An Overview of Manufacturer Rebate Programs

For manufacturers, rebates are an important tool to influence buying behaviors in their customers. Generally, this means manufacturers use volume rebates to encourage customers to purchase more of a given product.

Our survey revealed that 66% of manufacturers are currently utilizing a volume rebate program. However, many manufacturers aren't utilizing other forms of rebates to drive other behaviors in their clients. For example, we found that only 38% of manufacturers report using promotions and spiffs to support targeted products. Quarterly rebates aren't used as often as yearly volume rebates either. Only 25% of manufacturers reported using quarterly rebates.

It's clear that manufacturers are very comfortable with the yearly volume rebate model but could expand their rebate offerings to include promotions, spiffs, quarterly rebates and other types of rebates to motivate additional behavior in distributors, should that align to overall goals.



What Distributors Should Know: Manufacturers Aren't Leveraging Powerful Rebate Incentive Structures

Distributors can look for product synergies with manufacturers — maybe you want to move from stone filler to large format stone for gardens, and your manufacturer produces both. Work with your manufacturers to create a rebate scheme that works best for both of you involving this new product mix. There are plenty of opportunities to leverage different kinds of rebates so that both sides of a trading agreement reach all their goals.

The Effectiveness of Rebates to Meet Business Goals is Up For Debate.

Manufacturers use rebates to meet a variety of business goals, chief among them increasing sales and maintaining market share. However, only 2% of manufacturers think their rebate strategy is very effective at achieving these goals and 8% told us they don't know if their rebate strategy is effective or not.

Perhaps tellingly, nearly as many manufacturers told us that they believe they need to offer rebates to be competitive as told us that they offer rebates to increase sales. Most distributors don't believe that manufacturers offer rebates as a cost of doing business, but most manufacturers see rebates that way.

This might be because of the gap between goals and results. Like we said above, very few manufacturers believe that rebates help them meet their goals. Only 42% of manufacturers feel somewhat confident that rebates are effective in meeting goals.

We believe this is primarily due to gaps in reporting and analytics. More on that in a bit.



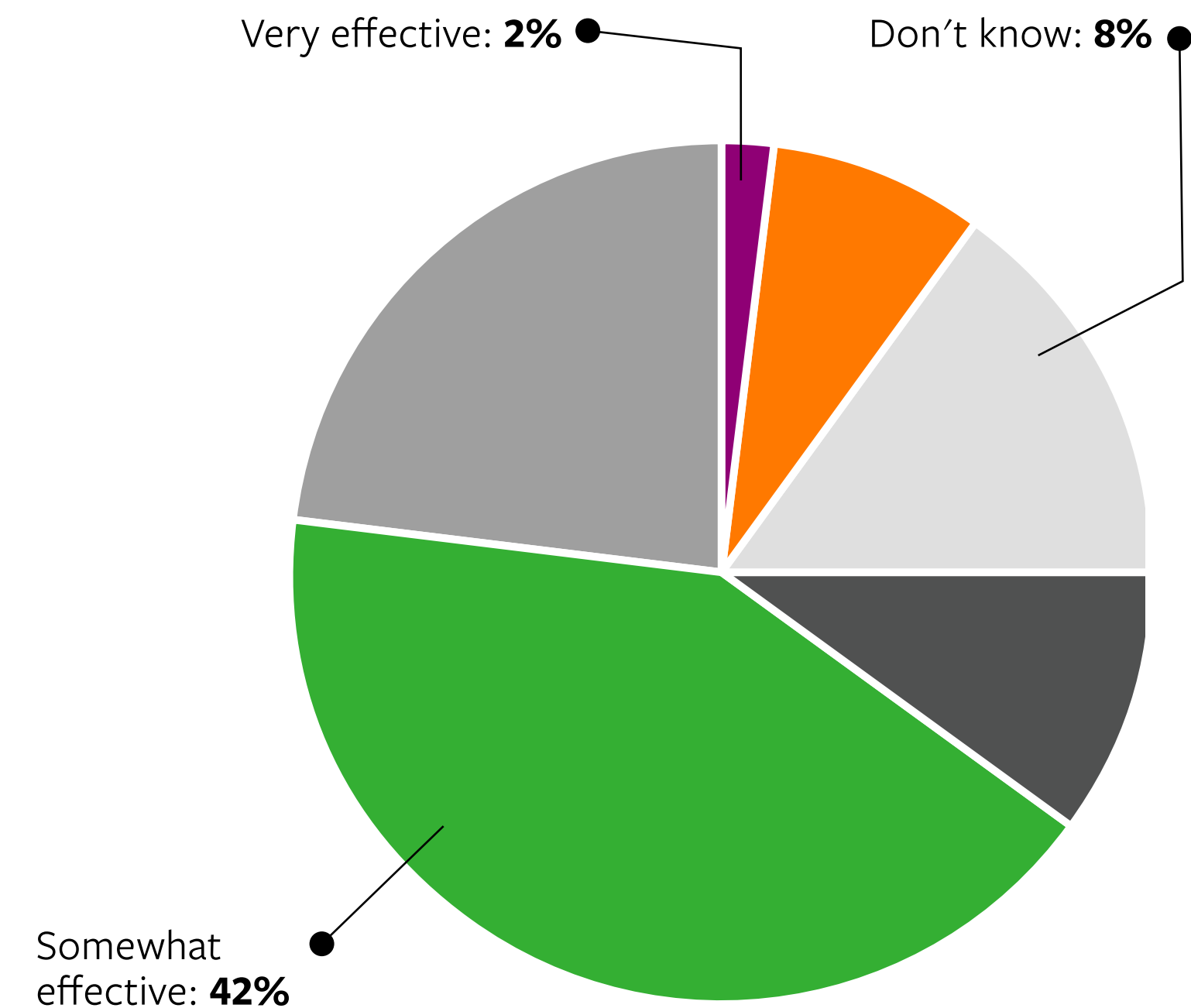
Most Manufacturers Administer Rebates Easily, but Gaps in Communication Exist

Manufacturers aren't struggling with rebate administration. When asked to rate how easy it is to manage their rebates on a five-point scale, manufacturer responses averaged out to 3.25, of "fair." To further assess this, we asked manufacturers how quickly they can reconcile their rebate earnings at the end of the year. 60% told us they are able to reconcile rebates within 14 days, and only 17% take more than a month.

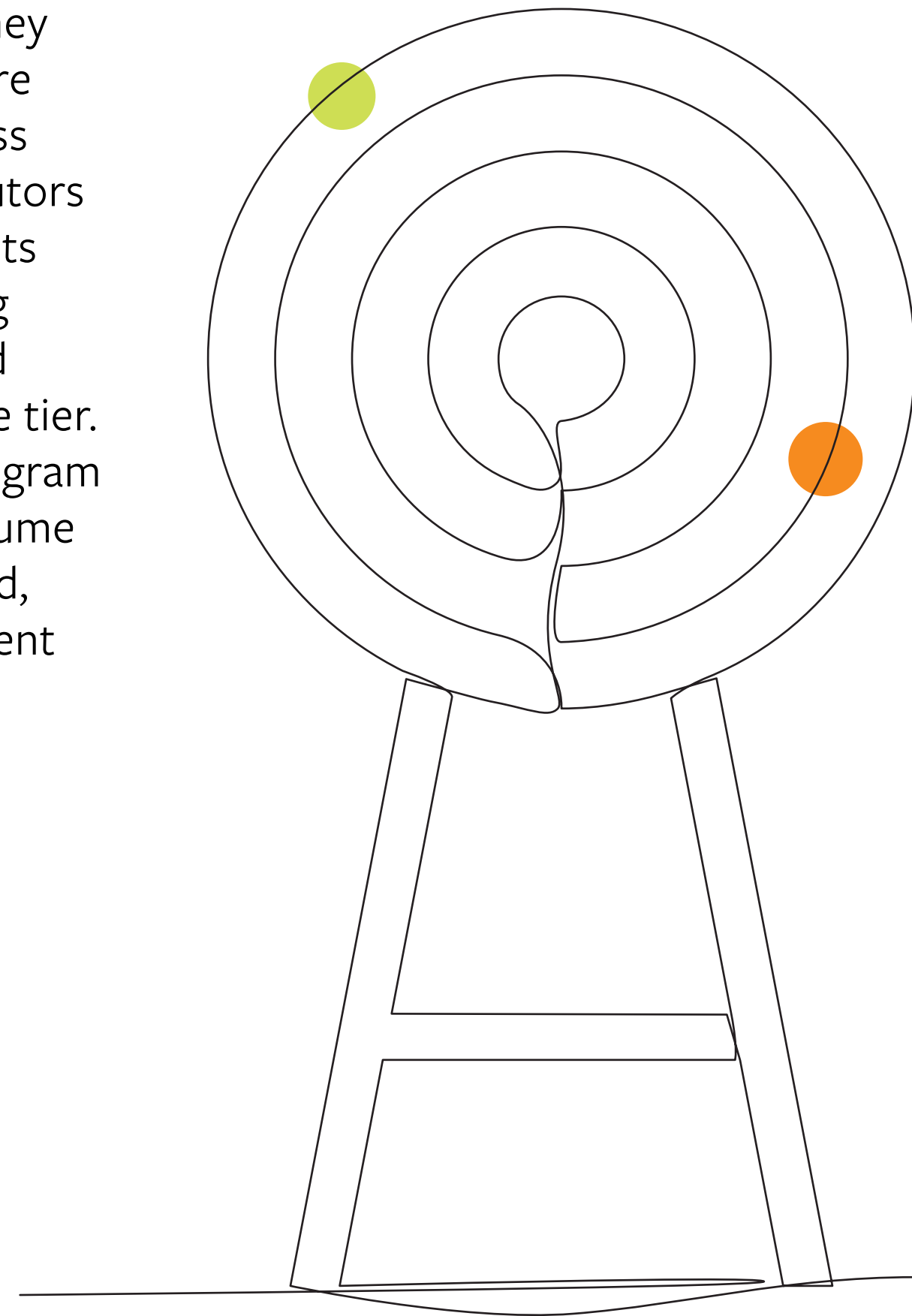
For many manufacturers (around 75%), it appears that managing their rebates in their enterprise resource planning (ERP) solution is enough.

However, there is a breakdown in communication between manufacturers and distributors at this point. Manufacturers may wish to communicate more regularly with buying groups or distributors. Research found that nearly half of all distributors receive updates on their progress against goals from a manufacturer representative, and just over 1 in 3 distributors only receive those updates when they ask for them and without adequate information.

How effective is your volume rebate strategy in achieving your primary goal?



While manufacturers can reconcile their rebate programs easily, they may want to communicate more with distributors about progress toward goals. Critically, distributors care most about rebate amounts when they are close to meeting goals and may choose to spend more to reach their next rebate tier. A well-structured incentive program ensures that no matter the volume at which a product is purchased, both sides of a trading agreement achieve their goals.



Nearly half of all distributors receive updates on their progress against goals from a salesperson, and just over

1 in 3 distributors

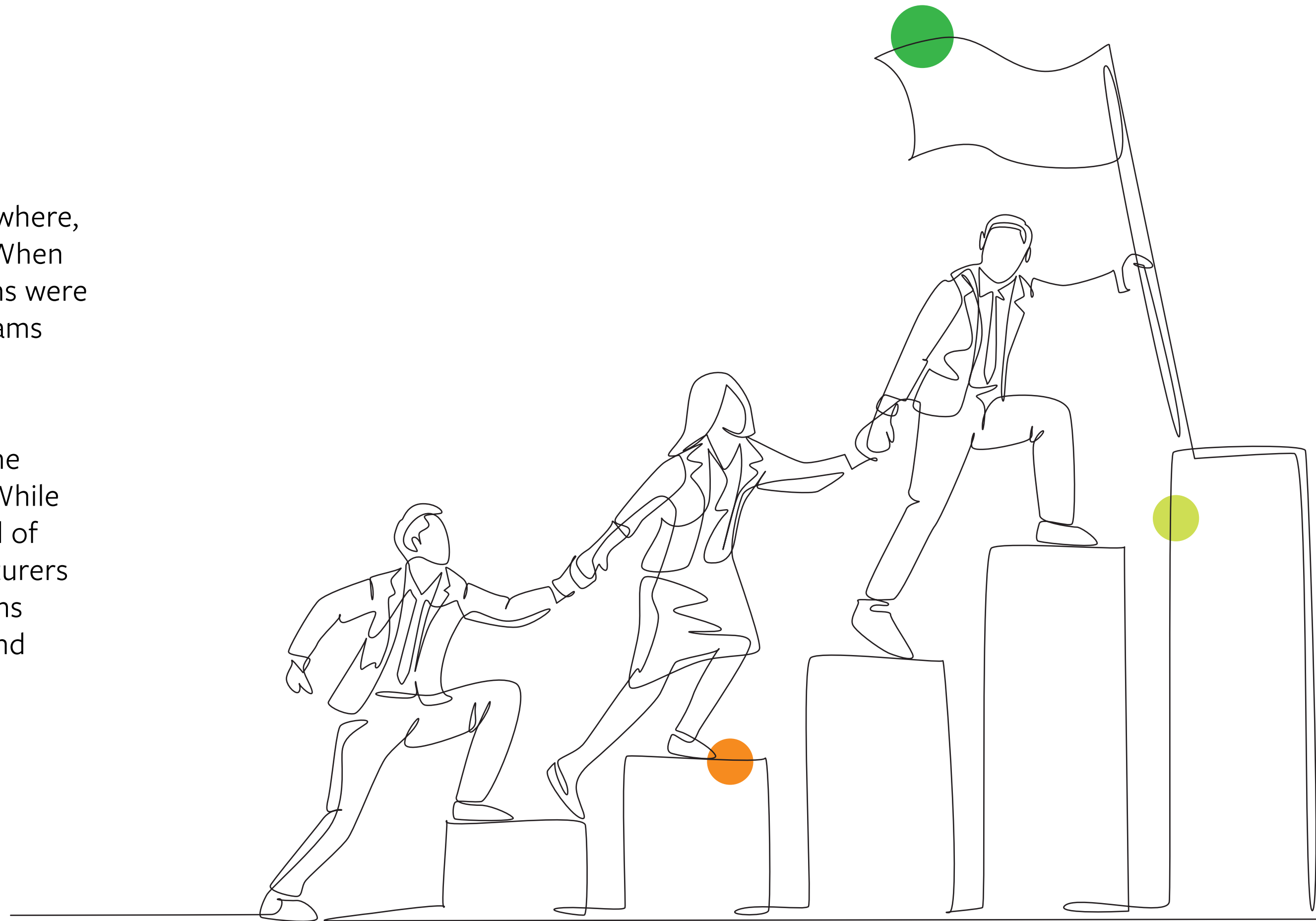
only receive those updates when they ask for them and without adequate information.

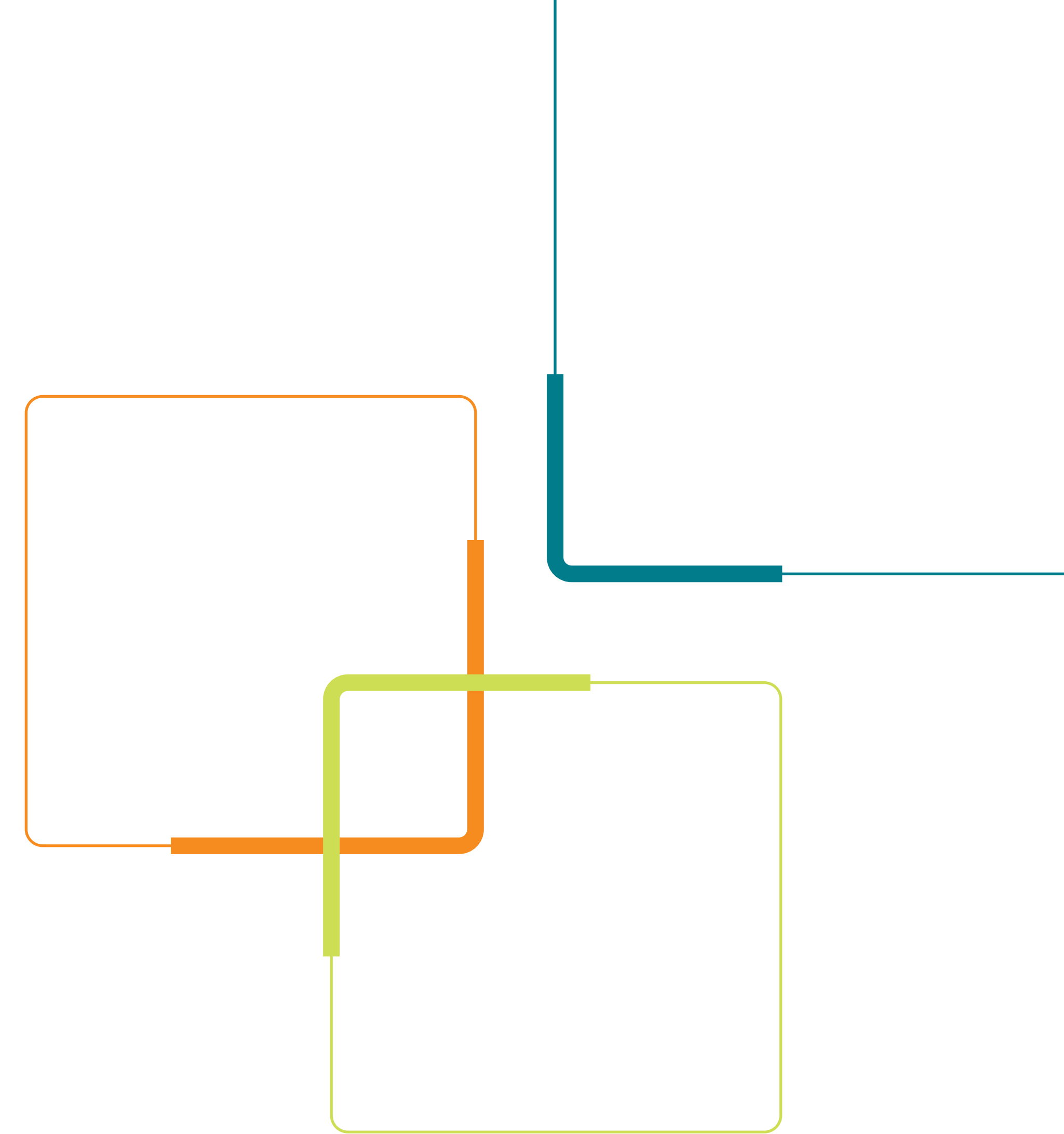
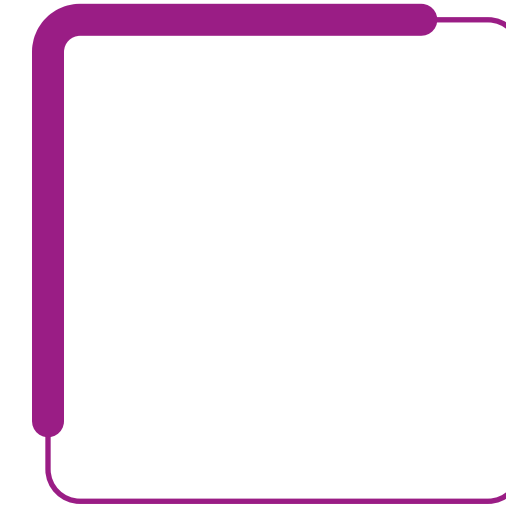


Manufacturers Trust their Sales Teams to Sell

While opportunities to improve communications exist everywhere, manufacturers tell us they're confident in their sales teams. When we asked manufacturers how knowledgeable their sales teams were regarding their rebate programs, 37% said that their sales teams used their rebate programs as an effective sales tool.

There are additional opportunities for improvement. 42% of manufacturers told us that sales teams only push their volume rebate programs when distributors are close to thresholds. While this isn't a bad strategy — it ultimately accomplishes the goal of pushing a distributor to a higher purchasing tier — manufacturers could empower their sales teams to promote rebate programs from the very start of an agreement. This way, distributors and buying groups are in the know from the beginning.





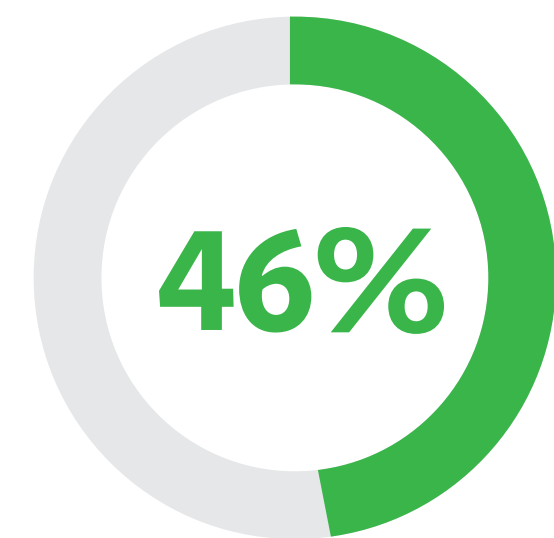
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Opportunities for Improvement:
Awareness and Analytics

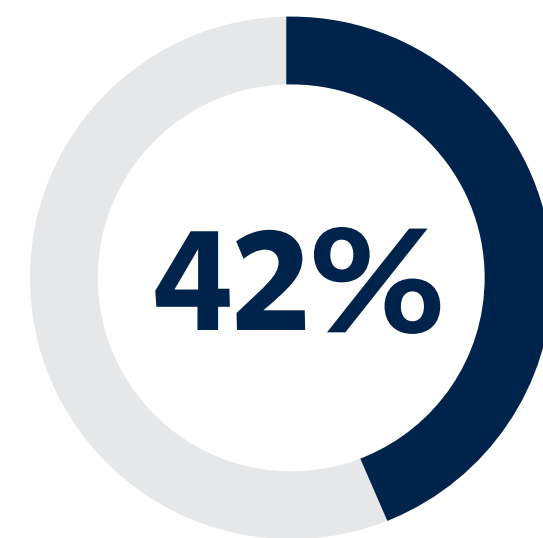
What Manufacturers Should Know: Why Rebates are Offered

Above, we mentioned that only 42% of manufacturers feel somewhat confident that rebates are effective in meeting goals. Considering how important rebates are to distributors — they often make up as much as 60% of a distributor’s profit — we feel it is important to support manufacturers with increased access to robust analytics. Manufacturers need to be sure that rebates are good for their business as well as for their trading partners.

When we asked manufacturers what could make their rebate program more effective, they agreed on two points:

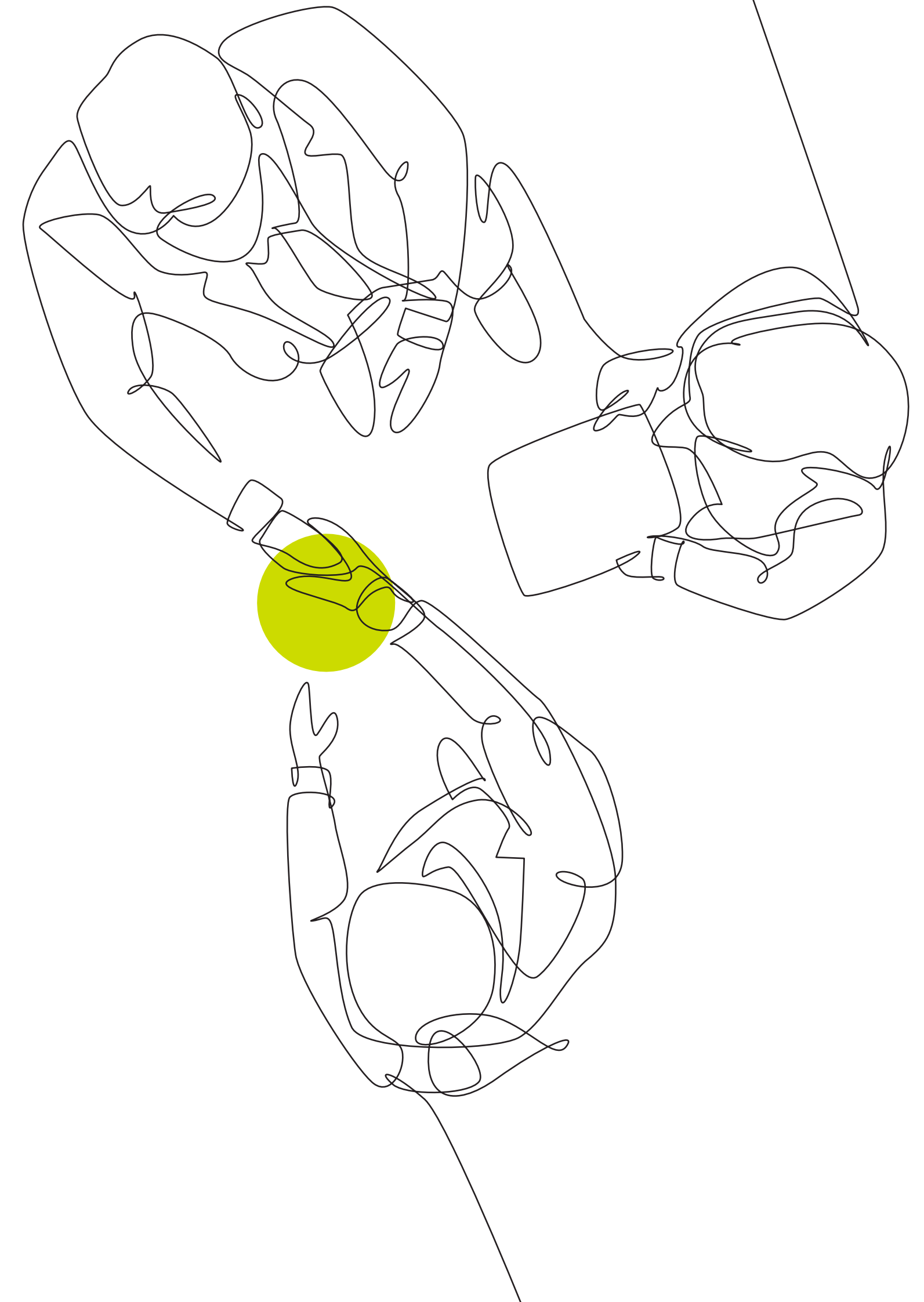


said that trading partners need an increased awareness of the program.



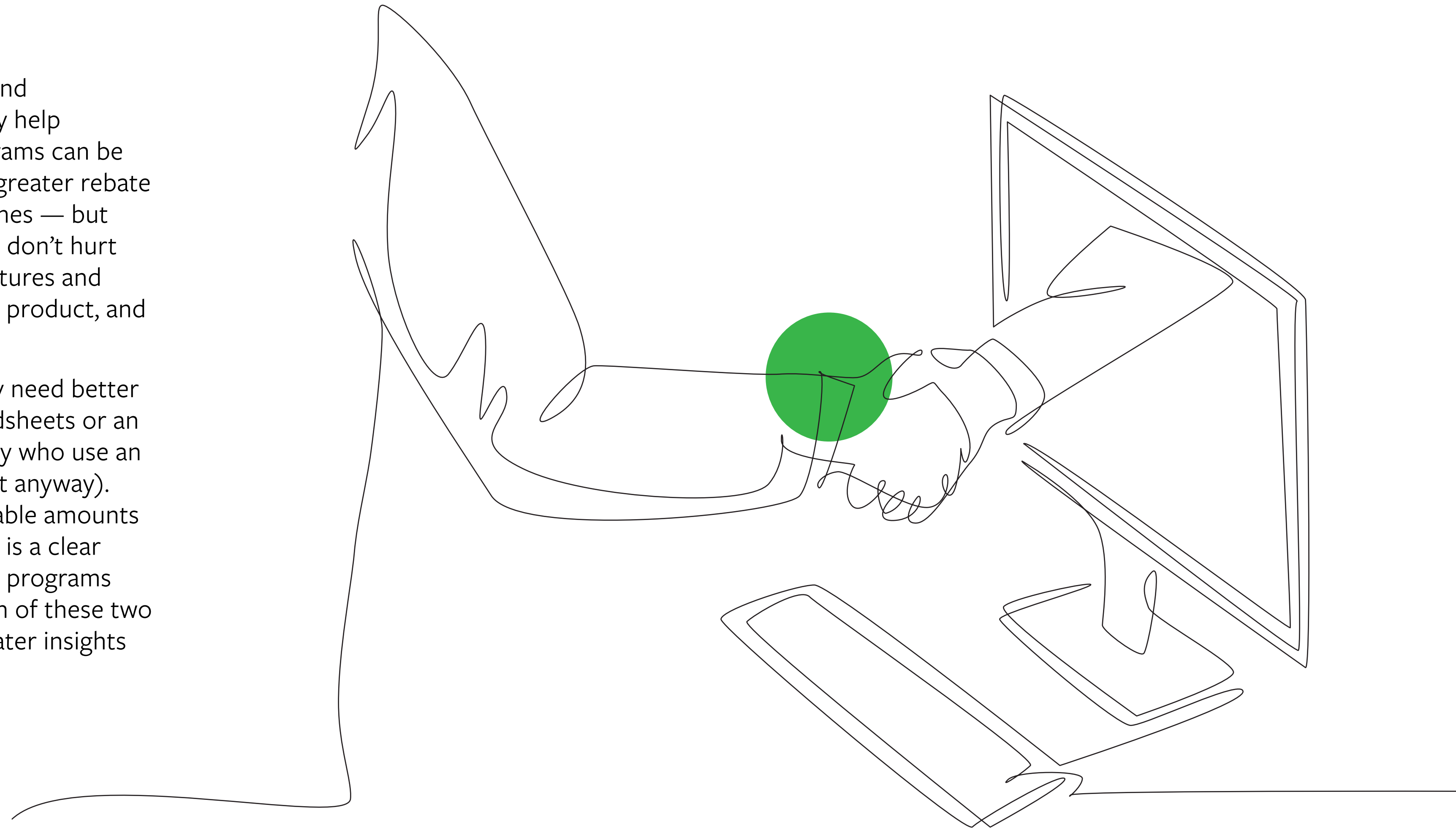
reported that manufacturers themselves need better analytics.

Manufacturers reported in our survey that if a trading partner better understands the trading program, their rebate program will be more effective.



At Enable, we believe that sharing information and being transparent with trading partners can only help manufacturers meet their goals. Incentive programs can be excellent tools to promote loyalty by providing greater rebate amounts to customers at higher purchase volumes — but these rebates should be carefully priced so they don't hurt the manufacturer. By pricing correctly, manufacturers and customers both win. Manufacturers move more product, and customers receive more rebates.

Another 42% of manufacturers told us that they need better analytics. Many manufacturers use either spreadsheets or an ERP to manage their rebate programs (and many who use an ERP end up exporting that data to a spreadsheet anyway). This means that manufacturers spend considerable amounts of time building their own analytics tools. There is a clear need for dashboards within ERPs or third-party programs that provide rebate analytics. Some combination of these two features would provide manufacturers with greater insights into the effectiveness of their rebate programs.



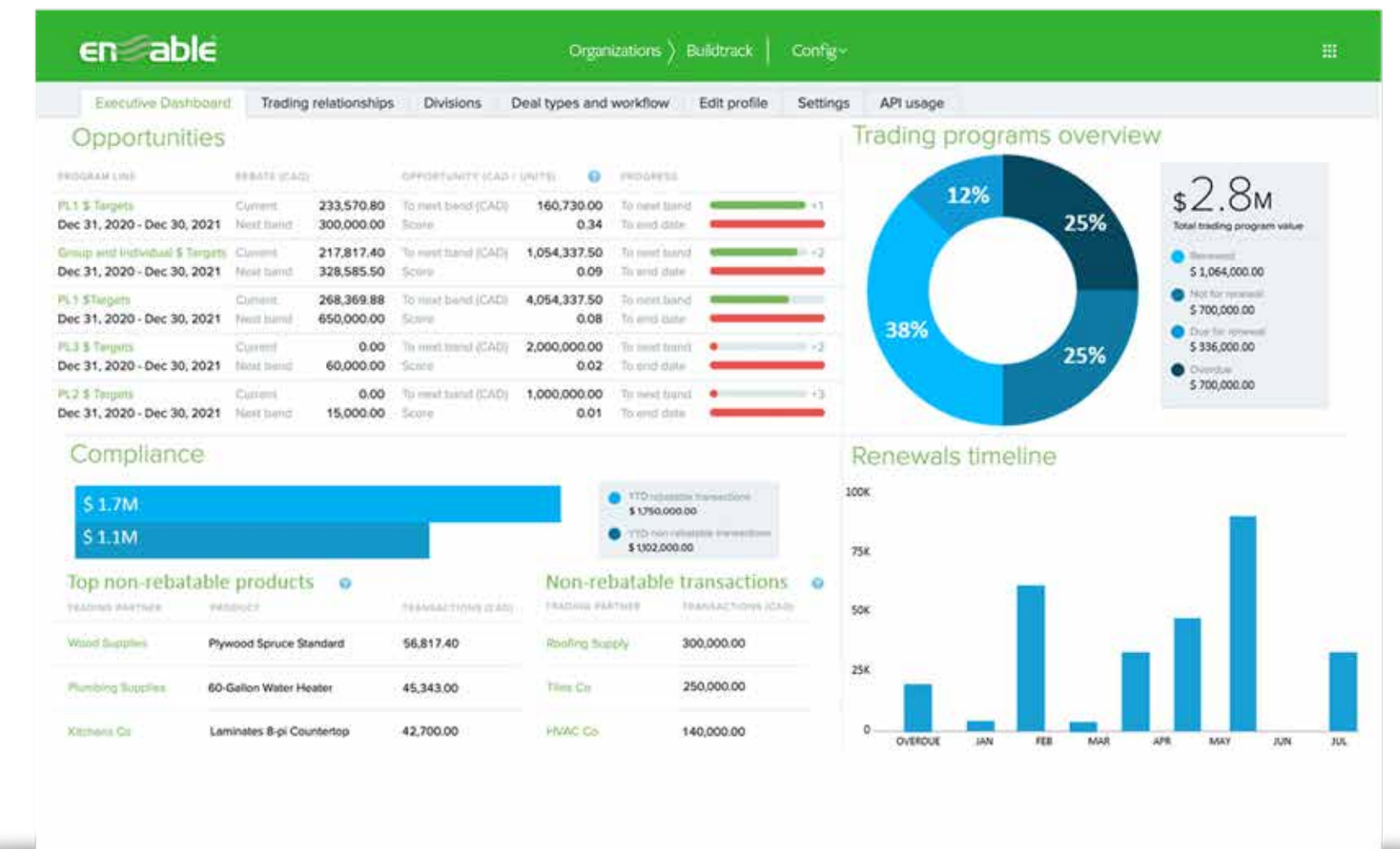
Manufacturers and Customers Need Increased Access to Real-Time Data

Most manufacturers don't struggle to reconcile their rebates during month-end processes — you may recall that 60% are able to reconcile rebates within 14 days. This process is a reliable one, so reliable that 40% of manufacturers are able to reconcile their rebates in one day or less.

However, manufacturers struggle to get information to their customers. Reconciling rebates is not time consuming, but only 9% of manufacturers have on-demand reports available via a portal for their customers. Most manufacturers (50%) deliver reports when asked, but in an age when real-time data is paramount for decision-making, there is room for improvement.

Our survey revealed that 55% of manufacturers don't provide their customers with dashboard analytics, further obscuring data. Since many manufacturers use spreadsheets or an ERP for rebate management, this makes sense, as manufacturers would need to purchase an additional BI tool to share those insights. But just over 40% of manufacturers also told us they either don't have internal dashboards or don't know if dashboards exist. This lack of transparency causes both manufacturers and their customers to suffer from information blindness.

Using manual processes to deliver critical rebate information won't cut it when customers need this data in order to make critical business decisions — such as purchasing more of a given product or product mix. Ultimately, increased access to reporting means that manufacturers and their customers can make better business decisions



Better Reporting is Necessary for Improved Administration

One interesting area for improvement revealed itself when we asked manufacturers about administering their rebates. While manufacturers are largely satisfied with their administration process, 36% revealed that their biggest administrative concern was that they didn't know the regular status of their rebates or their rebates didn't match their calculations.

This further demonstrates the need for better reporting. Spreadsheets and ERPs simply are not built to manage the complex nature of modern rebates, resulting in missed information or incorrect calculations. While calculations may not take manufacturers particularly long, having to run and rerun those calculations until the numbers match is time better spent doing other, value-add tasks.

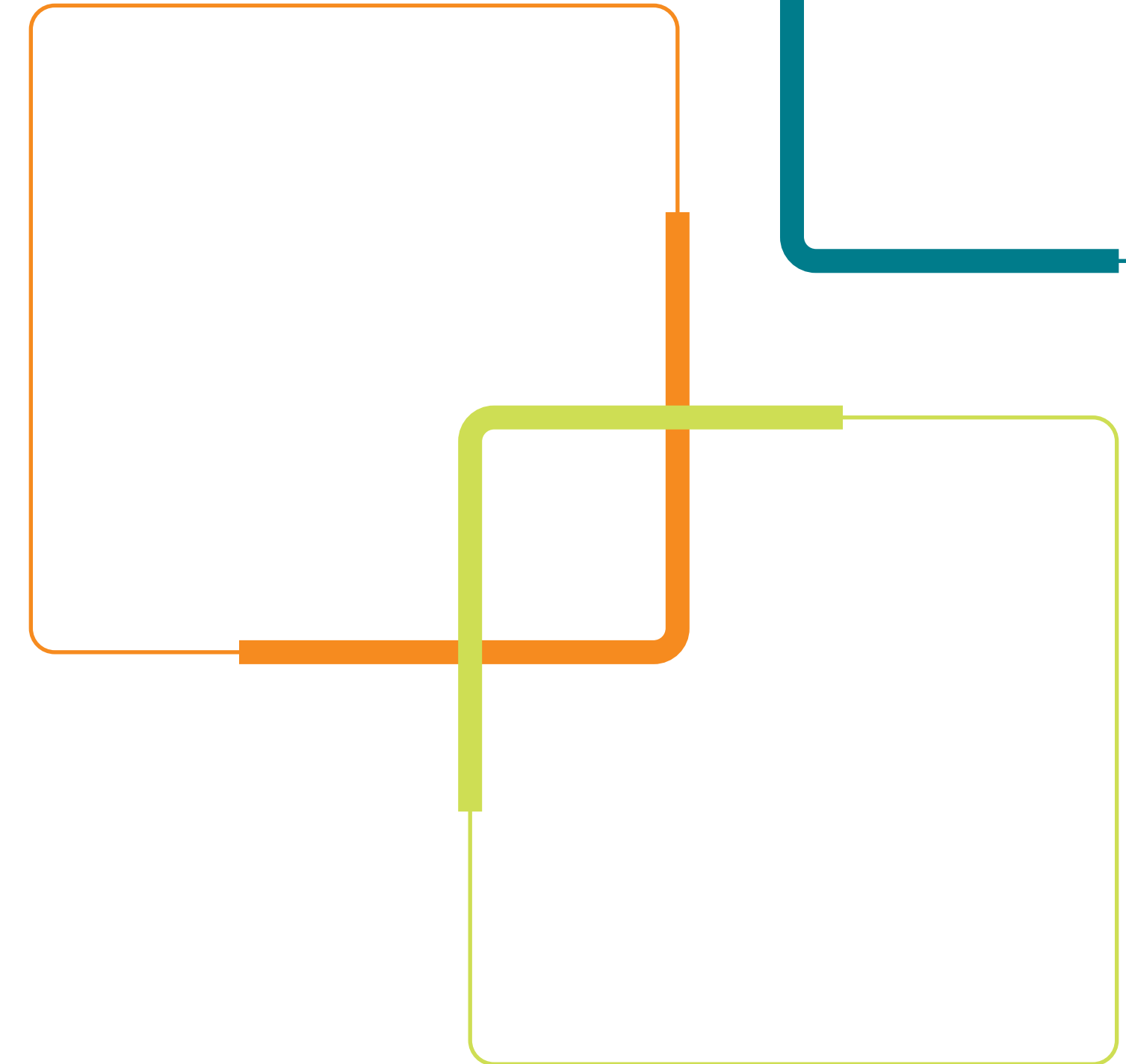
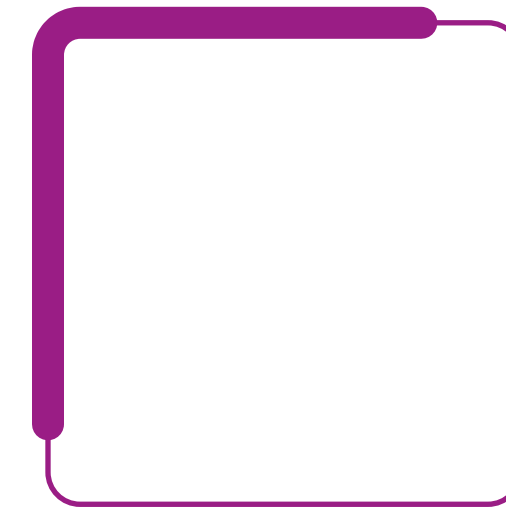
Both manufacturers and distributors need access to better BI tools as well as dashboards that provide critical, real-time data.



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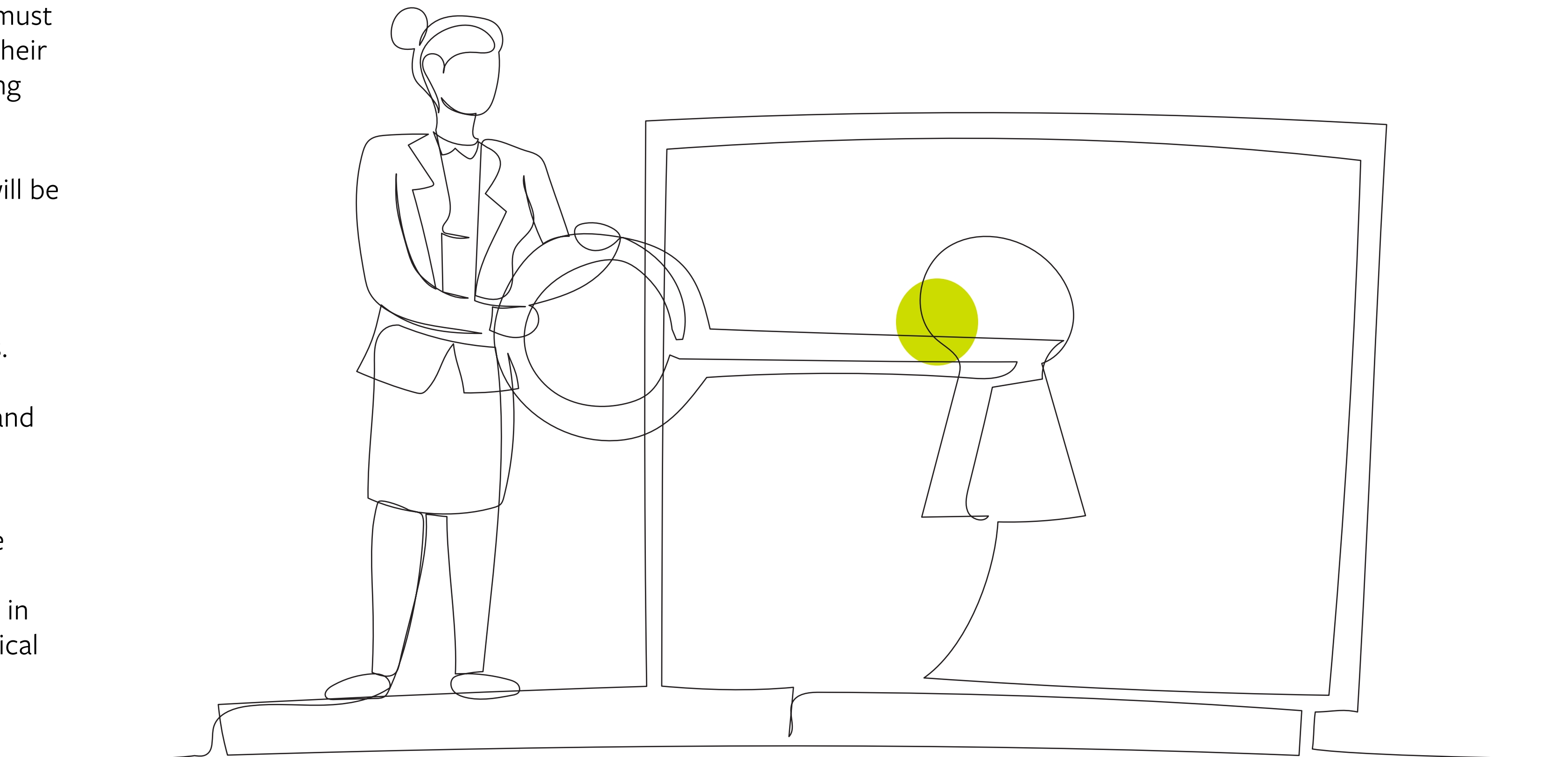
Where Do Manufacturers
Go from Here



Rebates are a powerful marketing tool that manufacturers can use to leverage additional sales and drive increased loyalty from their customers. They must ensure their sales teams are properly educated on their rebate programs and are successfully communicating those programs to customers to increase program awareness. By keeping customers more informed, manufacturers believe that their rebate programs will be more successful.

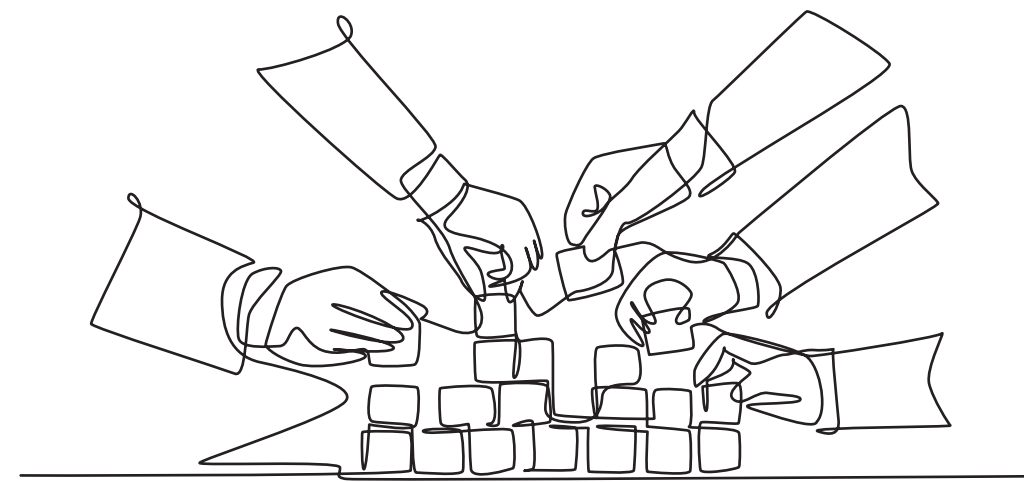
Improved analytics and reporting will be crucial for manufacturers looking to differentiate themselves from competitors and acquire new trading partners. Additionally, having access to reporting tools like dashboards will help manufacturers better understand the success of their trading programs and make adjusting those programs easier.

As we move into 2023, volume rebates will continue to play a critical role in how manufacturers and distributors do business. With the growing volatility in our economic markets, they may become more critical than ever before.

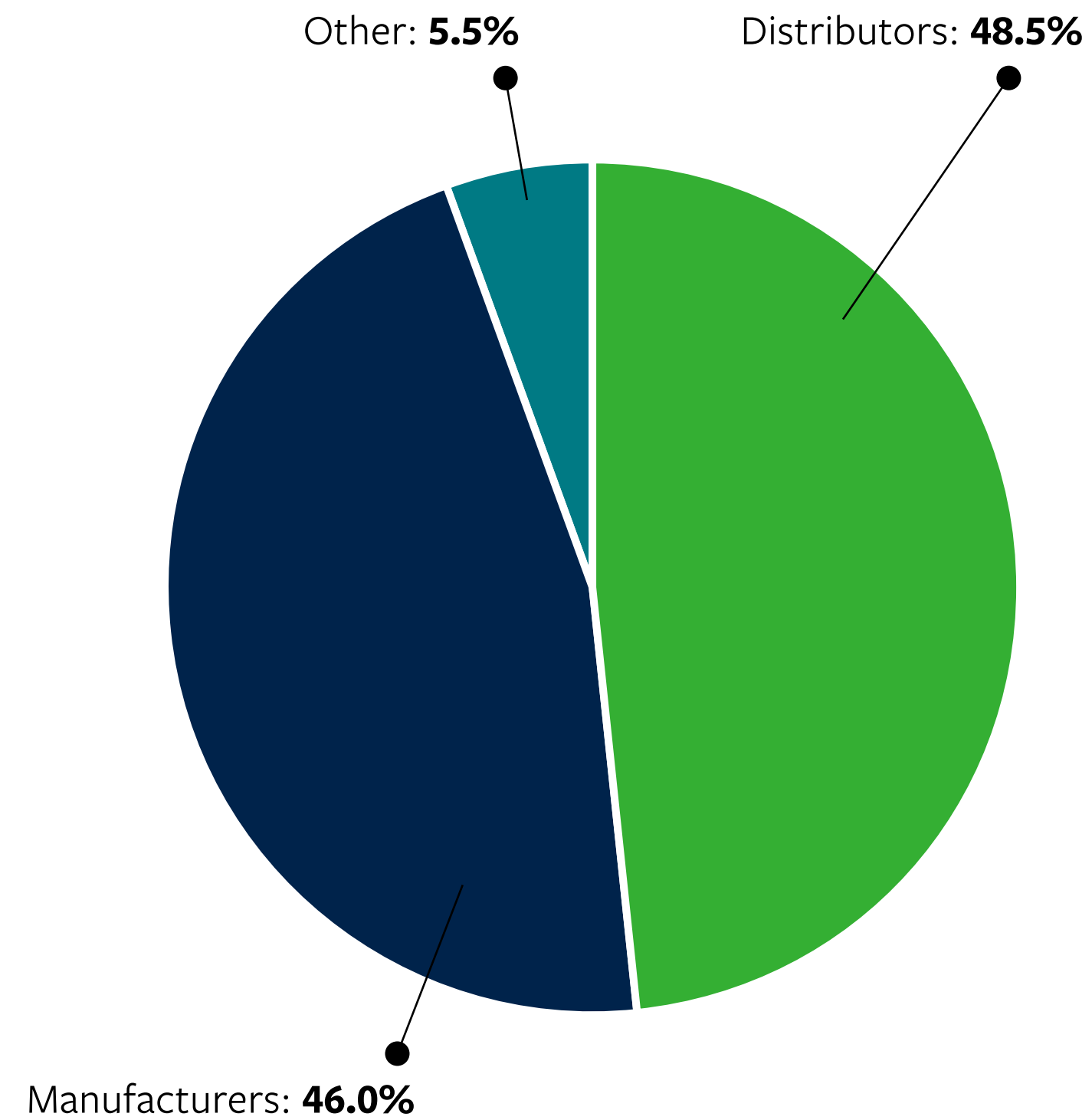


Our Methodology

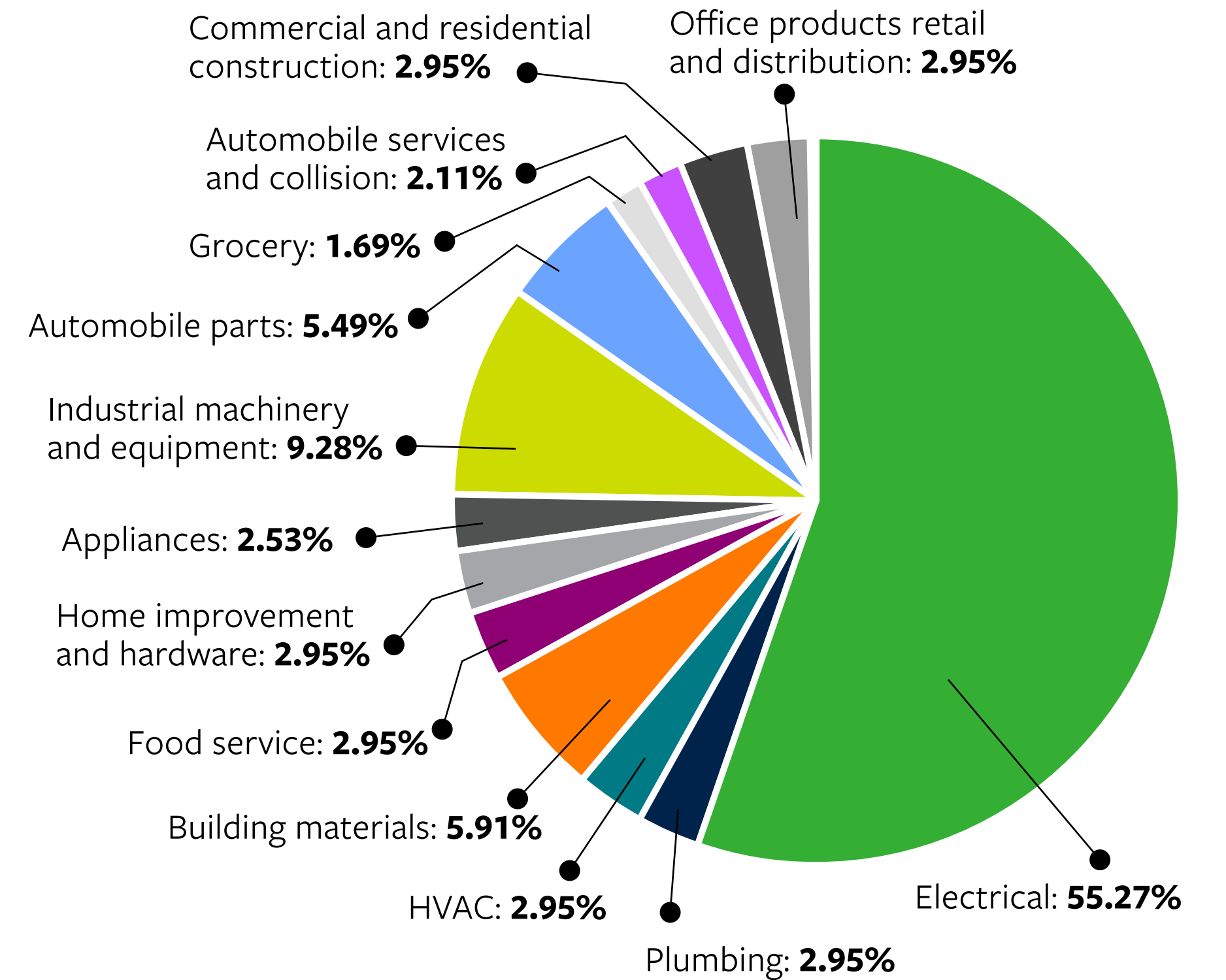
We surveyed 237 distributors and manufacturers across 14 industries. Selected survey respondents were interviewed following completion of the survey.



Respondents by type



Respondents by industry segment





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.

