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Rebates Are Simply a Cost of Doing Business, Right?



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Nowadays, nothing sells at full price

Whether a discount is offered at the point of sale or sometime after the sale, there is the underlying expectation that list price is just the starting point.

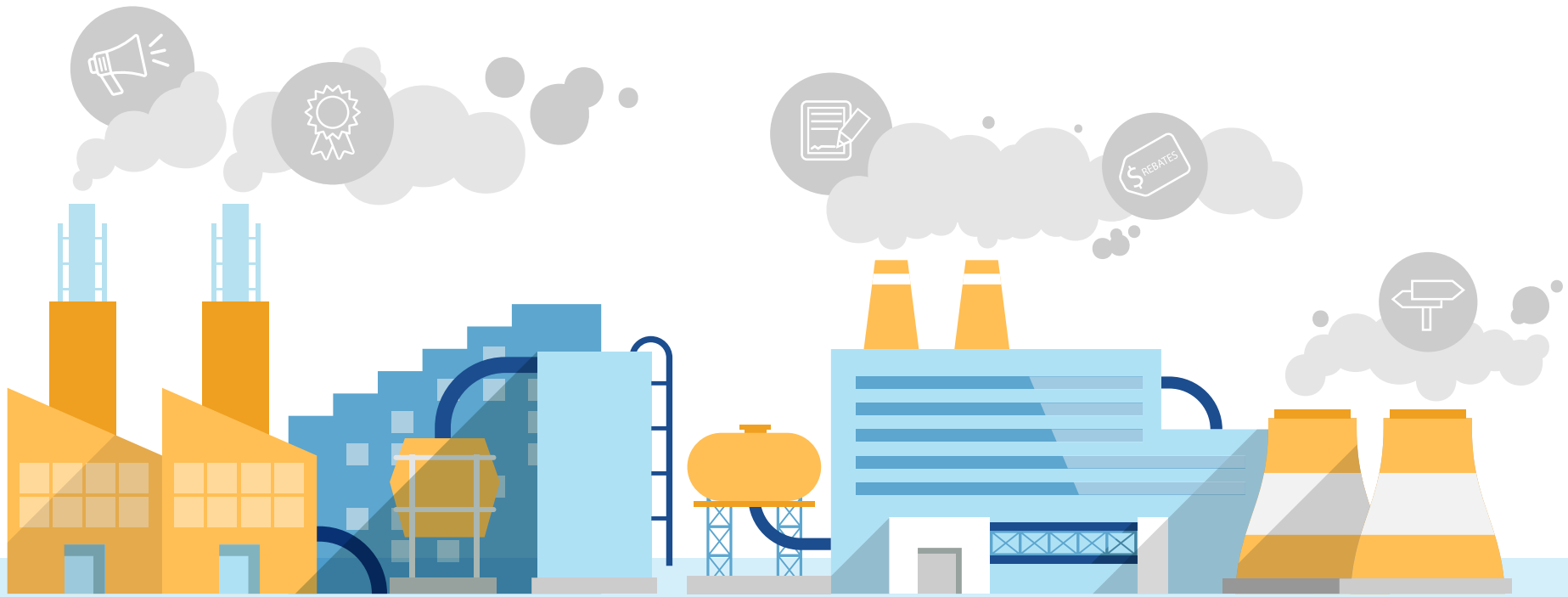
Consumers are perpetually offered so many sales and discounts that paying full or list price has become synonymous with paying too much. And what was once assumed to be an expectation in B2C has gradually, and now more pervasively, shifted to the B2B space. Everyone is so conditioned to expect some type of incentive that they've simply lost their impact. Businesses are yet to catch-up with this shifting paradigm, and are just lowering prices or adding rebates without getting any added value or profit in return.

It's time to make rebates work for you. This isn't meant to suggest that manufacturers stop passing incentives to channel partners. Rather, the needle needs to move away from expectation, and move towards getting something better in return. Manufacturers need to rethink these programs and concretely measure the impact they have. Here are five considerations to help add it all up.



Flip the Script on Accountability

Make the incentive work for you by making partners accountable. It will end up becoming a win-win situation. Channel partners move your inventory quicker when consumers are exposed to promotions. If your partners do a good job, they can claim back either more rebates and/or qualify for a higher-tiered rebate, if that's the way you have set up the partnership and agreement. Perhaps you also offer an end-of-life promotion to help accelerate product movement. Either way, the customer wins because they sense they are getting the best value for their money. And you (most of all, you) get to hold your partners accountable by upholding their end of the bargain. And by the way, you get what you want in return.



Know When You're Missing the Mark

Do the math and determine what will give you the best ROI. Don't overextend yourself (the beauty of tiered rebates) and accept that not everything is going to work out exactly as you intended it. It's not what you want to hear, but it's the truth. For some partners, rebates are regarded as a bonus, while others depend on them as significant sources of income. Rely and leverage each scenario to your advantage. When you are able to track deals and opportunities, you gain visibility from program initiation through to claims and payout. In doing so, you can identify programs that work, those that are underserved, and just as importantly, those you should not run again.

Avoid missed opportunities: Be in the position to identify which programs will run well — as well as those that won't — by having the right metrics in place. But this is hard to achieve, if not near impossible, if your business doesn't have visibility into price negotiations and contracts, discounts and rebates, sell in and sell through and market data. The trick is to connect the dots more closely, leveraging the value offered in partner incentives and earnings.

Spend the Time to Validate Rebates

Being able to measure the success of individual programs is paramount to overall program success. So why do some businesses rely on their partners to perform the calculations for them? Simply trusting that they are correct can result in erroneous payments, or even overpayments. So, if rebates are part of your net costs, isn't it in your best interest to put a process in place for validation? After all, the ability to calculate future payments while eliminating invalid claims can make a tremendous impact on your margin. And this can mean the difference between profitability and loss.



Change the Rules of the Game

Are you offering rebates because it's always been part of the status quo? Is the expectation set so that each program is already accounted for in advance, and simply there as a cost of doing business? If that's the case, rethink those programs. Partners are willing to pay more if they know they are getting value, when you can show they will increase sales.

For example, which rebate would have a better return on investment: one automatically paid at the end of the month, or one with tiered payouts based on volume targets? A rebate based on purchases from a channel partner is not as favorable as one based on sales to their end customer.

By changing the types of programs you offer your customers and demonstrating how each program can be more profitable, you can make sure your rebate programs all add up and work harder for you.



You're Influencing Behavior... Well, Sort Of

Each incentive, promotion and rebate is designed to do one thing: Get people to do what you want them to do. But that is only achievable if you are getting the information you need from your partners. Armed with this you can set rebates that have a true impact on the buying decisions of your end customers. For example, if you want to move higher value products you can offer higher rebates on those items instead of offering rebates across a spectrum of higher and lower end products.

With insights into partner performance in place, you can offer a two-percent rebate on all sell-through data submitted, or an additional one percent for carrying a certain level of inventory help, and know the impact they will have on your business.

The ability to reward risk and track performance against incentive targets is paramount to the success of your programs. And the better the program's performance, the greater your ability to identify additional revenue opportunities.

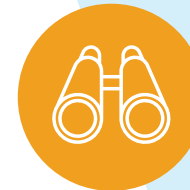
Remember, you're in the driver's seat...so that puts you in control, right? Well, it depends.



Can you measure the success of each program against business goals?



Can you validate the eligibility of all rebates coming in?



Do you have end-to-end visibility into your programs?



Are you getting the data you need from your partners?



The Critical Role of Software

At Vistex, we've been developing and enabling our customers with rebate management software for more than 20 years. We take the guessing game out of the equation, helping to reduce risk and uncertainty. As such, you can plan, forecast and design rebate programs that add up for your business and align with your goals. Ultimately, you are rewarding partner behavior for business outcomes that match yours, so your business needs insights into all aspects of your partner relationship. Rebate programs don't have to be simply the cost of doing business — not when you measure and demonstrate the impact of all your rebate programs. You're in control...sort of.

About the Author

Alex Dehnert is the Director of Marketing at Vistex. In this role he manages brand, integrated and corporate communications, thought leadership and sales enablement. Throughout his career, Alex has worked in both Sales and Marketing capacities, primarily in Manufacturing, Executive Education and Enterprise Software industries.

About Vistex®

Vistex solutions help businesses take control of their mission-critical processes. With a multitude of programs covering pricing, trade, royalties and incentives, it can be complicated to see where all the money is flowing, let alone how much difference it makes to the topline and the bottomline. With Vistex, business stakeholders can see the numbers, see what really works, and see what to do next — so they can make sure every dollar spent or earned is really driving growth, and not just additional costs. The world's leading enterprises across a spectrum of industries rely on Vistex every day to propel their businesses.

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