



? Situation

Your data has identified an opportunity that contains High Rebates, so what do you do next? While the Commercial Operations team is generally tasked with establishing and administering pricing and rebate programs, the complexity of doing this for thousands of deals across thousands of products and customers is a daunting task. The layering and visibility of multiple rebate programs with differing goals continue to be one of the primary sources of margin leakage. In addition, Sales Representatives often are not aware of the level of rebates to be applied to an order as they negotiate upfront discounts.

Rebates are often used as a reward for purchasing. The reward drives customers to:

- Increase the volume of their purchases and/or the mix of purchases.
- See the reward of purchasing a given number of items, while only giving the reward if they actually order the number they promised.
- Be less aware of the "true" price paid as this allows the seller to adjust the true price without signaling the competition.

In addition to rewarding customers, rebates can be employed to improve the effectiveness of selling through a Distribution Channel. Rebates are often categorized by customer type and objective. This paper provides recommendations on how to remedy High Rebates.

✓ Recommendations

The processes around establishing and offering rebates must be closely reviewed and managed. Depending on your company's situation, we recommend one of three paths towards capturing more value around rebates. High Rebates can be remedied in the following ways:

- Reduce High Rebates
- Decrease Negotiated Discounts
- Establish or Rework Your Strategy

Reduce High Rebates

In your opportunity, you have received detail on where the opportunity lies and what the target value should be for the rebate as a % of revenue. Based on your observations, we recommend that you take the following actions. These recommendations are generally dictated by business practices.

Condition	Action
Customer with High Rebates	<input type="checkbox"/> Ask these questions and determine if leakage can be halted for this contributor: <ul style="list-style-type: none"> Do the products purchased by the customer still meet the conditions of the rebate or was the customer given special treatment? Were discounts for volume factored into the quote rather than waiting for the volume purchased to determine the rebate? Is the rebate still having the desired impact? Would a change to the rebate on the next order or the next contract to be negotiated be acceptable for this customer?
Product with High Rebates	<input type="checkbox"/> Ask these questions and determine if leakage can be halted for this contributor: <ul style="list-style-type: none"> Are rebates applied effectively? Would they be more effective at the customer level? <input type="checkbox"/> Evaluate why this product is under price pressure by asking these questions: <ul style="list-style-type: none"> Is the competitive situation well understood? Should the List Price be adjusted? Are the Sales Representatives properly selling the value of this product? <input type="checkbox"/> Take the Rebate% recommendations for this product, and establish the sales goals for this product and appropriate rebate programs.
Sales Representative with High Rebates	<input type="checkbox"/> Ask these questions and determine if leakage can be halted for this contributor: <ul style="list-style-type: none"> Were rebates issued by the Sales Representative for customer retention and never modified? Were rebate amounts increased by the Sales Representative to appease customers they feel will be unwilling to accept an increase in negotiated price? Was the increase in rebates used to offset the increased pricing thereby shielding customers from the increased cost-to-serve charges? Are the Sales Representative's customers adhering to their sales or volume commitments to earn the rebates? <input type="checkbox"/> Take the Rebate% recommendations by product for this Sales Representative, and monitor rebate activity for this Sales Representative.
Combination of the above factors	<input type="checkbox"/> Take the recommendations listed above for each factor.

Decrease Negotiated Discounts

Full visibility into the Price Waterfall, including both pre- and post-invoice elements at deal-time, is a challenge for many companies. As a result, many transactions may include high levels of both discounts and rebates. If this is the case, you may consider adjusting discounts instead of rebates. This condition can be examined in the Comparative Waterfall chart.

Condition	Action
High negotiated discounts are given in addition to high rebates	<input type="checkbox"/> Determine if there is a legitimate reason for having both high negotiated discounts and high rebates. Has this behavior been effective?

Establish or Rework Your Strategy

Always ensure that the complexity of your rebate program is consistent with the value of the behavior you want to drive.

Components of a Rebate Strategy

At the least, a rebate strategy should consider the following components:

1. Determine the behaviors you want to encourage using rebates.
2. Set up analytics to track the behaviors you want to encourage and monitor whether rebates are having the desired impact.
3. Determine if these behaviors are being met without rebates.
4. Determine the appropriate type of rebate to encourage the behavior.
5. Set up and activate program rebates.
6. Set up guidelines for negotiated rebates.
7. Take corrective action where applicable, like some or all of the following:
 - Change rebate payouts
 - Change rebate types
 - Change targets
 - Change guidance
 - Cancel rebates

Utilizing Rebates Effectively Takes Work

Rebates are a great way to drive customer behavior, but using them successfully requires an effort.

- Make visible the rebates which meet the conditions of the customer's order so that the right price can be quoted.
- Establish a way to analyze rebate accruals and determine at what level you want to track this data, such as at the customer or product family level.
- Use a tool to manage the administration of rebates including the rebate agreements, a workflow for approving rebates, monitoring of projected versus forecast shipment volume, determining which shipments qualify for a rebate, calculating the rebate, and so on.