

6 Interesting Facts About... Rebates



Rebates are an increasingly common – but often misunderstood – form of incentive program. How much do you know about them?

Today, we'll be sharing 6 surprising facts about rebates.

What are rebates?

Rebates are payments made by a supplier to a customer after a purchase has been made and certain conditions have been met. They reduce the overall cost of the product at a later date.

1 Rebates drive behavior

Rebates influence behaviors. By offering rebates, you encourage trading partners to interact with you in certain ways. In fact, research shows that two-thirds of manufacturers provide annual rebate programs to incentivize long-term behavioral changes.

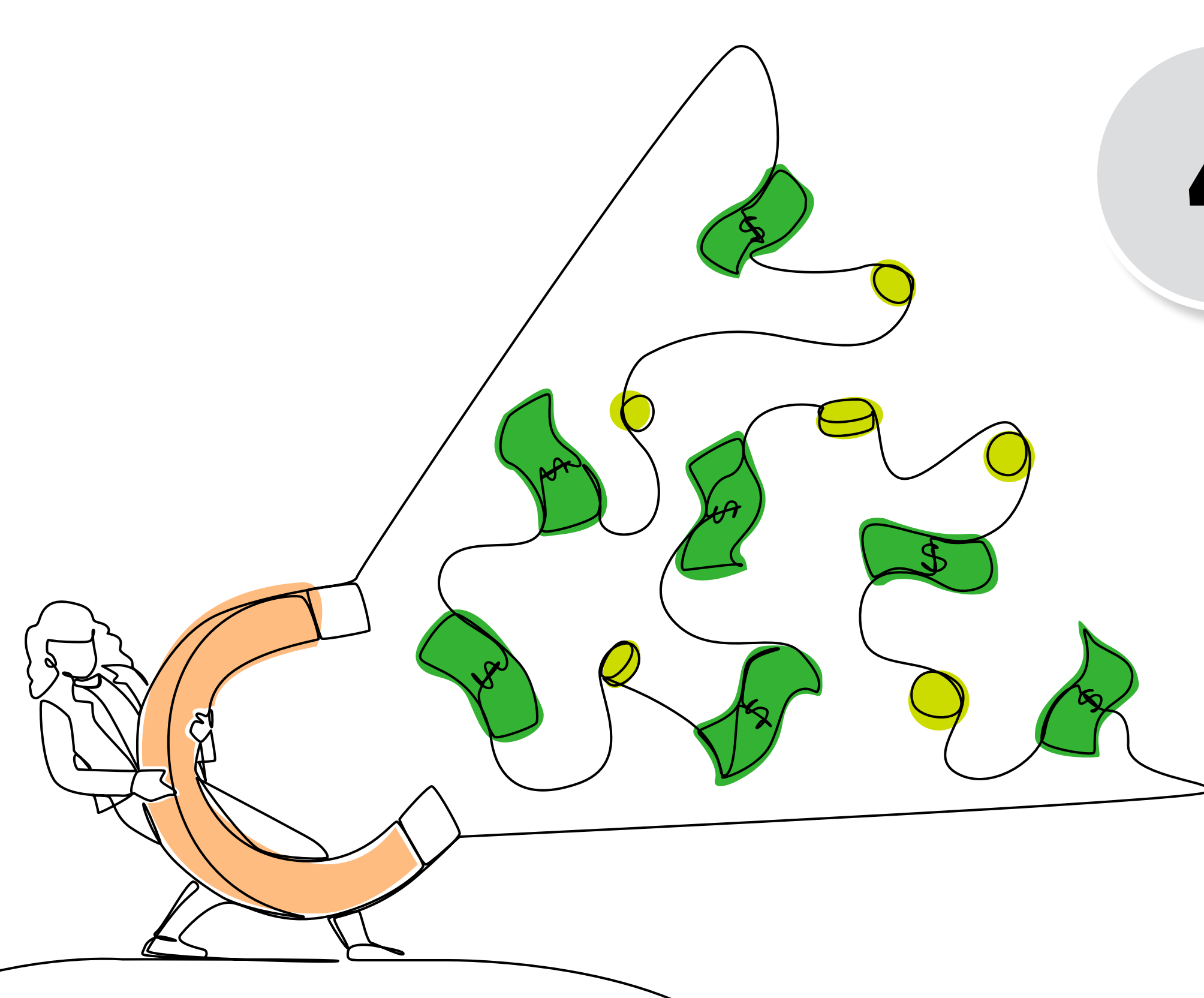


2 Rebates don't just come in one variety

There are over **300** types of rebates. Among the most common types of rebates are volume rebates, product mix incentives, promotions, stocking incentives, SPAs and logistic rebates.

3 Rebates are collaborative

Collaboration is crucial to a rebate's effectiveness. Rebates serve as a reward that financially incentivizes and strengthens relationships between trading partners for the benefit of all involved by aligning partners without eroding their pricing power or margins. Rebates are the glue binding trading partners together for long-term success.



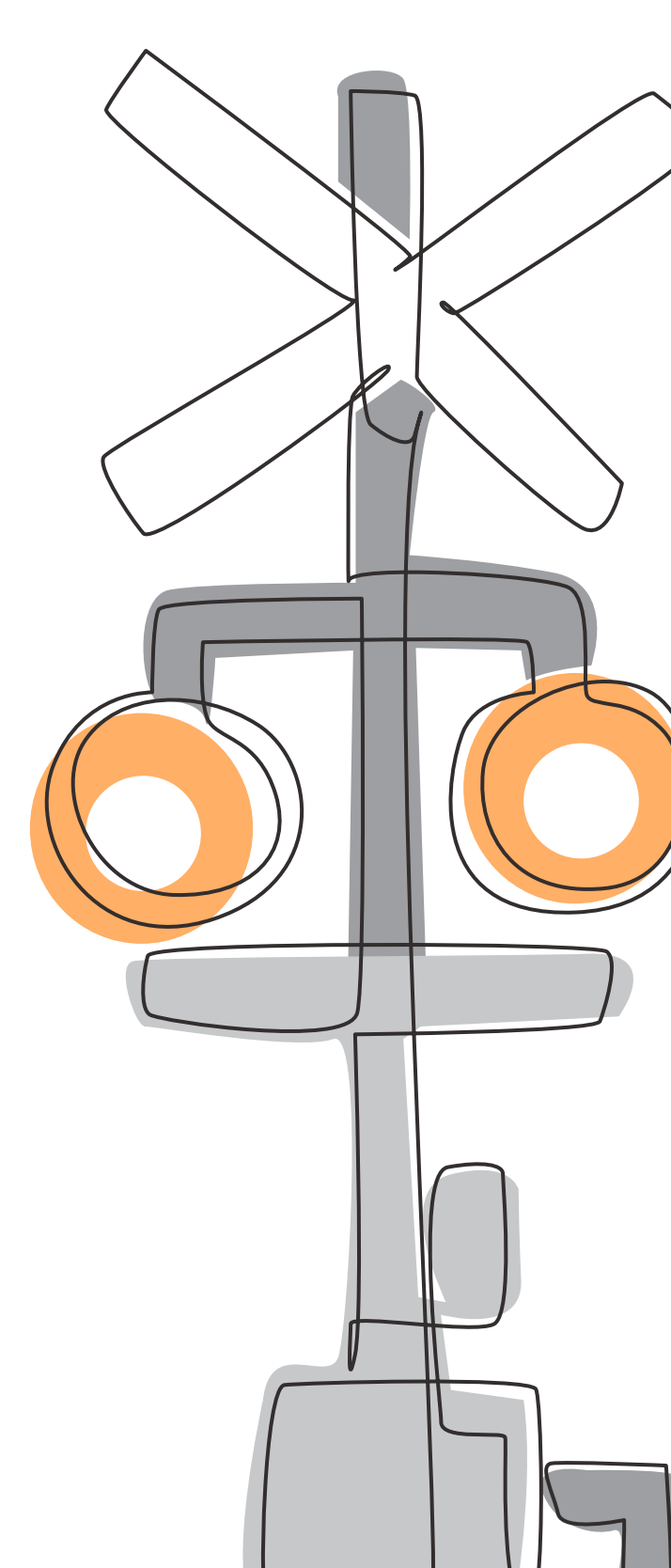
4 Rebates increase profitability

The extent of rebates that an organization can negotiate and claim often has a significant impact on its profitability. By managing sales against rebates carefully, you can enhance your margins and generate more revenue.

Rebates make up between **60%** and even **100%** of some distributors' profits. Likewise, when manufacturers make fuller use of rebate incentives, they typically achieve a **1.64%** margin uplift — or an extra **\$16,400** for every **\$1m** in profit.

5 Rebates have been around since at least the 1800s

During the 19th century, large industrialists like railroad tycoons used rebates to undercut competition and preserve or extend their own power within the market. Yikes! That's nothing like how businesses use rebates today.



6 Rebates are used by many businesses at every stage of the supply chain

In industries throughout the supply chain, companies consider rebates as a standard cost of conducting business. Rebates serve as a robust and healthy incentive that benefits all parties involved in the supply chain.

According to our Annual State of Volume Rebates report, **66%** of manufacturers offer annual rebate programs to their customers. At the same time, distributors have rebate programs with **50** of their top **100** manufacturers, representing two-thirds of sales.



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