



Rebates Reimagined: Unveiling the Reality, Avoiding Regrets and Maximizing Results



Mark Gilham
Enable

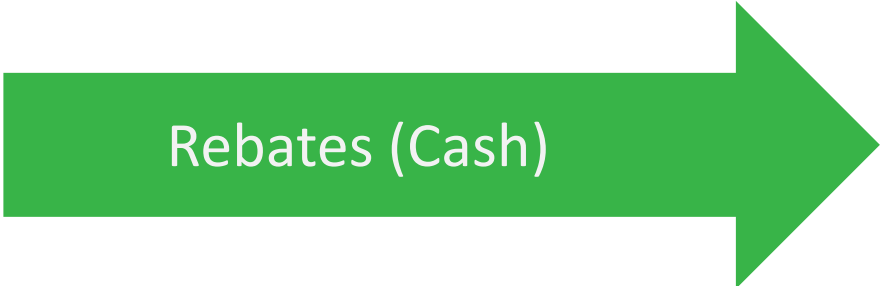
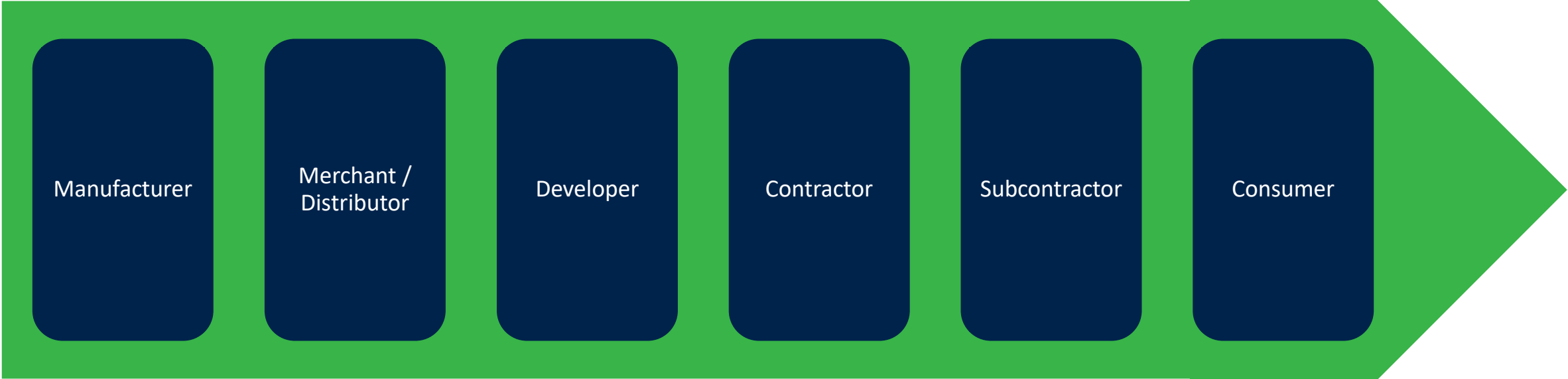


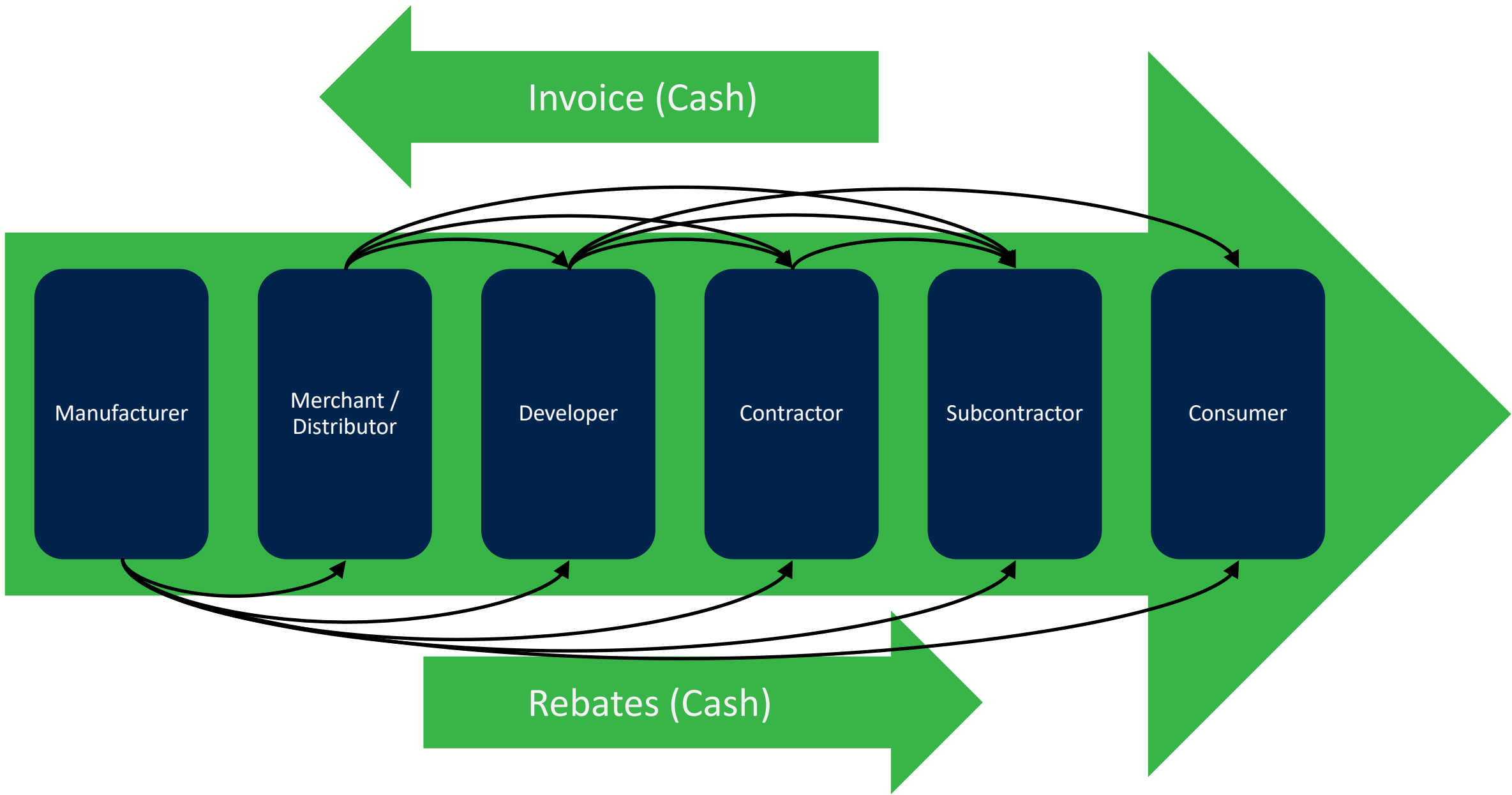
The Commercial Reality



Invoice (Cash)

Materials & Services



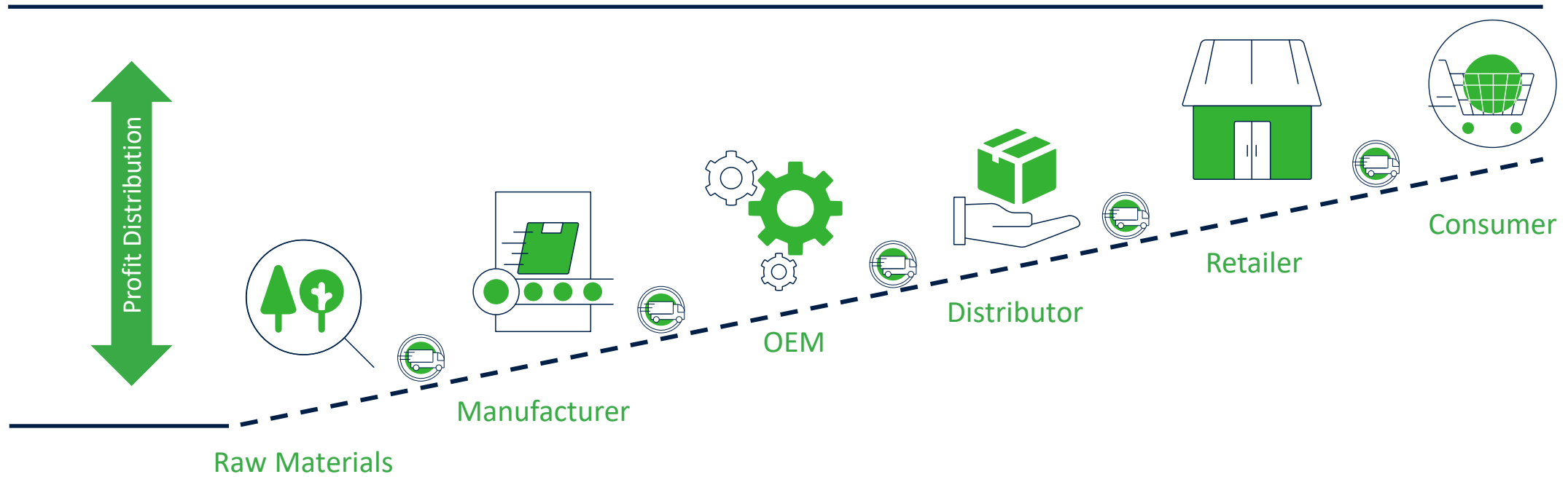


Creating Alignment

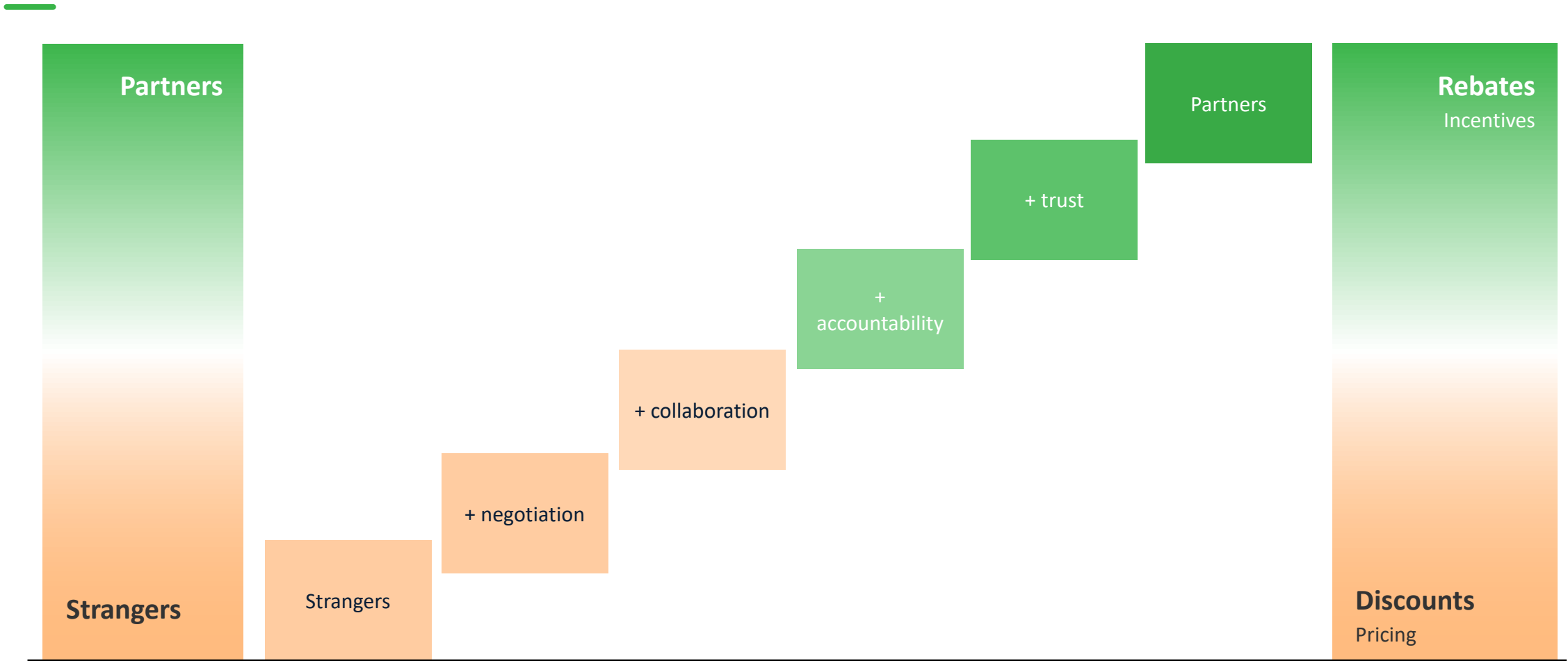


Supply Chain Value

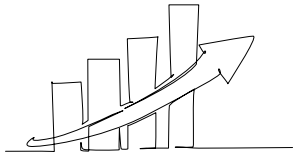
$$\text{Sharable Profit} = \text{Consumer Price} - \sum \text{Costs}$$



Conditions, Price and Partnership



Common Behaviours to Incentivize



Volume & Growth

Value
Units
Wallet Share



Retention & Loyalty

Long Term
Recognition
Locked In



Product Mix

Margin
New Products
Stocking



Performance

Logistics
Administration
Efficiency

The Good, the Bad, and the Ugly



Good vs Bad Rebates

The differences between a good and bad rebate strategy...

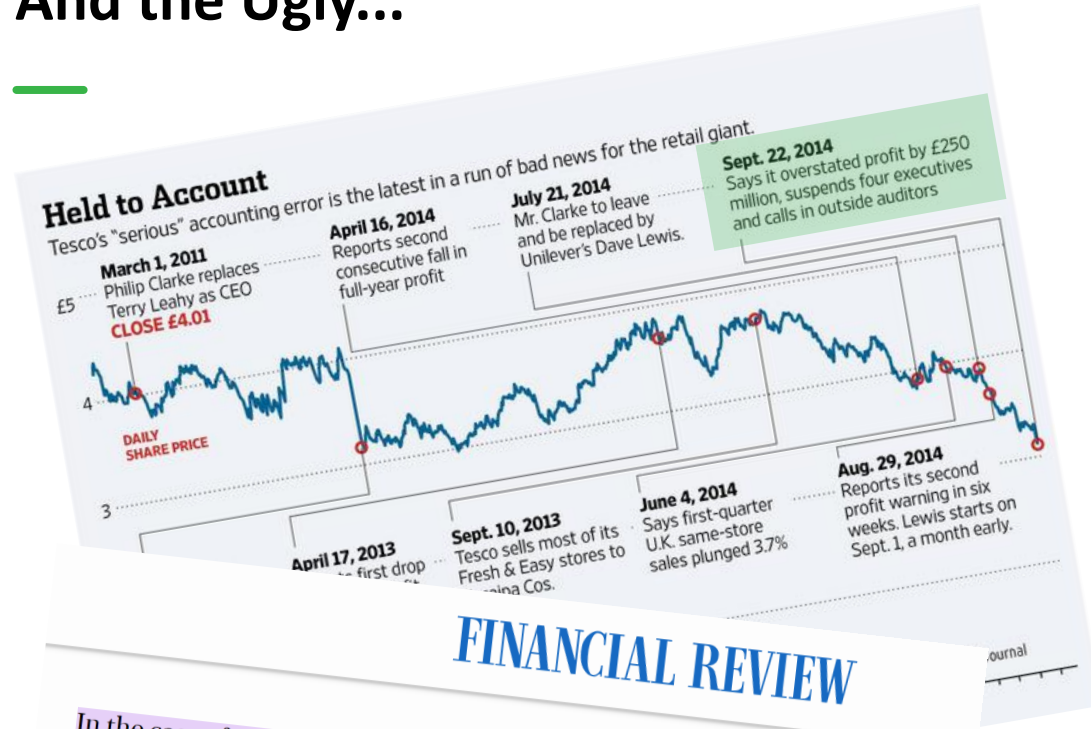
Good

- Specific, intentional and tailored
- Visible, transparent and collaborative
- The right tool for the right job
- Influences behavior
- Frequently reviewed

Bad

- One size fits all
- Difficult to understand or execute
- Opaque and self-serving
- Not driving behavior
- Only communicated at payment

And the Ugly...



In the case of Dick Smith, receiver Ferrier Hodgson has alleged that from at least July 2014 management undertook a program of "maximising" rebates by suppliers - buying excess stock and booking certain types of rebates as an increase in profits or a reduction in marketing expenses before the stock was sold, in breach of accounting standards.



By Liz Moyer
Feb. 9, 2016

Monsanto will pay \$80 million in penalties to the Securities and Exchange Commission to settle claims that it misstated earnings after failing to properly account for the costs of a sales rebate program for its flagship herbicide product, Roundup.

Are You Paying for Promises?

**The discount dilemma:
Real world
commitment
compliance = 58%**



	Projected	Actual
Revenue	£ 100.0M	£ 79.0M
Profit @ 29.3%	£ 29.3M	£ 23.2M
Unearned Volume Discount @ 10%		£ 2.7M
Gross Profit Opportunity		3.48%

Protect Procurement Gains



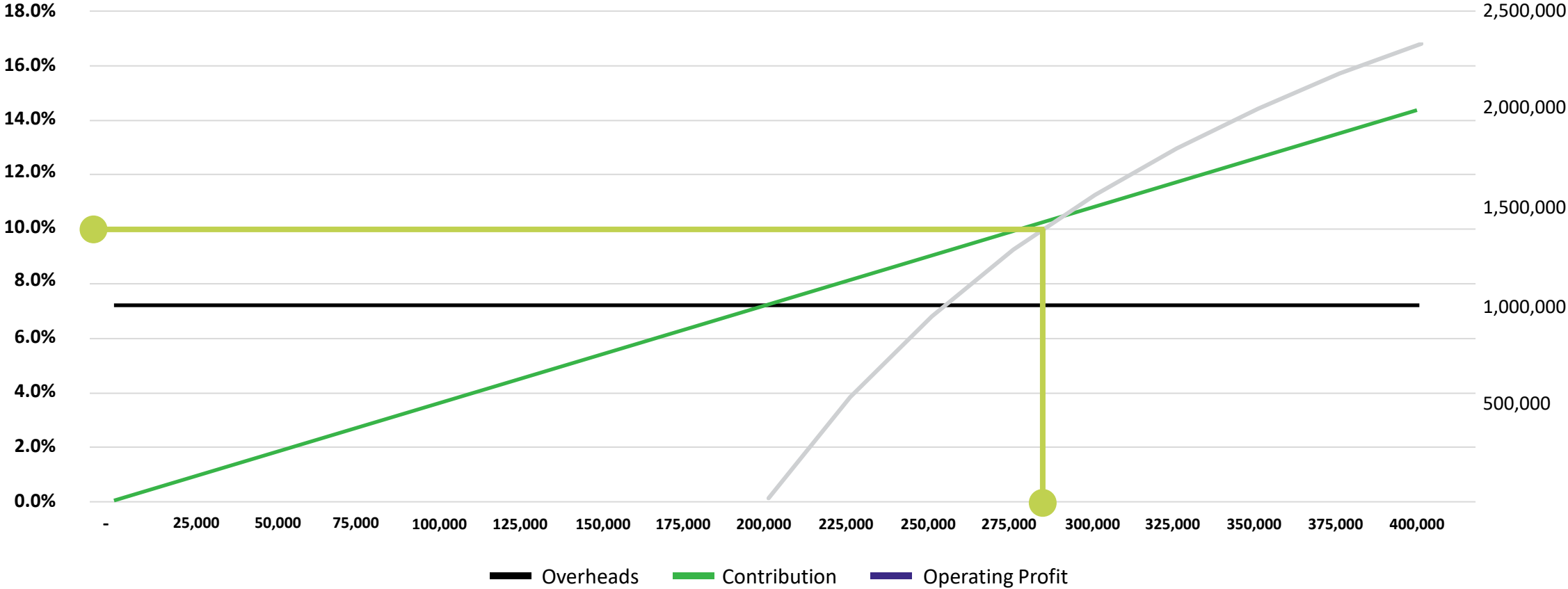
	Original Profit		Using a Fixed Rebate	
Manufacturer to Distributor				
List Price		1,000		1,000
Discount / Multiplier	50% / 0.5	- 500	50% / 0.5	- 500
Invoice Price		<u>500</u>		<u>500</u>
Rebate	0%	-	10%	- 50
Net Cost		<u>500</u>		<u>450</u>
Distributor to Consumer				
Invoice Cost on System		500		500
Mark Up	25%	125	25%	125
Sold for		<u>625</u>		<u>625</u>
Profit		<u>125</u>		<u>175</u>
Margin		20%		28%

Shared Growth



Scenario	
Fixed Overheads	1,000,000.00
Variable Cost	10.00
Sold for	15.00
Contribution Per Unit	5.00
	33.3%

Break Even & Target OP% Illustration



Assume we want to make 10% Operating Profit

$$\text{Profit (P)} = \text{Revenue (R)} - \text{Costs (C)}$$

$$10\% * R = R - C$$

$$0.1R = R - C$$

$$-0.9R = -C$$

$$R = 15 * \text{Quantity (Q)} = 15Q$$

$$C = 1,000,000 + 10Q$$

$$0.9 * 15Q = 1,000,000 + 10Q$$

$$13.5Q = 1,000,000 + 10Q$$

$$3.5Q = 1,000,000$$

$$Q = 285,714$$

$$\text{Sales} = 285,714 * 15$$

Quantity = 285,714
Sales = 4,285,710

Therefore once the sales (or units) are achieved, you could offer...

A non-retrospective rebate

10% contribution = 11.11

This is 3.89 less than normal sales price which can now be returned as a rebate, therefore:

26%

Or you can blend the benefit with prior sales using a **retrospective rebate**:

Sales	Rebate
4,500,000.00	1.1%
4,875,000.00	2.8%
5,250,000.00	4.3%
5,625,000.00	5.6%
6,000,000.00	6.7%

Mixing The Benefit



	Manufacturer						Distributor				
	Cost	Sales	Ratio	Rebate	Profit	Margin	Cost	Rebate	Sales	Profit	Margin
Product Range A	675	900	90.0%	-	225	25.0%	900	-	1,200	300	25.0%
Product Range B	55	100	10.0%	-	45	45.0%	100	-	182	82	45.0%
	Manufacturer						Distributor				
	Cost	Sales	Ratio	Rebate	Profit	Margin	Cost	Rebate	Sales	Profit	Margin
Product Range A	675	900	79.6%	-	225	25.0%	900	-	1,200	300	25.0%
Product Range B	127	230	20.4%	-	104	45.0%	230	-	354	124	35.0%
	802	1,130	100.0%	-	329	29.1%	1,130	-	1,554	424	27.3%

Roleplays



Q & A

Join our Rebate Strategist Community



Rebate Strategists
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