

3 ESSENTIAL REBATE MANAGEMENT TIPS TO INCREASE PROFIT MARGINS



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Introduction

Managing Vendor and customer rebates effectively and efficiently are the most delicate part of the business. We can share with you three tips to help you with that. Accrete has gained knowledge and experience by assisting several companies. We streamlined their rebate processes and enabled them to increase their profit margins.

Here we have a list of top 3 must implement tips. These will help organizations to increase margins through effective rebate management.

Automation of Accruals Process

Automation is the new buzz word for business processes. There are many customers on rebate programs that short pay their invoices to get instant compensation of their rebate owed. When organizations automate order pricing and invoice settlement processes, rebates owed would automatically be posted to the relevant general ledger accounts as accrued or paid. It makes the process seamless.

Automating accrual process reduces administrative duties. It also makes any future discounts and sales to new products or customers, quicker and simpler. The most effective way to do this is through leveraging the power of customer and product hierarchies via grouping structures. When a new product or customer gets added to the system and placed in the correct buyer group, it automatically inherits all the memberships and sales rules already applied to that group. It means no more manual additions are required.

By automation, organizations can also automate go-live dates for rebate programs. They can establish changes to vendor pricing deals and volume rebates ahead of time.



Tailored Incentives to Suit Your Customer or Vendor

After automating the accruals process, the next step forward should be focusing on enticing customer by creating tailored volume incentives or growth plans. In the end, organizations want their customers to do more buying. It's essential to know their buying patterns, so organizations don't just reward them for business as usual purchases.

How can organizations achieve this? This can be achieved by smart use of rebates. Organizations should have flexibility on how to incentivize their customers, whether it is lower or higher rebates on certain products, the inclusion or exclusion of certain products, or through focusing on transactional attributes related to order type. Organizations can use flexible rebate adjustment facilities. It can help organizations to quickly change targets while simultaneously maintaining data quality, catering to issues such as late agreement changes, and renegotiation.

Organizations can also leverage the visibility of rebates offered by vendors to adjust purchases to reduce costs by achieving tiers. Visibility into attainment allows for the adjustment of purchases to forward buy or promote more profitable vendors and products.

Financial Visibility into Rebate Expense or Revenue

Companies would offer rebates if a specific volume met over time. For example, a buyer might say he will purchase 5,000 units over the course of one year. The company issued a rebate of 10 percent when the purchase meets this threshold. When the company sends the rebate to the buyer, they adjust revenues with a reduction because the COGS remained the same. In this scenario, the rebate affects net sales and would be accounted for as a deduction from gross revenues. Rebates occur after the selling is done or after any marketing promotion such as discounts. This aspect makes it challenging to understand the impact on the deal margin. The cost of rebates needs to factor into the deal. It affects dead net sales or margins. If the calculations carried out using Excel, organizations could understand the total rebate value. However, they won't understand the impact on product sales or purchases. That is why early visibility and financial recognition are essential so that companies can forecast and prevent avoidable loss.

Organizations can implement this by incorporating rebate earnings or cost into transaction margin views, which will give them a dead net margin. They need to instantly see the impact rebate incentives have on deal margins so they can analyze which programs are more effective.

One way to do this is by incorporating your rebate earnings or cost into transaction margin views, which will give you your dead net margin. You need to instantly see the impact rebate incentives are having on deal margins so you can analyze which programs are more effective. The primary objective is to immediately see rebates updated into a financial ledger without reconciling accounts. What is the benefit? It helps to understand the final margin by enable you to instantly get down to the transactional level of rebate cost/revenue.

Contact Accrete today to schedule a free rebate management assessment and increase profit margins

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