

10 Tips for Moving Beyond Rebates

Market and channels shifts are changing the role and shape of incentives. Here are 10 tips from the recent MDM Webcast: Moving Beyond Rebates to prepare for the new incentive landscape.

*Featuring: Michael Workman, Workman Associates LTD
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#1

Demand creation will be a critical measure of future incentive programs.

“We have kind of let [rebates] dominate our business, and I think it’s one of the factors that has driven wholesale distribution generally into a demand-response industry instead of a demand-creation industry.”

#2

Volume won't be enough for incentives; growth will be required.

“Incentives today are going to be tied to all sorts of varied behaviors, from attending webinars like this, lunch and learns, vendor days for sales floors, deal registration, lead tracking, team goals, and ultimately, they’re most effective when they’re tied back to actual growth-based objectives.”

#3

Optimize pricing to get the most out of incentives – and boost your bottom line in the absence of rebates.

“One of the causes of reduced profitability in distribution is inconsistency in pricing. We find so many differences in pricing to the customer at the branch level, at the personal level, and we find more and more and more that those inconsistencies are nearly always a cost driver for distributors.”

#4

Relationships with suppliers must change.

“We find lots of distributors telling us that those personal relationships with their manufacturers have not really deteriorated; they’ve just gone away, because we don’t have the same people calling on us. And the people that call on us from the manufacturer’s place of business we perceive to be more temporary. ... there needs to be more business-to-business relationships with metrics to make sure that we are doing what’s needed and not just offering more than anybody else.”

#5

Change the relationship with your customers.

“Coming from an agency and a service-based approach, a comment that I heard years ago at a presentation and it stuck with me forever: Fall in love with your client’s problems, not your products. I think that relates back to that idea of making sure you understand and you’re listening, and you’re paying attention.”

#6

Distributors must focus on what they *do*, rather than what they *sell*.

“What value are you really bringing that adds money to the customer’s bottom line? What things can you do that nobody else does? That’s what you need to define.”

#7

Data sharing will be a requirement, and providing the most useful data will be rewarded.

“Most of the data that seems to be meaningful to the manufacturers we talk with have to do with point-of-sale information and have to do with the ability to segment, stratify a customer base and to be able to use in a more predictive manner. ... Make sure you have a plan for doing that just like you have a plan for any other process that you’re going to implement and/or pursue in distribution, because when the manufacturer’s going to demand more data from you, you need to be able to say, ‘Not only can I do that, here’s what I believe is more important for you to have and us to share as well, and I can do that for you for only this much money.’”

#8

Don't undervalue the data you provide.

“Data is not free, so if you get in the habit of giving data to your suppliers, they will expect you to give it. It’s just like delivery. It’s just like all the functions of distribution that we have given away so long. Early in the game we have to put a value on that and make it have real value before we can control the process.”

#9

Pick the right goal for the right person.

“Targeting is about picking the right goal for the right person. There are lots of techniques to do this, from letting participants pick their own goals and the corresponding rewards, to more manual processes, maybe with your own reps setting goals for their customers. Either way, realistic growth goals need to be a part of the incentive plan.”

#10

Start thinking beyond rebates.

“I believe the sooner rebates go away and we do business based upon our ability and our process, and our market analysis and real data, the more effective we can be, not only at pricing optimization, but at profit optimization and profit management in distribution.”

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