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Using Rebates To Drive Retention And Sales

November 2025

Everyone wants growth and loyalty. Manufacturers seek to achieve these goals by offering quality products and services. They seek strong and mutually beneficial relationships with their channel via their service offerings.

For manufacturers, growth, and for distributors, profitability, is increasingly driven by how effectively the two parties collaborate. When there is collaboration, both parties prosper.

Rebates are integral to that partnership. Yet, while rebates are vital to channel profitability, most are still managed as tactical concessions rather than strategic growth tools. This paper explores how modern rebate design, process improvement, and technology can transform them into engines of profitable growth.

The Growing Strategic Importance of Rebates

To find out, we asked manufacturers and distributors about their rebate experience.

Here is what we found.



"In the electrical distribution industry, rebates represent 20-60% (typically) of a distributor's net income ... and the 20% range was during Covid. In a slow market economy where margins get squeezed, rebate income becomes a higher percentage of distributor net profit. I predict that when the next NAED PAR report comes out it will be 40-60% (double a few years ago.)," — David Gordon

1. Rebate and B2B incentive programs between manufacturers and distributors in B2B distribution keeps growing in importance and complexity.

The importance of rebates, defined as a percentage of distributor profit, has grown significantly from the early 2000's to 2025. Over the past 25 years, as the importance of rebates has grown, the complexity of these agreements has also increased for the average channel partner.

When researching articles about growth from university sources, there is little academic research with data. Much of what is known comes from the B2C space, from trade associations, industry consultants, or is "known" based upon a channel participant's experience. There is very specific information available to channel members through their trade associations or marketing / buying groups. Association performance analysis reports (PAR) reports do an excellent job of capturing key data to show how crucial rebates are to the profitability of the channel.

The data shows that Manufacturer rebate and incentive programs provide between 20-90% of a distributor's profitability. For example: The National Association of Electrical Distributor's 2023 PAR report showed that rebates made up between 40-70% of an electrical distributor's total profit.

The overall rebate % of total profit varies year to year, but in every case, those "backside" dollars are profit makers or breakers to every distributor.

The fact is, rebate programs today are vitally important to channel profitability, especially for the distributor. B2B distribution has its own nuances for every channel (Industrial MRO HVACR, Plumbing, Building Supplies, Electrical, Chemicals, and more) but all B2B channels use some level of rebate/incentive programs.

2. Rebates and incentive drive more than loyalty for manufacturers

The question of the value of rebate and incentive programs is debated amongst B2B manufacturer teams so often that we have regular conversations with partners and manufacturer about this topic. The source of the "angst" is *"I am paying a lot of incentives to drive behavior that I desire from my distributors (increased sales, specific product mix,*

etc.). But, when I'm in the field, I really hear of them other than by distributor management. Am I getting a return on that investment or am I just paying tax?"

Our experience with rebates and incentives (in a well-crafted Strategic Business Agreement) drive more than just loyalty and partnership for manufacturers. They are not just a "gift" or "tax" on the business. They enable revenue attainment and can drive growth. They help capture share of mind, which drives market share. Rebates also keep market-level pricing higher with end-user customers. Most manufacturers anecdotally know that when they give a 2% COGS reduction to a distributor, they find it becomes a pass-through 2% discount on the selling price in the market to win orders. And then that becomes the benchmark for future opportunities.



"Too many rebates in these industries are products of negotiation, not strategy," says Mark Gilham, Head of Enable Advisory Services. "When rebates are simply traded concessions, they rarely drive the intended behavior. The way we structure rebates is changing, they're becoming deliberate, data-driven incentives designed to create measurable, mutual value for manufacturers and distributors."

With rebates, whatever level you are at with your distributors, none, or very little, of that "rebate discount" is passed through to the end customer and therefore helps keep end customer market level pricing higher. That is a win for everyone in the channel.

3. Are incentive and rebate programs in the B2B Distribution Channel Growing or Declining?

The answer to this question is a resounding yes.

- As a manufacturer, having a program that rewards growth is essential. If you do not have a competitive program, you will lose share in the channel.
- For distributor's, rebates make up, at minimum, a double-digit percentage of your total profits and in many years it is 33% - 50%, or more, of your company's total profitability.

The indication of this growth is what is happening in the consumer world. Rebate and incentive programs are exploding. As we all know, what happens in retail and consumer marketing ends up being replicated in the B2B Distribution Channel. Incentive and rebate programs are more pronounced and prolific. They can be a decision driver.

If you go back to the mid 1900's, grocery stores started the revolution with "slotting fees" and "rewards programs" for consumers (e.g., S&H green stamps). Today there are more loyalty/incentive programs than ever. Every grocery store, restaurant, pizza restaurant, major retailer, and consumer business seems to have one.

Even when you go through the drive-thru at McDonalds, you can execute an "app order" to earn rewards and rebates. Consider this ... the average American consumer, in 2023, was enrolled in 16.7 rewards programs.

Manufacturers, ask your distributors how many rebate programs they participate in. And then ask, how many are in addition to the marketing / buying group they belong to (if they are not a national chain.)

An element of the growth is recognition that an "incentive" can be used to drive growth but also to retain business. The retention element is also frequently called a "frequency" or "loyalty" initiative. With companies competing for every order, many have evolved their incentive program, which focused on growth, to a combination retention and growth strategy where they reward for existing business and further stimulate for growth. Consider airline frequent flyer / loyalty programs ... they reward from the first dollar spent and then

reward more at certain levels. B2B incentives can be similar with a reward to prior year and additional rewards for growth.

This has become very prevalent as some distributors utilize programs as “gate keepers” and require any manufacturer whom they expect to have repetitive purchases from to provide a rebate. If they do not, then the supplier is so noted. One distributor commented that “this helps us recoup the cost of doing business with them, especially since we already have other suppliers in their product category.”

Is this strategic? Debatable, but it helps improve distributor profitability.

For B2B distributors, rebate and incentive programs are the present and future. Rebates, incentives, backsides, whatever you call them, are rapidly growing in importance with no sign of relenting.

CMG Trends Survey Results

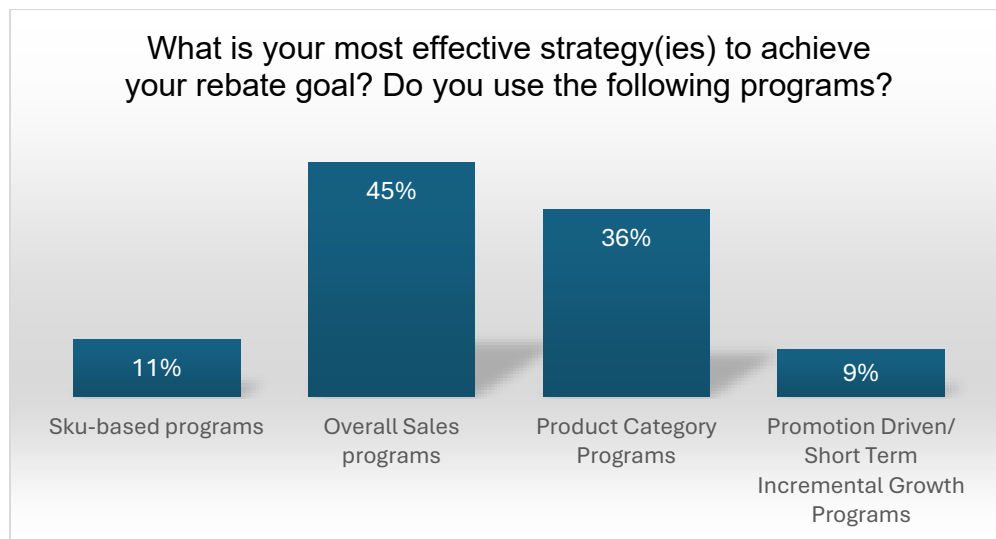
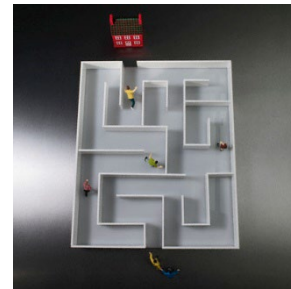
Channel Marketing Group conducted an independent rebate insights survey. 153 manufacturers and distributors shared their input.

Survey respondents reported that rebate achievement overall was slightly down to flat versus their goal. In follow-up conversations, many shared that their sales missed their goals, for the most part, due to market performance. Overall, their business did not achieve their projected sales goals and the companies were not willing to “move” business to solely meet rebate goals due to strategic relationships.

Some shared that, to achieve corporate profitability goals, they made supplier adjustments and moved business from one supplier to another to reach rebate incentives.

We also asked: What are your biggest challenges with the rebate process and what are common rebate-oriented challenges with your internal teams (sales, finance inventory)?

- “In a soft market, meeting goals with the same COGS and programs from the same manufacturers.”
- “Our biggest concern is making sure we get on target early for our growth goals. It should be a better low single-digit growth year. Now we need to be in a position to take advantage of the opportunity.”



Overall Sales Programs generated the highest response. Overall Sales Programs is a term distributors frequently use. It means “our sales team is going to make more calls and sell more stuff.”

While broad-based rebate programs are easy to administer, communicate, and understand, they inevitably lead to a status quo environment.



Success requires a strategy

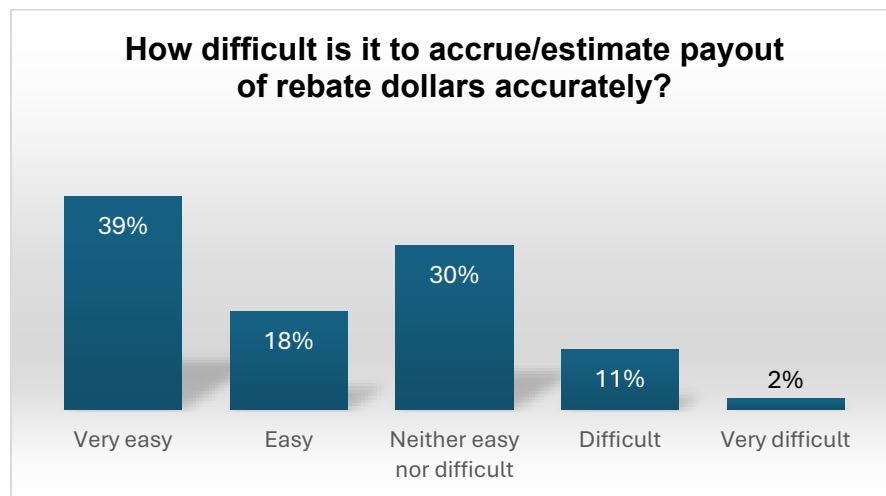
In our experience, a broad strategy reinforced with targeted initiatives based upon manufacturer goals (product category) and promotional initiatives (SKU-based / new products), supported by a strong value proposition and a distributor’s commitment to support the manufacturer delivers the best results..

Programs based upon shared manufacturer and distributor goals are the programs that win. These mutually beneficial sales and rebate programs can deliver supercharged growth as they are supported by the sales organizations of both parties and reinforced with a focused marketing strategy. The key is sales (and branch) buy-in, driven by marketing support, and reinforced with appropriate purchasing and pricing commitments.

Targeted sales programs can deliver the desired growth and improved profit levels for both the distributor and manufacturer.

For example: New Products normally deliver higher margins than standard products and typically are the most profitable products sold by a manufacturer and distributor. Many channel partners will devote additional resources and marketing funds to drive sales of new products (SKUs) that have more strategic value to the channel.

Challenges in Execution and Measurement



The responses indicated that 57% of channel partners have processes and procedures in place that make the accrual of year-end rebate programs - Easy or Very Easy.

In the words of W. Edward Deming, “you can’t manage what you don’t measure.” If companies cannot, or do not, measure their rebate programs on a regular basis, they cannot ensure their success. They do not have the ability to adjust throughout the year, and frequently those adjustments relate to management activities ... more sales focus, launching a new marketing campaign, adjusting inventory, evaluating customer needs or other initiatives.

While many use Excel or automated reports from their ERP systems, this insight questions if this is enough.

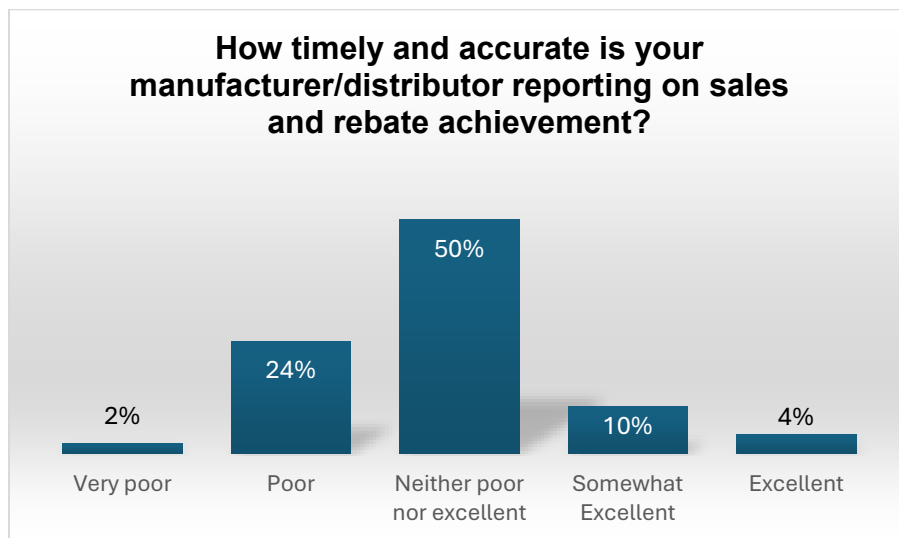
Input shared by survey respondents on the “true-up” process, which is defined as “finalizing results at the end of the rebate period,” confirmed the survey ratings.

- “The True Process is always challenging with our minor vendors that are either small or we buy a small amount from. With the Eaton’s of the world (larger manufacturers), it is much easier.” This is most likely due to better systems, especially on the part of the manufacturer or more focus due to the importance of the relationship.
- “Our tracking is easy enough. No problems.”

As leaders who have led, or consulted, on rebate programs for some of the largest distributors, we found the answer to this question matches our experience. Accruing for the rebate earned is an established process for most distributors. This further correlates to the structure of rebate programs. Rebate programs that are based upon total sales, or total sales in a product category, are relatively easy to project earnings and to collect. The only nuance becomes terminology to determine “net” and if there are any project exclusions based upon low negotiated business.

Given the importance of rebates to financial performance, Purchasing / Supplier Relations and Finance departments spend time dialing in projections in the fourth quarter and then focus on timely reconciliation and collections in the first quarter with most payments occurring via credits or ACH payments. From post-survey interviews, some negotiate a discounted “deduct” and then do a true-up at the end of the year. With many distributors being members of marketing / buying groups, rebate administration is essentially “outsourced” to the group for many of distributor’s manufacturers, leaving them to handle programs with non-group manufacturers as well as “enhancement” programs with manufacturers in the groups. The marketing groups typically utilize deducts either quarterly or annually and then do “true-ups.”

The challenge is how to improve this process to take time and effort out of it to reduce SG&A costs and better manage collections, remittance, and accruals. Process improvement and technology tools enable this to happen.



Survey respondents shared a range of responses but indicated that distributors and manufacturers felt that their current reporting on achievement was “acceptable,” however, 26% of them rated reporting as unacceptable, indicating opportunities for improvement which can lead to improved rebate achievement and collection performance.

The size of the distributor and manufacturer does make a difference. The larger the distributor (or if the distributor is in a marketing / buying group) the more accurate the reporting was and hence if they rated reporting as average to excellent. The same correlation held for manufacturers; the more likely the rating was average to excellent. The inference is that the larger the company, or their involvement in a marketing group, ensured greater accuracy. This could be due to investment in processes and/or that larger companies had greater expectations of accountability. Smaller companies either did not have processes or, since they were not part of a marketing group, had less proficiency in rebate management.

A tool that many larger manufacturers have deployed is the integration of rebate performance management into their portals. Access is typically restricted to selected individuals within a distributorship. This information exchange appears to make a difference in reporting excellence. A component may be access to the information, enabling manufacturer regional management to review the information more easily with their distributors.

In our experience in supporting manufacturers and distributors, we recommend that excellent reporting and rebate achievement needs to be a process foundation. Given that rebate programs cover a significant percentage of sales (for manufacturers and distributors), these business drivers are integral to the sales and goal achievement process ... and for distributors, to their profitability. That process foundation (great rebate tracking, accrual excellence, quality planning, and business review process, etc.) needs to be backed by a strong cross-functional team.

Building Cross-Functional Ownership

Teams achieve rebates. Teams decide to partner and are the ones that need to commit to grow. A rebate program without a sponsor or a growth plan is either a profit improvement initiative for a distributor or an attempt, by a manufacturer, to minimize inhibitors to sales. A rebate program with a sponsor and a business plan represents an opportunity for growth ... to both parties.

For a distributor, the cross-functional team encompasses management from purchasing / supplier relations, sales, and marketing. Finance should also be supporting this effort. The typical point person is purchasing / supplier relations as this role coordinates much of the rebate programs, however, sales and marketing are integral to the process as they drive the business strategy to ensure goal attainment. Without their buy-in, and support, a rebate program either fails, succeeds by accident, or is dependent upon purchasing moving business. Finance needs to support the effort to provide guidance on reporting and the profitability of actions.



- **Leadership Team:** the leader(s) of the team if they are at director level or below, we recommend an executive sponsor. The executive sponsor can report this critical progress and help remove obstacles to success.
- **Category Management/Supplier Relations:** This person(s) has daily focus on managing supplier relationships and the Strategic Business Agreement (SBA). They negotiate the full SBA: Terms and Connections. Return Goods Authorizations, Rebates and Incentives, Marketing Allowances, Funds, Freight Programs, and more. This person coordinates with Marketing, Sales, and Branch Management on behalf of the manufacturer, or facilitates those relationships.
- **Finance:** Accurate accounting and accruals are fundamental to managing backend agreements effectively. Finance leaders within the team are tasked with overseeing financial transactions related to rebates, SPAs, and other strategic agreements.

When it comes to building a process, having a dedicated team to handle category management and Strategic Business Agreements is essential.

From a manufacturer viewpoint, the sales force is the point of the spear. Salespeople / manufacturer representatives are responsible for supporting the distributor and generating field results. For most manufacturers, regional managers are responsible to “program identification, development, negotiations, and ongoing management.” These individuals may drive planning. A manufacturer’s marketing tools, and perhaps the marketing department, should be involved in helping key distributors achieve goals. The dynamics differ as the size of the account increases.

The cross-functional teams for distributors and manufacturers are crucial to improving or building the processes, and the plan, you need to maximize your rebate performance.

Tracking Every Dollar

Success, as a distributor, starts with tracking every dollar — every rebate, discount, and cost reduction. This is also critical for the manufacturer. As a manufacturer, the higher tiered rebate levels your distributors attain, the higher your sales with that distributor will grow.

Supplier Stratification & Distribution Scorecards

As manufacturers, understanding your position in each distributor’s product category management system (preferred, approved, etc.) is crucial to crafting a program that drives growth. This creates Strategic Business Agreements (SBAs) that drive the behavior you want from your partners. For some manufacturers, this is why there is some flexibility in the design of their rebate programs - so that they can adjust to what is important to each distributor customer, and their opportunity.

Scorecards for both manufacturers and distributors can be breakthrough communication vehicles, enabling greater alignment of goals and clarity of performance.

The best scorecards track:

- **Sales alignment between the manufacturer and distributor** – End Customer Segments, Number of Active Buying Customers, Lines Per Order, etc.
- **Product sales** – At the category and individual SKU level. Number of transactions, Average Order size for the manufacturer, etc.
- **Operational efficiency metrics** - First time fill rates, Turns, Lines per Order, Average transaction size, EDI Utilization, Order process automation, etc.
- **End-customer performance** – Number of end customers purchasing, Customer Size and type, Average Order Size, Average Annual Customer Size, etc.



A detailed scorecard for distributors that can be shared with their manufacturers is critical to drive growth and profits. The best scorecards should show data at the macro (Overall and Product Category) and the tactical level (SKU and location level).

Are You Ready to Build and Maximize Your Profits?

To fully optimize profitability, enhancing your processes and incorporating advanced rebate management software, like Enable, is essential to maximizing rebate performance. This technology allows for precise tracking of every dollar, ensuring you capture all available rebates, discounts, and cost reductions. Additionally, fostering strong collaboration with suppliers and other key departments is key; effective communication, negotiation, evaluation, and prioritization of suppliers will amplify strategic efforts and drive performance.

Key Takeaways

1. Rebates are effective if you work them – This is true for distributors and manufacturers. For distributors, they improve profitability but, more importantly, they can focus efforts and resources on those suppliers most focused on supporting you. For manufacturers, they can act as a differentiator within a distributorship while also helping you garner resources, and focus, within a distributor. Frequently, it helps both parties align their efforts. The most effective rebate relationships are when goals are communicated and aligned. Rebates do not guarantee growth, or performance, but they do help drive alignment of expectations.
2. Commitment and Tracking Drive Profit Improvement - Rebates can be an integral profit driver for distributors and can be a differentiator for manufacturers. They drive revenue growth for manufacturers as they capture share of mind, and hence market share, while significantly improving net profitability for distributors if there is commitment and proper tracking. The rebate is your direct commitment to each other for the year. If you grow the rebate dollar amount with a partner (distributor or manufacturer) you will deliver results that make your CFO smile.
3. Maintaining clear and consistent internal communication about supplier strategies is essential for aligning organizational goals, avoiding conflicts, and optimizing rebate performance.
4. Additionally, distributors should constantly seek to innovate their approach by incorporating new elements like digital insights and customer behavior analysis. This proactive stance helps add value and drive growth, ensuring that supplier relationships remain productive and strategic.
5. Rebates are a profit enhancer - Depending upon a distributor's culture, rebates can be a profit enhancer by mitigating price discounting.

Rebate dollars are a make or break to profitability for the channel and without a proper tracking system and process profit leakage occurs. The best way to ensure you do not leave profits on the table is to find a partner, like Enable, to help you improve tracking processes, and claim excellence.

Are You Ready to Build and Maximize Your Profits?

To fully optimize profitability, organizations must have precise tracking, transparent collaboration, and proactive management to ensure every rebate dollar is measured and aligned with commercial goals. [Mark Gilham](#) explains, "This is why Enable Advisory was created. We teach the channel how to create rebates that work for all sides - collaborative, commercial, and effective." For manufacturers and distributors ready to transform rebates from reactive negotiations into strategic growth levers, Enable's software and Advisory offering provide the expertise, technology, and partnership to make it happen. Visit enable.com or contact your Enable representative to explore how you can unlock untapped profit and strengthen channel relationships.



Enable's AI-driven rebate platform and pricing management solution empowers manufacturers, distributors, and retailers to unlock new levels of profitability. By providing businesses with capabilities to optimize incentives, maximize the value of trading partnerships, gain precise margin visibility, and deploy complex pricing strategies at lightning-fast speed, Enable transforms rebates and pricing into strategic tools for growth. Learn more at www.enable.com.



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Survey Results – Channel Marketing Group conducted this research, which was sponsored by Enable, with leading B2B distributors and manufacturers in late 2024/early 2025.