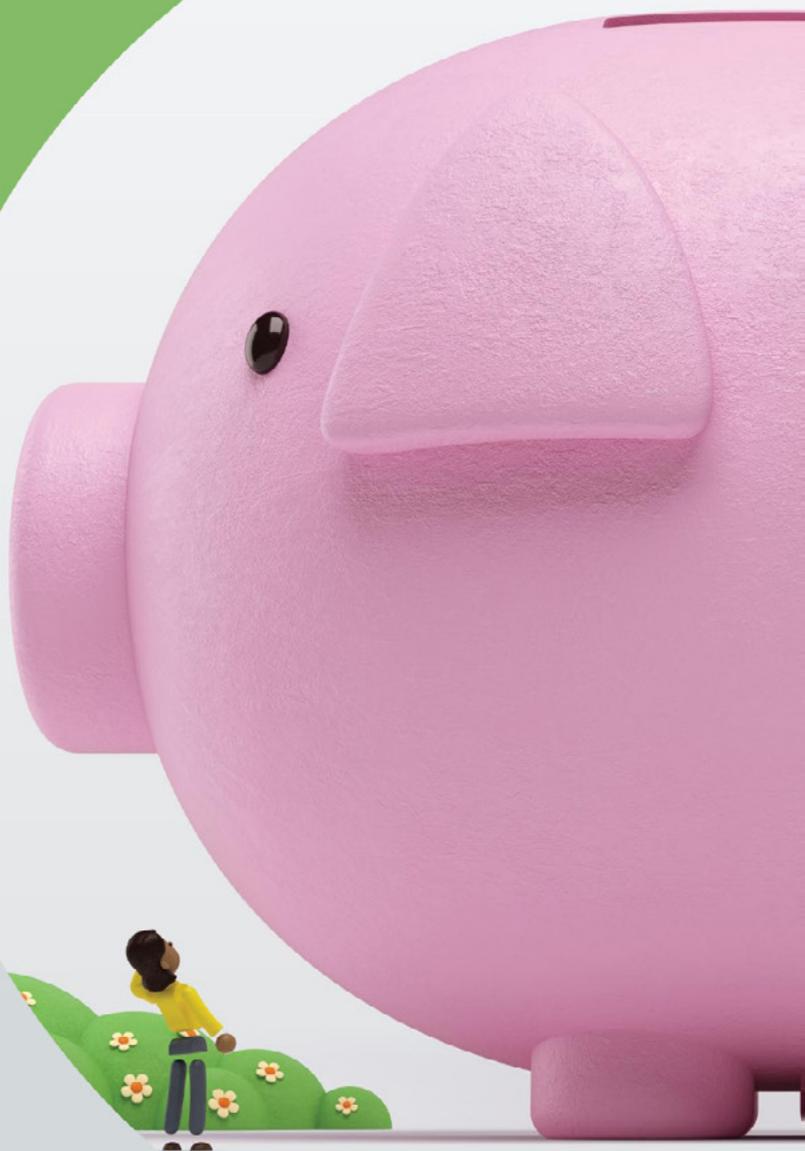


The impact of COVID-19 on B2B rebate deals



The Impact of COVID-19 on B2B rebate deals between distributors and their supply chain

The COVID-19 pandemic caught companies and whole industries off guard, as they experienced dramatic and sudden changes in demand and revenue.

One of the most visible impacts of the pandemic has been the strain on the global supply chain. This was further exacerbated by manufacturers, distributors and all those selling “non-essential” goods being forced to temporarily close, with government-enforced lockdowns and social distancing regulations causing supply chain disruption and/or a collapse in demand.

Although at the time of writing this report lockdown measures have begun to ease around the world, the shock of COVID-19 is still far from over. The next phase we’ve entered has just as many challenges as the first, with businesses entering an era that requires new strategies to ensure survival and a return to growth.

B2B deals have always had an important role to play in aligning distributors and suppliers around mutually shared objectives, to oil the wheels of making business happen, and ultimately to better serve customers.

When the pandemic started, Enable heard from many customers about the importance of re-forecasting sales and purchases and renegotiating rebates deals appropriately, to make sure they remain linked to reality. There is nothing more frustrating than having incentives that are impossible to achieve.

What follows in this report are the summarized views of 100 sales, purchasing and finance professionals operating across the supply chain. We donated \$50 to selected charities for each and every survey call completed. This report looks at current and future impacts of the pandemic, with a focus on how sales, purchasing and finance teams manage their rebates and other forms of B2B deals pre and post COVID-19.

We commissioned this survey to help us not only to learn and improve our product, but more importantly the lives of sales, purchasing and finance teams who negotiate and execute rebate deals throughout the supply chain.

Rebates drive behavior and, when implemented correctly, will help to fuel the economic recovery by providing the right incentives to the right trading partners at the right times.

Andrew Butt, CEO of Enable



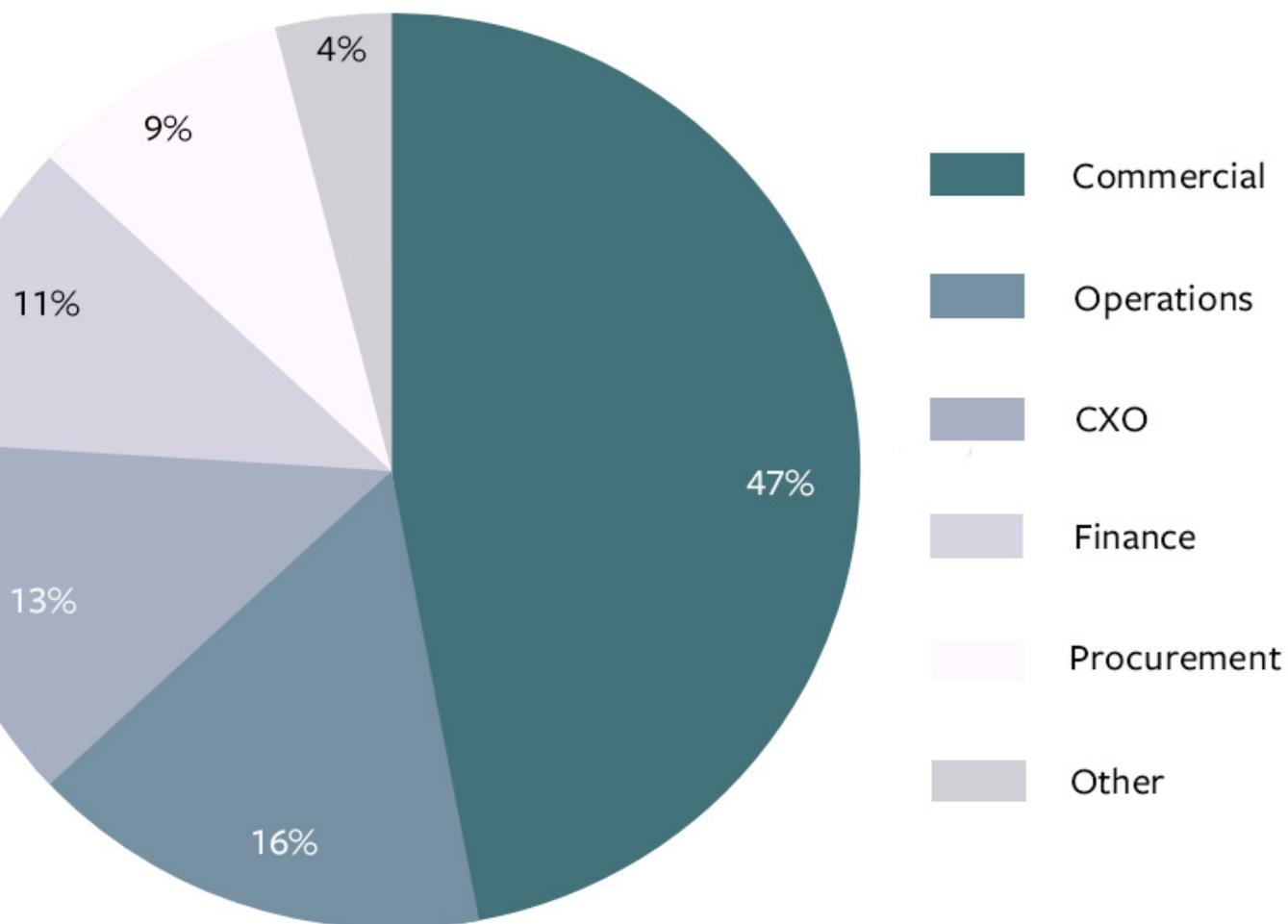


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Who we surveyed

Charity phone calls were conducted in Q2 of 2020. The survey's 100 respondents represented US & UK businesses involved in rebates and B2B deals.

Respondent roles range from operations (16%) to CXO (13%) plus we spoke to those involved in finance (11%) and procurement (9%) across the supply chain. The largest quantity of responders at 47% were part of the commercial team, who arguably are on the front line of their respective businesses with the most telling insights.



How many suffered disruption?

Since first appearing in China in December 2019, COVID-19 had exploded all around the world by early April 2020, disrupting economies, health care systems, and social norms. Supply chains which depend on a global flow of goods and people, have seen massive impacts.

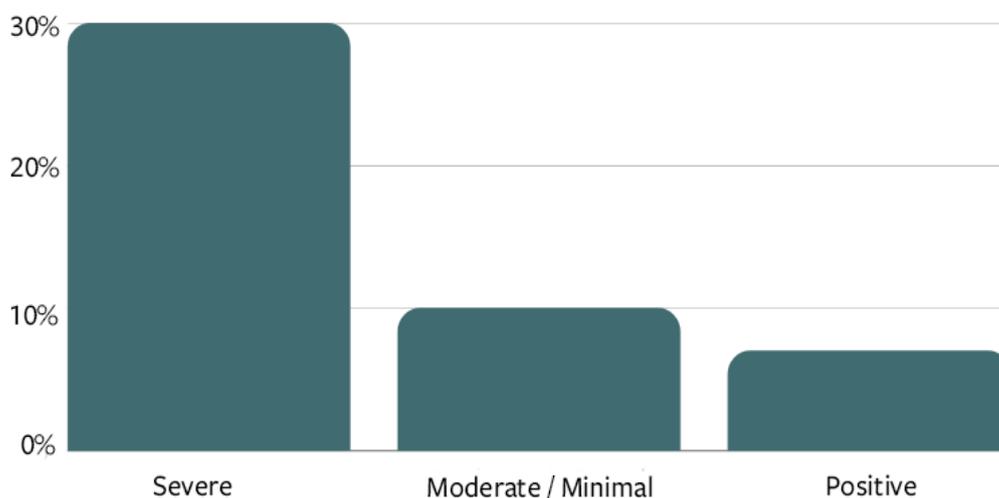
Notably, 83% percent of companies reported supply chain disruptions in some capacity due to COVID-19, with 30% saying it had a highly severe effect on their supply chain including no sales due to closures.

On the opposite end of the scale 10% of businesses felt minimal or moderate effect and 7% of businesses experienced a positive outcome due to increased consumer demand.

83%

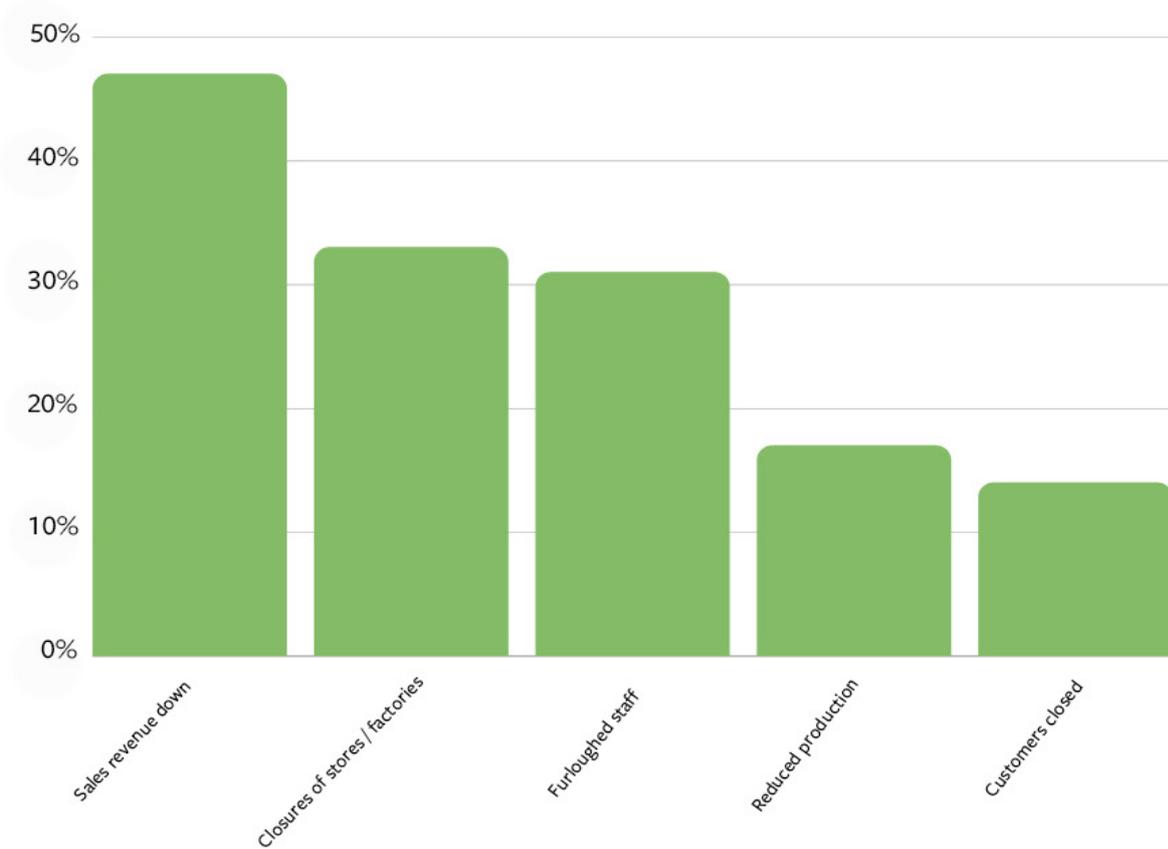
One respondent said:

“Cash flow is negative, but it gives people opportunity to take step back and think about what they do. We all have to come out of this stronger”.



Where has the biggest impact been?

When asked where COVID-19 had the biggest impact, the responses were spread out across the following areas. Notably, nearly half (47%) of respondents said sales revenue is down between 10% - 80%.



One respondent said:

“This pandemic is disrupting us sourcing product. We are trying to find new sources for product, but this is a challenge and we’re having to pay higher prices.”

What measures are being put in place to help mitigate the impact now and once restrictions are fully lifted?

It is notable that at the time of being surveyed, more than half of respondents were not sure yet what measures they will put in place which points to a lack of collaboration throughout the supply chain. Also, of note is that whilst more than a quarter of respondents are optimistic and believe it's going to be businesses as usual once the restrictions are lifted, they don't necessarily have a plan in place.

Many of the participants had fast tracked work policies necessary to address the impact of the pandemic and ensure the health of their employees. For example, those who have been able to keep their distribution centers and warehouses open throughout the pandemic have been making sure to keep a 2m distance at all times. Those companies who have had to make cutbacks are taking advantage of the UK government furlough scheme for colleagues (31%) or getting them to work from home (16%).

Our study found that only 15% are working in effective collaboration with suppliers and making sure they are being paid on time, with others saying that suppliers are shut down or not responding and are not sure when they will be paid. Suppliers are vulnerable right now as they face the very real prospect of not being able to resume trading once this crisis ends or will take some considerable time to be able to do so.

16% have increased stock levels because of the pandemic whereas 19% said they are in a healthy stock position. One said they are reprioritizing all production in China to make sure there are no stock issues.

Deal management post COVID-19

Since Enable first started out with the tracking of rebates, we have broadened out into the management of many other forms of deals, trading agreements and programs to help companies unleash the full power of the deal economy.

Throughout the pandemic, B2B deals are still being negotiated or re-negotiated. This particularly applies to rebates, which are prevalent across more than 50 industries due to their significant impact on a business's bottom-line.

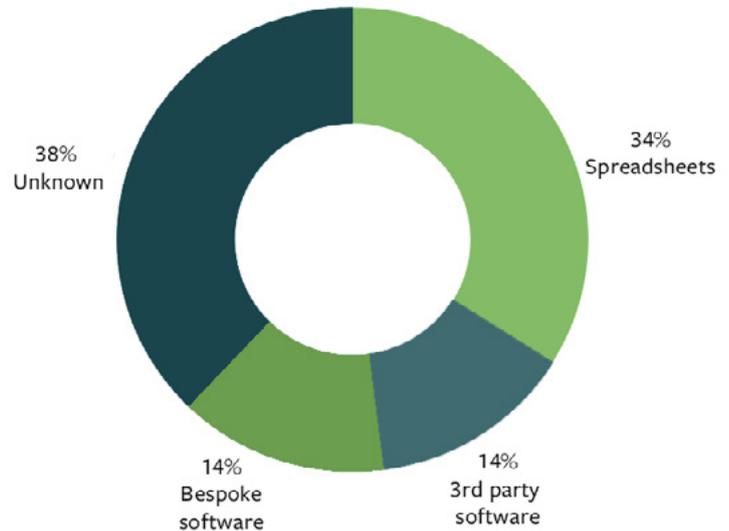
We have found that on average, 4% of rebate revenue goes unclaimed which means many companies are missing out on hundreds of thousands or even millions of dollars each year. With trading agreements becoming increasingly more creative and complicated, many companies lack the specialist software that is required to manage this complexity in an efficient and accurate way.

With such large volumes of information to manage, we find that data is spread across an array of sources including spreadsheets, emails, and physical paperwork, which only increases the likelihood of errors and inconsistencies in the deal management process.

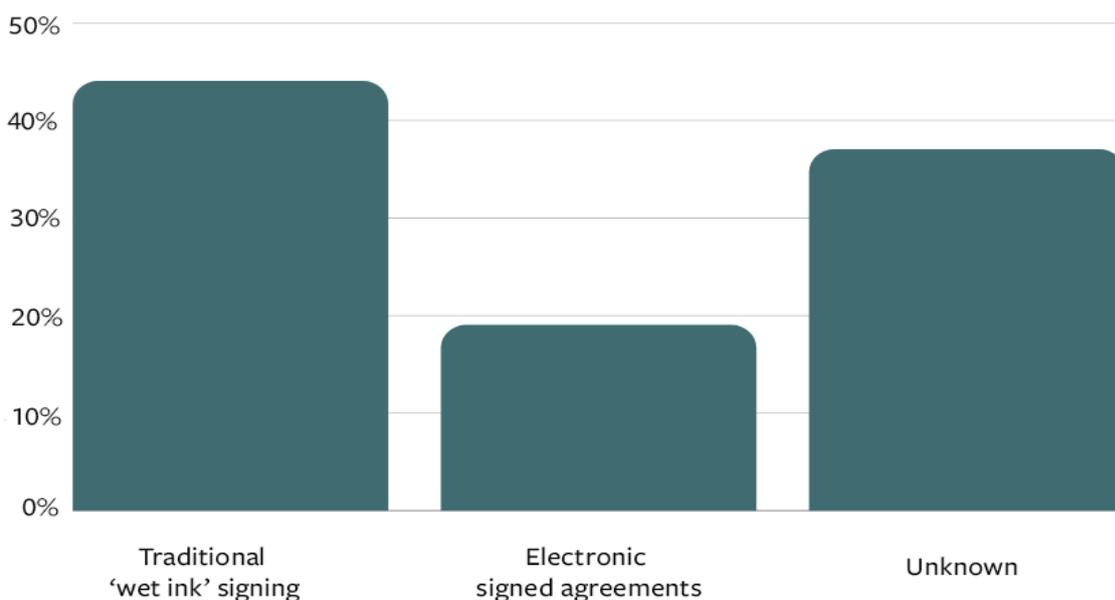
During our study, we investigated the current processes used by sales, purchasing and finance teams to manage their deals and how they could be leveraging deal management software to help them track, calculate, automate and manage their B2B deals in the future.

How are deals currently agreed, documented, shared and signed off?

From the following data it wasn't surprising to see that companies are still using outdated processes for signing off their trading agreements with the majority using spreadsheets or bespoke software. Also note that based on the quantity of responders that did not know what system is used and how agreements are signed, it is likely many of these were also using outdated systems and processes. Therefore, enforcing the need for the digitalization of deal management and the likely acceleration of migrating these processes to the cloud.



When asked how they sign off on their agreements the respondents said:



Challenges faced with current deal management practices



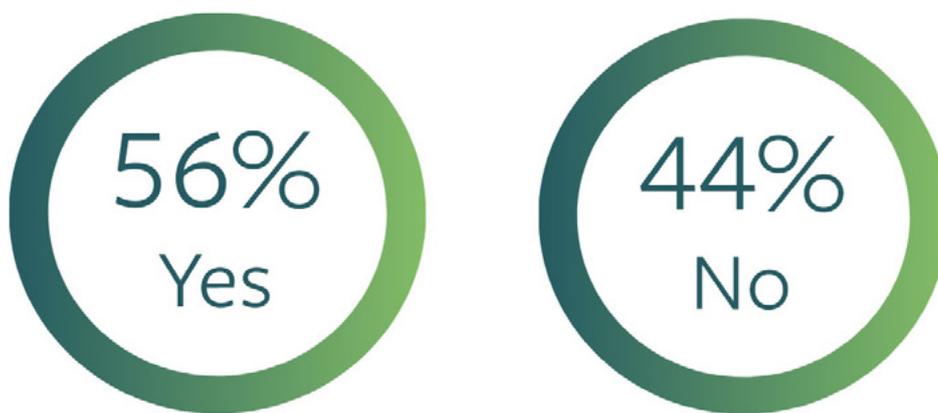
Interestingly 64% found challenges with their current system due to a mixture of the following reasons:

- Getting hold of the contract is difficult
- Key person dependency
- Difficult to add new suppliers to spreadsheets without breaking the spreadsheets!
- Time consuming and very manual
- Unable to report and forecast properly
- Lack of technical knowledge to operate complex macro-filled spreadsheets
- Juggling multiple data sources across numerous branches/physical locations.

Examples of additional challenges faced due to the pandemic (free flowing answer)

- Delayed payments
- Lack of information from customers
- Inability to forecast with any degree of accuracy
- Unsure of how loyal customers will stay to their agreed deals
- Under pressure to renegotiate deals
- General uncertainty

Do you expect to be renegotiating your B2B deals to assist in the recovery once the pandemic restrictions are lifted?



Amid the COVID-19 outbreak, it is not surprising to see that businesses are renegotiating contracts with multiple stakeholders as they face an uncertain future. Some businesses are finding that their pre-lockdown arrangements with their suppliers do not suit their business priorities going forward. By re-negotiating, businesses can achieve a new contract that is fair and beneficial to both parties.

Deal management software can give a view of true net and net-net cost prices and give a real-time view that enables fact-based decision making when negotiating contracts for the company. Best in class software systems also include a central deal library which has all the essential information needed to aid the renegotiation of contracts. By having access to this, contract negotiators can model their deals and pull purchase data from branches or members. A centralised system can also provide insight into group purchasing and help to rationalise buying.

At Enable we believe it's time to stop thinking of B2B deal negotiations as adversarial competitions, trying to outdo our trading partner. Instead, we think of them as a collaborative way to achieve reliable and mutually profitable growth for both sides of the trading relationship.

Lessons learnt from the pandemic

While COVID-19 has created an extremely volatile situation for businesses to navigate and has disrupted “business as usual”, it does force us all to think differently and develop new approaches and practices from what we have learnt. The top learnings we identified from our study are set out below.

Reduce reliance on ‘home made systems’:

Spreadsheets, emails & paper signatures carry inherent risk which has been further amplified by the move away from the traditional office environment, with many of these ‘systems’ being rendered inaccessible. Migrating to modern cloud-based systems has become paramount.

Reduce dependency on key individuals:

The pandemic has illuminated the fact that in the majority of businesses there are a small handful of individuals who understand the rebate deals that have been negotiated. When those individuals become unwell or have poor home working arrangements, a significant portion of profit is at risk of haemorrhage. This is also accelerating the transition to the cloud.

Unanticipated chaos:

Companies typically build supply chains with the expectation that materials will be readily accessible. COVID-19 left many companies feeling unprepared. This revealed a lack of centralized and coordinated visibility in risk monitoring.

The need for better collaboration with suppliers:

Facing up to these disruptions requires new forms of collaboration across companies and industry ecosystems, to ensure business continuity. To effectively address the key goals requires a collaborative approach – thinking of customers and suppliers as partners.

Managing spend better:

At a time where financing and cash flow are uncertain, cash is once again king. Procurement and finance teams are being asked to adjust their forecasts and preserve cash wherever possible. To maximize this, purchasing teams should be in control of all spend and re-negotiate with suppliers where possible.

Adapting products / services:

With hospitals around the globe lacking in medical equipment to adequately respond to the crisis, we saw manufacturers from all industries pivot their offering to increase the production of ventilators and protective equipment.

Supplier portfolio diversification:

With suppliers shutting down production in Asia first, purchasing teams were immediately confronted with the vulnerability of their international supply chains and the need to approach diversification to ensure the greatest possible choice of goods and services. Although finding an alternative manufacturer or distributor can be difficult depending on the product, the benefits of this can be shorter shipping times, lower customs duties, and cheaper return and replacement costs.

Data has never been so vital:

For a complex supply chain, decision making becomes difficult if you don’t have full visibility into your data. Specialist deal management software helps to create a complete picture of your deals, ensuring everyone in the supply chain has the best foundation on which to make decisions.

Staying alert during rebound:

Although it can be difficult to stay positive, sales and purchasing teams need to continue to work on mitigating the impact and taking advantage of demand that their competitors might have overlooked. Businesses will also need to keep a close eye on unexpected costs and logistics disruptions while maintaining profitability.



Conclusion

With the full impact of COVID-19 on supply chains still very unclear, the findings in this report are a mix of uncertainty and optimism. On one extreme we've spoken with people who are fundamentally in 'business as usual' mode, not adapting their plans too much. And for others, their strategies and plans have been totally turned upside down and changed beyond recognition. Many of these changes could be permanent.

As countries across the globe emerge from lockdown at different times and at different paces, managing supply chains and the trading agreements between trading partners will not be easy.

At this point, CXO leadership and their commercial, finance, operations and purchasing teams have had some time to react and many are rethinking and rebuilding how they engage their supply chain partners to make sure business can be done more efficiently with increased collaboration using the right software platforms in the cloud.

Sales and purchases are being completely re-forecast and B2B deals are being renegotiated. The winners will be those suppliers and distributors who work together collaboratively to agree new mutually beneficial deals. Deals that give manufacturers the focus they require on product, location and volume. And deals that give distributors the margin they need to thrive, in the form of rebate incentives.



About Enable

So much more than rebate management, Enable deal management software helps suppliers, distributors and wholesalers to drive mutually profitable growth, while improving cash flow and reducing risk.

Having provided software to numerous sales, purchasing and finance teams over the years, we know they are a neglected bunch, facing a poor choice of outdated software products offering limited functionality.

We're here to change all that, by providing modern software solutions that empower teams to make better trading decisions faster, choosing how and where to focus their sales and purchasing efforts across products, customers and locations, and in the process increasing their margin.

Leading manufacturers and distributors in the North America and Europe depend on Enable to collaboratively plan, execute and track complex trading agreements involving millions of dollars in rebates, discounts, royalties, purchase income and back margin. For more information visit us at www.enable.com

Would you like to find out how our deal management software can help you?

Book a demo online [via the website](#) or call

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USA office: +1 628 251 1057

