**Should Negotiating Rebates Be A Priority?**

Some procurement professionals like to demonstrate that they’ve negotiated concessions on every last term in order to impress their management. Obviously, being tenacious and effective is indeed admirable. But there are pros and cons to negotiating rebates.

There are a few reasons I have preferred to have the rebates factored into a lower price rather than waiting until the end of the year to capture them. First, there’s always a risk that the rebates won’t be paid or remembered. Second, there’s a risk that the price will be inflated in order to cover a rebate to be paid later. That can make it easier for internal customers to find that “deal that’s better than Procurement gets” - never good politically! Third, there is the time value of money and corporate cash flow improvement initiatives that make money more attractive to have now rather than later.

However, there are times when negotiating rebates is appropriate. One such time is when you lack a reliable quantity forecast. In one situation with a prior employer, we had a reliable forecast for a large quantity of goods in one category (Category A) but weren’t sure how many (if any) purchases of a second category (Category B) we would make from the same supplier.

Of course, I negotiated a low, low price for Category A. Then I negotiated a volume-based rebate on Category B that allowed us to take advantage of discounts if we deserved them without committing to a quantity that we couldn’t guarantee. This was a win for the supplier as well, because we didn’t require them to honor a price based on a volume that we didn’t end up meeting.

So, for example, if we ended up buying 0-10, we got a 0% rebate. If we ended up buying 11-20, we got a 1% rebate. If we ended up buying 21-30, we got a 2% rebate, and so on.

A final, important note on rebates: It is important for rebates to be distributed to the end users’ cost centers, not the "general fund" or Procurement’s budget (unless that’s how top management wants it). Rebates distributed outside of the end users’ cost centers can cause internal customers to feel that their budgets are being stolen from and will cause them to distrust Procurement.

**Spotlight On Professional Development Opportunities**

In purchasing, there is the top talent and there is everyone else. In which category do you belong?

As a purchasing professional, people are always trying to figure out your talent level. Whether it’s a current employer deciding who to lay off in a bad economy, a company seeking to hire a new purchasing manager, or even a supplier trying to determine the capabilities of his negotiating counterpart, people are always evaluating whether purchasers are true professionals or just “average buyers.”

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