

# THE STATE OF: SELL-THROUGH ALLOWANCES.

## WHAT ARE SELL-THROUGH ALLOWANCES?

Sales incentives offered by brand to assist their distribution channel with margin protection in the form of a retro-active subsidy/credit, payable after the sale is made at retail.



SALES INCENTIVE OFFERED BY BRANDS TO ASSIST CHANNEL



PROTECTS MSRP AND ASSISTS DISTRIBUTION AND RETAILERS WITH MARGIN PROTECTION

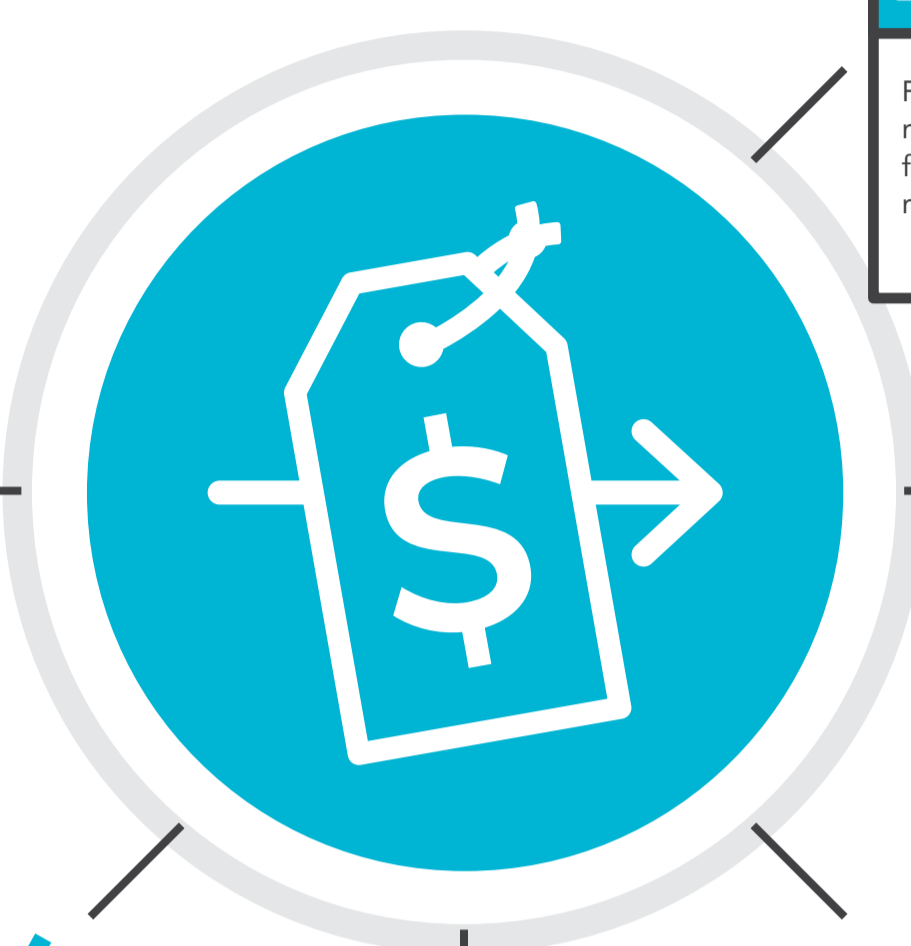


PAID AS A RETRO-ACTIVE CREDIT AFTER THE SALE AT RETAIL

## WHY ARE SELL-THROUGH ALLOWANCES IMPORTANT?

**BRICK & MORTAR**  
↑ VERSUS ↓  
**ONLINE RETAILERS**

Price wars between Brick and Mortar and Online retailers continue to drive down prices



**TOP CONCERN FOR THE YEAR 2020**  
Price reduction pressures rated a top concern for 2020 for large manufacturers in recent study



**58%**

58% of FMCG executives were currently engaged in a "price war" with rivals

**83%**

83% of FMCG executives reported they were facing increasing price pressure

**1%**

A recent study determined for every 1% competition increases at the retail level prices reduced by 0.06%.

## THE CHALLENGES



### MANUFACTURER

- Lack of visibility to channel pricing and market pressures
- Inability to quickly react to competitive price pressures
- Maintaining records and accounting for margins
- Lack of audits and/or reconciliation leads to lost profits



### DISTRIBUTION

- Registering and submitting claims is too difficult
- Qualification criteria is too complex
- Opting-out of programs due to cash flow concerns
- Valuing inventory properly is difficult for retailers

## EMERGING TRENDS

- Targeted Programs
- Automated Claims
- Quicker Payments
- Improved Visibility

## HOW DO I CHOOSE THE BEST SELL-THROUGH ALLOWANCE PROGRAM?



## SELL-THROUGH ALLOWANCES

- DON'T** Don't encourage excessive inventory buying
- DO** Do enable retailers to respond to competitive price pressure
- DON'T** Don't assume one program fits all
- DO** Do automate claim submissions
- DON'T** Don't take too long to pay
- DO** Do fix visibility issues

**WANT TO KNOW MORE — LET'S TALK.**

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