

Short-term financial planning report

[Business](#), [Customers](#)



Cash rebates are price reductions for a particular product, which are given to the buyers as an incentive if the goods are purchased for cash, in big quantities or at a specific point of time. Rebates can be classified based on the conditions of the offer into seasonal (valid only for specific time), quantity (for large volume purchases), cash (incentive for advance payment), trade rebates (reward for partners, who take up additional functions) etc. (Landa, Malinowska, Lis, Adamski, and Bondaryk, 2009). If cash rebates are used in transactions, the supplier essentially charges the full price, however some of the money is reimbursed at a later stage if certain predefined conditions are fulfilled. The benefit of cash rebates for the supplier may be quite significant. The economies of scale due to larger quantities or early cash receipts allow more efficient business management, thus bringing additional profits to the company. Although cash rebates are a very common strategy, in some cases it is considered unethical. Thus, cash rebates from suppliers allow setting dumping prices, which force other competitors to fail. Moreover, selective agreements, which involve cash rebates, become the tool of unfair competition, thus damaging both competitors and final consumers, who bear the final cost of the monopolized market.

According to some estimates, approximately 40-60 percent of rebates are never redeemed (Montaldo). This fact is related both to the reluctance of consumers to claim their rebates and to the number of barriers on the way to obtaining cash. Moreover, the actual rebate value is often decreased by the cost of redemption. Thus, cash rebates represent pure profit for the manufacturers and grow extremely popular in the industries such as

computer equipment. According to Business Week almost 1/3 of all the products in this industry are sold with some rebates, which however often stay unredeemed (Montaldo). High profitability of this scheme makes it an excellent tool to provide additional purchase incentives for the consumers without losing revenues. Therefore, it is highly advisable for electronic equipment producers to continue implement the rebates in order to derive additional profits.

References

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