

CO-OP ... THE STEPCHILD OF ADVERTISING

By: G. A. "Andy" Marken
President
Marken Communications, Inc.
Andy@markencom.com

Co-op advertising.

It brings tears of joy to your local radio, TV and print salespersons' eyes. It brings tears of frustration to you. It simply brings tears to the manufacturer.

For many people, co-op advertising brings visions of Wednesday's paper filled with grocery coupons and specials ...on Sunday they see auto and stereo ads ...on Thursday computer and consumer electronics ads... on Monday, business and service ads. All of this, despite the pages that a growing number of publications have devoted to this important marketing subject.

Simply stated, co-op advertising is an arrangement by which the manufacturer will underwrite a portion of your advertising costs when their products are featured.

This brings an important point to mind. When you are first talking to a vendor, ask them for a copy of their co-op advertising program for review. If they don't have one, hammer one out yourself and have them sign it. If they aren't willing to offer such a program, talk to another supplier. There are hundreds of good producers around--all hungry for selling space in your operation.

If they aren't concerned about providing co-op support, then they really aren't concerned about helping move their products through your operation. Instead, they are only concerned about moving product into your location. How you sell it is your problem.

Fortunately, many people in this industry are finally realizing that marketing, not technology, is going to move the products. They're finding new and refreshing approaches to co-op support that stimulate local sales.

No one knows exactly how much money is available in co-op funds. Depending upon the source, the figure ranges from \$25 billion to \$30 billion or more. Unfortunately, \$10 billion to \$15 billion goes unused every year, and this figure is growing.

With the economy still sluggish, many firms are working diligently to decrease the unused co-op advertising figure. They realize that by stimulating local and regional advertising, they not only supplement their national advertising efforts, but actually reduce their overall

advertising expenditures since they are paying only a portion of the local advertising cost. Added to this is the tangible and immediate sales results that are achieved.

Many companies are making it easier for retailers to use the advertising funds they have accrued with their purchases, by simplifying the planning and reporting structures. A number of firms and distributors alike are even helping their dealers track their co-op accruals by sending monthly statements that record their co-op activities.

But the most encouraging trend is the dramatic improvement in the quality and variety of advertising materials that are being provided to dealers. This includes print advertising, glossies and mats, as well as radio and TV scripts, tapes and slides. In addition, they are broadening the reach and availability for local circulations of national news and entertainment magazines, billboards, direct mail, ezines, local conferences/conventions and more.

Co-op money has been used to send people to the America's Cup races and the Olympics, to support and underwrite local and regional racecars, as well as for the sponsorship of hot-air balloon races and marathon races.

Are these off the wall ideas?

No.

The dealer or distributors/producers have carved a unique niche in the marketplace for themselves. They have picked an activity that carries the right image (one that is compatible with the one they want to present) that appeals to their target market.

While most manufacturers limit their co-op funds based on the value of unit volume of products purchased--generally 1 percent to 5 percent of annual purchases--this is not always the case. More aggressive manufacturers, and those who want to penetrate and dominate local markets, put no cap on the fund at all. They feel that the local advertising is, most assuredly, good for the dealer; but, more importantly, it is also very good for the manufacturer because it provides a close, local tie to the consumer.

Certainly no manufacturer (hardware or software) has a bottomless pocket when it comes to advertising and marketing dollars, so keep in mind the co-op money isn't without some strings. After all, you have to match the money you receive from them with your own, so it really isn't "free" advertising dollars.

Because consumer and computer firms are competing so fiercely for retail shelf space, many are becoming more innovative and flexible with their co-op plans. Some are offering generous co-op terms that can include covering more than 50 percent of the media costs.

One member of senior management of a dealership in the Midwest feels that the materials and plans being provided by manufacturers have improved dramatically since the firm first began using them nearly five years ago. "Our objective is—and always has been-- to take

maximum advantage of every opportunity that presents itself," he commented. "Advertising and promotional allowances can make a significant difference not only in which lines we handle, but in how aggressively we will promote them."

Unfortunately, the dealer finds that you still have to pry promotional assistance information out of most companies. "It's as if they have it, but aren't proud of what they offer," he stated. "Sony – cameras and computers – is probably the most professional in their approach, and the most aggressive in encouraging us to take maximum advantage of the funds, services and opportunities that are available. They seem to realize that every time they pay for part of the ad their return is really much greater. It would be great if the other suppliers felt the same way."

The management of a solutions-oriented office firm in Santa Southern California, voiced similar concern regarding co-op programs. "We don't use as much as we could or should, and we don't take advantage of all of the opportunities as they arise," they said. "You would think that the co-op programs would be part of their overall marketing planning and strategy, but unfortunately, you have to do the digging and asking to find out the information."

They noted that one of their key distributors had recently notified them that if the store funneled all of their co-op claims through them, they would handle the paperwork and negotiations for the store with the lines they represent. "The hassle of keeping track of co-op funds, co-op claims and co-op credits is more than an office dealer can do by itself," they lamented, but added that they were going to seriously look into the program offered by the distributor, since it appeared to provide all of the benefits and support--without all of the aggravation.

Some retailers have found that through the use of co-op advertising dollars, they can actually accomplish more and do a better job by hiring professionals to develop and plan their advertising efforts.

A dealer in Northern California said that his firm has used an agency for three years, ever since he first opened his doors. "We had a slight advantage in understanding co-op support and how to maximize it because of our parent corporation," he commented. "One of the first things we did when we started our business here was hire a group of professionals who were skilled at advertising and who knew how to make the best use of the money we had available."

He noted that together, with his agency, they have developed efforts beyond just newspaper advertising. They have successfully used their co-op money, with better than excellent results, for activities which include expositions, trade shows, billboards and direct mail, as well as advertising.

"I think we were wise to use them at the outset," he commented. "These people understand advertising and, specifically, how to get maximum return on co-op advertising."

Unfortunately, if we were left to our own devices, we'd be in the dark most of the time since suppliers (for the most part) aren't truly service-oriented at this time."

He explained that he feels office/business equipment hardware and software manufacturers should use their co-op programs and their field people as a form of communications to their dealers and stress its importance in the joint success of the manufacturer/distributor/retailer/reseller relationship. "There's an excellent return-on-investment in sound usage of co-op advertising," he emphasized. "Field salespeople should concentrate on training dealers in its use because I'm positive it would help sell a lot more products for the manufacturer."

The management of another dealership had similar reasons for hiring an agency at the outset. "The agency does what it does best," they stated, "and the first thing is really knowing our market and knowing how to transform the supplier's material into something that is usable and meaningful for us, our image and our prospective customers."

They added that part of the assignment given to the agency at the outset was to find out what money was available from the various suppliers, determine how to profitably use it for the store, keep track of the co-op fund and handle all of the billing procedures so that the store recovered all of the money it was entitled to receive.

"We use very little of the stuff provided by our suppliers," they commented, "not because it's bad, but because it isn't. Rather, it simply has to be tailored and customized to fit our marketplace and our image. Manufacturers have to understand that if they are to succeed in individual markets like ours or Chicago's, Los Angeles', San Francisco's, or New York City's, their name and image is important. Their distribution channels are equally important."

"In the final analysis, it is the dealer and the reseller and his or her individual salespeople who can make or break the supplier, since we're the people who have face-to-face, one-on-one and continuing relationships with the customer," they added. "They (the manufacturers) may build a demand, but it is our people who close the sale, so the people on the front line have a lot of control over how they guide the customer once they're in the store."

They added that, for this reason alone, manufacturers shouldn't look at resellers as an interference to business, but rather as partners in their success. This is why it is important for the manufacturer to communicate and work with the dealers.

Above and beyond the conventional co-op advertising usage, many firms are now becoming more creative in how their money is used. They realize that there are a lot of different things that cause people to buy products. As a result, they're starting to pay for expenses involved in seminars, entry and associated costs for local shows, as well as shelving costs.

A number of the retailers interviewed also made it clear that while the co-op plan states policy, there are variances that the suppliers are willing to offer if you know what to ask for, how to ask for it and who to ask. Most manufacturers also have special marketing and sales funds that are available across the board for specific market areas in which they want to increase sales, presence and visibility.

Keep in mind that, for every line you carry, there is—or should be--an accrual of money available to you to help you move those products.

If it isn't there, find a new supplier.

If it is there, make the most of it for your benefit ...and the manufacturer's.

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