



## Co-op + MDF – Tools for Capturing Market Share

### Change Your Focus and Planning Style

Have manufacturer co-op plans become too institutionalized, too ruled by the budget? Do too many manufacturers provide co-op as a necessary element to stay in the game with distributors while trying to maximize the “breakage”, or percent of claimable funds that stay unused?

Do distributors misuse co-op? Do they naively try and claim funds for mediocre and ill-performed activities? Do many good distributors with good plans dislike the cumbersome claiming procedures?

Do you feel you have to “use” the co-op to get your “fair share”? Has co-op focused too much on what is allowable, what is claimable, claims procedures and proof?

The answer to these questions is yes. There are a lot of barnacles in this age old practice, but some outstanding examples to emulate, too. In order to replicate the good, you have to know the best practices. To get rid of the bad, you need to look at the opposite, the good stuff, which we’ve outlined in the table “Change Behavior”

### Let’s Refocus on Market Share

Focusing on making co-op work is often fruitless. It is a solution looking for an opportunity. The objective is not to make co-op work in order to buy media placements, print brochures, buy hats, set up counter cards or run golfing events and open houses. **The objective is to develop market share.**

Market share in this business manifests as **product positions in specific market segments**. A good, profitable distributor generally has a substantial position in a market segment, selling a broad mix of products to that segment. So the question becomes - Do your co-op expenditures help you increase your share?

To make money, you need to be dominant in something. Marketing warfare gurus Al Ries and Jack Trout extol this logic in **Positioning, Marketing Warfare** and **Focus**. **Bradley Gale** supports this in **The PIMS Principles** and **Managing Customer Value**.

**But what about examples with distribution?** In a recent conversation with fellow consultant **Bruce Merrifield**, he described a study which showed that the biggest determinant of high performance was a strong charismatic local manager that stuck around for a while, followed by a strong position in a market segment. “Strong Position” was characterized by at least four major contracts or account positions in that segment. That gave the distributor the critical mass of inventory and presence in a segment to do well for the rest of the segment’s smaller customers.

Strong, charismatic managers make what we call “**bold moves**” to build a team of the best services, suppliers and people. Then they **launch major promotions that tout their strengths and merchandise their lines.**



So, doesn't it make sense that co-op funds ought to be focused on helping distributors to promote a mix of products to market segments instead of a historically parochial focus on promoting a brand as narrowly as possible?

### **Manufacturers: Help the "Bus" Get To Market**

Think of the distributor as a bus with a lot of seats going to a stadium, which is the market. You can buy seats on the bus as a manufacturer, but it doesn't make the bus any better at securing tickets to the big game and filling seats in the stadium (share of the market).

Manufacturers need to realize that the distributor's marketing power is in the mix of products that appeals to a market segment. It is **all** the brands that appeal to that segment, not just one of the manufacturers. That should be the major thrust of a distributor marketing effort and the manufacturer's funding plans should play into that reality.

Co-op funds are the things you do once you are in the stadium. Market development funds are the fuel. In other words, MDF is the strategy, co-op is the tactics.

Some manufacturers say "that is all I have." Or is it, "I need to treat all of my distributors the same?" But will all distributors in that marketplace help you equally in capturing share? MDF is a win-win for manufacturers and distributors. Why, because is partners people who want to work together towards a common cause (share growth), there is **mutual commitment** and both parties are **focusing** on each other. The down-side – more work for the local salesforce.

### **Why Leading Manufacturers Support MDF**

If MDF is the bus going to the big game, would you want to not make the trip? Leading manufacturers recognize that to grow with leading distributors, they need to do respond to the way the customer wants to do business. And leading distributors know that to get ahead, they must market their competitive differences, and strengths, to their customers. Leaders attract leaders.

Think about which manufacturers you consider to be marketing-oriented companies. Do they focus on pennies, or strategies? Look at the distributors who are known as marketing-oriented companies. Do they partner with key suppliers? How do you think these activities get funded?

Now MDF is not another way to get more money from manufacturers. MDF does not work unless both parties receive measurable value. There needs to be the right strategy for the distributor, an appropriate vehicle for the manufacturer to communicate his needs (and achieve them) and a commitment to grow the business. This takes work, commitment and focus by both parties

### **Distributors: Obtaining MDF**

Soliciting MDF is time consuming – it requires that you, the distributor, know where you want to go with your company, understand your market and your customers'



needs and that you then develop a marketing strategy to address those needs. None of this involves the manufacturer.

Next, consider your lines. Are they the ones your customers want? Who are the customer drivers (which lines do people ask for?) Do you have "me-too" lines or is does your manufacturer linecard represent a competitive difference? Which lines are important to your business? What are your manufacturers' goals? Also, consider the marketing resources of the manufacturer (and his salesperson). Perhaps they offer services you have not availed yourself to.

Once you have analyzed your supplier base, who do you want to market with? These are the companies where you will focus 95% of your marketing energies. If a manufacturer is not interested in supporting your sales and marketing endeavors, what is it saying about their commitment to you? **Share is taken by those who focus**, not by those who sell everyone (that creates a level playing field, and no profitability).

As a distributor, if you are willing to plan, focus and have a person committed to managing implementation of your marketing effort, MDF represents an opportunity to differentiate yourself from your competition.

To create more cooperative marketing in this industry, we need to laugh at ourselves a little, recognize the ineffective behavior for what it is, and set out to do the direct opposite of that behavior. Our table "Changing Behavior" explains how.

Remember, **you are marketing your company**. Whether you are a distributor or a manufacturer, your company's needs must come first. Distributors "touch" the customer and must promote themselves and then partner with willing manufacturers who wish to capture greater share.

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## Co-op Marketing Behaviors

Distributors	
Change This Behavior	To This Behavior
<b>Glad Hander (GH)</b>	<b>Marketing Campaign Planner MCP</b>
<p>Glad Handers use majority of co-op for "feel good" event marketing and advertising specialties only. It's fine to get together with customers and suppliers... but without much else, the effectiveness is questionable.</p>	<p>Campaign Planners utilize a full complement of marketing tools and media, including timing of media impressions, public relations and other events including costs and details about where the funding will come from: how much from the distributor and each manufacturer. Even their events are better planned, with real sales development activities and follow up mechanisms, too.</p>
<b>Free Financing Seeker (FFS)</b>	<b>Marketing Services Provider (MSP)</b>
<p>Free Financing Seekers get manufacturers to agree to approve purchases of computers or other equipment for the marketing and sales people, even the execs.</p>	<p>MSPs view part of their job as providing marketing services for manufacturers. Hence, they spend an overwhelming percentage on activities that actively promote increased business drive customer loyalty or increase market share for themselves and their vendors. They also take the view that if they have a good plan, they deserve even more funding than the ordinary distributor, and they <b>get</b> more.</p>
<b>Clueless, Claimless and Penniless (CCP)</b>	<b>Informed, Organized, and Well-Funded (IOW)</b>
<p>CCP's don't know the ins and outs of each manufacturer's program, how much they could earn based on purchases, don't claim on enough of their eligible promotional expenditures. Hence, they can't do very much because they either don't know what they could be spending or don't care. Without a discipline for catching claimable expenditures, they miss out on 50% or more of what they could have claimed.</p>	<p>Smart distributor marketers estimate the funding available by manufacturer according to each manufacturer's rules. They estimate this a few months before the upcoming year. (That means they have organized manufacturer files or bookmarked their sites and created comparison summaries of the different plan features). They plan all their marketing activities and estimate the vendor contribution to each activity and its supporting deliverables, decrementing the total available by manufacturer with the completion of each campaign plan. Then they establish disciplines to catch and claim all documentation of expenditures so they can collect their money expediently and stay in the marketing black.</p>

<b>Manufacturers</b>	
<b>Change This Behavior</b>	<b>To This Behavior</b>
<b>Sales Prevention Clerk</b>	<b>Sales Development Catalyst (SDC)</b>
	
<p>From the way they handle claims, you would think that some manufacturer's objectives are to minimize the percentage of eligible dollars that are claimed. Their rules are too restrictive, they process claims slower than distributor inventory turns, they turn down claims based on meaningless technicalities and worse yet; let questionable claims sit for months without feedback to distributors (until the distributor takes a deduct!)</p>	<p>Sales Development Catalysts observe the items which promote their products best, and put these on the standard "approved" list for routine marketing activities. They realize that the standard list doesn't fit the more sophisticated needs of the high performing promoters, so they leave room for more sweeping campaign activities with "market development funds", paying for high performance at a higher payout rate. They streamline their claiming procedures online and they might even design standard co-op programs that pay out at a higher percentage if the distributor shows more commitment to their brand. Catalysts find out how to get others (their own people and distributor people) moving with their own plans.</p>
<b>Self Deceiver (SD)</b>	<b>Plan Achiever (PA)</b>
	
<p>Most of the big manufacturers have their own planning format for their distributors. Most are remarkably similar, too (we've seen a few in our days). They start with a review of last year's sales and activities, followed by this year's product line objectives, (10% more, or some forecasting wizard's estimate), plan the marketing activities, and maybe even list target accounts replete with specific key account activities. Admirable, but at the end of the day, the average plan might have come close to making numbers, but the distributor and manufacturer implemented 1/3 or less of the planned activities. When will manufacturers really notice that these binder-bound plans usually sit on the shelf all year, and the sales reps are just writing fiction most of the time? You can't push a rope. The distributor needs to "pull" on it with a format for a plan which they are committed to and defines the roles and activities of each manufacturer.</p>	<p>Smart channel marketers have varying degrees of plan sophistication, with a tiered approach that starts with "Plan Lite", and maybe even a couple of steps that add sophistication and more resources before you get to the holy grail of major plans that merit the highest level of funding. This plan should be supplemented with market development funds for distributors that devise their own multi-point plans to develop specific market segments These plans should include multiple manufacturers and clearly define the role and expectations for each. Contrary to what some may believe, manufacturers LOVE it when a distributor comes up with a great plan to grow business, defines the role for them, and will readily line up to fork over funds that are above the standard claim as you spend co-op plan. (Deep down, they know it works better when it's the distributor with the plan).</p>