

Going to War, Cooperatively

Nowadays, doing business is like doing battle. You need to use all of the tools at your disposal, identify ways to bring more firepower to your side and develop allies who support your interests.

And why should a manufacturer pick sides. Manufacturers choose sides every day, in their authorization strategies, pricing decisions and allocation of sales resources. As a distributor, you want to ensure that you are receiving an disproportionate share of the manufacturers sales, marketing and financial resources – while also delivering on their expectations of you.

Through the use of cooperative marketing strategies, leading distributors and manufacturers utilize each others strengths to take market share. Distributors bring customer contacts, local knowledge and a commitment to work with the manufacturer. Manufacturers bring product and application knowledge, sales skills and marketing tools to bear on each situation. Think of the advance troops, supported by the battalion.

Taking market share, like in battle, requires that you take key positions, one at a time. In business, it 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.

Become Dominant

To become dominant, you need a plan. For the past few months you have been developing sales objectives with your key manufacturers. These are goals that, in most cases, need strategies to ensure achievement. But implementing a plan takes resources, and that is the role of co-op.

Manufacturers offer co-op marketing dollars to assist in defraying the cost of local marketing efforts. Why?

1. manufacturers want distributors to assist in the manufacturers' marketing efforts, providing the local touch, (essentially the manufacturer doesn't have the foggiest idea on how to motivate your customers) and
2. by providing a level of funding, manufacturers seek ways to capture a greater share of mind, from distributors and their customers.

Do these strategies work? Think about which manufacturers you consider to be marketing-oriented companies. Do they offer co-op programs? Look at the distributors who are known as marketing-oriented companies. Do they partner with key suppliers? Do these companies have above average growth?

Do you think that these distributors fund 100% of their marketing expenses?

What does this mean?

To be an effective marketer, it is important to define what you want to do, identify who benefits from the strategy, solicit support from key suppliers, execute and evaluate. And between co-op marketing funds, marketing development funds, training budgets and sample budgets, 50-75% of your non-personnel marketing budget should be manufacturer supported.

Co-op Marketing

Co-op dollars are earned by you for purchases from specific manufacturers. The manufacturers offer co-op dollars to help you sell their product. Not every manufacturer offers co-op funds (but either these companies are good marketers, specified manufacturers or are commodities).

Why do manufacturers offer these funds?

Because they want you to promote their products via promotions, merchandising, training, events or similar. Each company's earning structure, eligible marketing activities and reimbursement process is different.

Steps to take

Having recently gone through the planning process with your key suppliers, you should

1. Develop a spreadsheet that outlines all of the co-op opportunities that your suppliers offer.
2. Ask manufacturers for a marketing contact at headquarters so that you can become more familiar with their tools. This provides you with a marketing resource.
3. Ask what promotions / marketing tools your manufacturers have available. While they may not tell you what they will offer (product or awards) they do know when they will offer something. If your rep doesn't know – tell him to find out.
4. Develop a marketing calendar, based upon your goals within each market segment you serve.
5. Involve manufacturers to determine how they can help you.
6. Finalize tactics – what will you implement, to which market, with which manufacturers and how will the strategy be funded.
7. Use all possible earned dollars, from every manufacturer that you earn at least \$100. And once you use your “allotment”, if you still want to do a marketing activity with them, *ask for more*. Historically, manufacturers pay-out 30-60% of their co-op accruals, meaning that many distributors do not claim their funds nor conduct marketing activities. Would you mind using your competitors' funds?
8. Keep track of program performance – manufacturers invest in you if they know that you deliver. A manufacturer's number one concern regarding co-op marketing is return on investment. If you deliver for the them, they will deliver for you.
9. Fairness is key. Everyone knows the tricks that are used, and everyone expects them – what manufacturers want, however, is fairness in promoting them and responsible usage of their funds.

A typical \$20 million distributor should have access to a minimum of \$72,000 in co-op funding. Enough for some type of marketing effort? While many co-op programs require co-investment, these are dollars that if you do not use, someone else will.

MDF – Market Development Funds

MDF is marketers', and manufacturers', answer to stimulating growth – and how distributors grow and become more profitable.

Obtaining Market Development Funds takes work. It requires

- understanding your needs, your customers' needs and your manufacturers' needs
- developing a marketing plan
- being flexible enough so that you can sell, implement and deliver results, and
- consider those manufacturers that are important to you – selectivity is required.

These programs focus manufacturer and distributor efforts and create closer working relationships between parties because each becomes vested in the outcome. According to one manufacturer, they are willing to divert national awareness marketing funds to fund well-organized distributor initiatives.

An MDF approach is effective when the distributor has developed his marketing plan and is leading the planning process, inviting selected manufacturers to participate with the distributor in a coordinated marketing strategy.

Co-op Usages

Many industrially-oriented distributors lament the fact that marketing to industrial customers does not offer as many opportunities as marketing to contractors. There is more focus on price and performance than promotion.

Marketing, however, is identifying techniques to assist in the sales process – you must capture mindshare to capture market share. The following are some ideas:

Frequency Programs – Yes, the airline type programs. The goal is to focus on account retention and loyalty. Rather than merchandise awards that are for personal usage, consider training, charitable donations, tools, business equipment (computers, televisions, VCR/DVDs) off-setting capital improvements (repaving a parking lot, tables for the cafeteria, etc), discounts for services or future purchases. Go to www.clubextralite.com to see how an electrical

distributor has developed a program to appeal to contractors and industrial customers.

Group Travel – definitely a no no, right? But consider if you offered your customers an exclusive training opportunity, bringing in top speakers (funded by manufacturers) and customers could earn their attendance at the meeting. A few years ago I had a client that sold to lighting designers at large retailers (The Gap). We developed a program where the retailer earned attendance at a meeting in Palm Beach where they were able to participate in extensive educational and networking opportunities.

Web Conferencing – have you participated in an online training session? With today's technology, it is easy to bring a manufacturer in from hundreds of miles away and have them provide training to your customers – bring the "lunch and learn" to them. Invest in a multi-seat license from Placeware, www.placeware.com, or Webex, www.webex.com, and ask manufacturers to co-fund the license. Commit to a number of customer training sessions per manufacturer, and have the manufacturer have someone from the factory conduct the presentation. This also works for distributor sales training. Groups of distributors in the electrical industry are using this technology. Visit www.vnaweb.com/manufacturers and www.vanguarddistribution.com/supplier.

Relationship Management Events – no, not a golf outing. Every manufacturer salesperson wants to better know your customers. Invite 5-10 couples from targeted customers to local events. Vary the events so that you can invite people based upon their interests. Involve 1-2 manufacturers per event. Let the manufacturer be involved in the account targeting/inviting. Consider events like plays, symphony, sporting events, horse shows, etc.

Newsletters – Manufacturers can provide much support for newsletters, both printed and e-newsletters. They are willing to help fund production of these newsletters in return for placement of product information and articles. For industrial customers, e-newsletters are becoming more prevalent. For an e-newsletter, consider a source like MarketPro, www.taylormmg.com, which manages the entire process, provides you a template for your

newsletter and will work with you in developing the manufacturer content. In the electrical industry, many manufacturers have endorsed MarketPro as a co-op tool, and it takes a distributor less than 30 minutes to develop a newsletter!

Services – guaranteed manufacturer-specific in-stock programs have proven to be effective industrial marketing tools for distributors. Manufacturers will typically support these endeavors by helping produce the brochures, providing spiffs to salespeople and allowing any delivery expenses to be applied to co-op funds.

Branding – yes, there is a roll for hats, shirts, golf balls and signage, however, this should not exceed 25% of your marketing.

Catalogs – manufacturers have always contributed to print catalogs, but how about developing market specific and customer specific e-catalogs, using manufacturers current catalogs? Linkpath, www.linkpath.com, represented in the U.S. by BtB Marketing, www.btbmarketing.com, offers a unique service where a .pdf becomes searchable, and can be linked to your online ordering system. For an example, go to www.flukecanada.ca.

Opportunities are Endless

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

Manufacturers are willing to invest in distributors that are focused on growing their business. This year, like last, distributors are focused on taking share. With a decreasing pie, it is imperative that distributors seek ways to be aggressive and to differentiate themselves from the competition. To take share, partner with key suppliers and bring in the troops.

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