



Increase Your Marketing Activities Without Increasing Your Marketing Budget

Trying to achieve more, while spending less? Then share the expense.

Yes, there are ways to achieve specific sales and marketing objectives in a cost-efficient way – by teaming up with key suppliers.

For many years, manufacturers have offered co-op marketing dollars to distributors to assist in defraying the cost of local marketing efforts. Why? Two reasons

1. manufacturers want distributors to assist in the manufacturers' marketing efforts, providing the local touch, and
2. by providing a level of funding, manufacturers seek venues to achieve greater share of mind, and shelf space, 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 you think that these distributors fund 100% of their marketing expenses, or do you think that manufacturers contribute?

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.

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.

Why doesn't a manufacturer offer co-op? In some cases the issue is that the company is too small (volume, importance to a distributor) to be able to contribute much financially to be effective in a strategy. These companies, however, may have marketing funds available for strategies that are targeted to appropriate audiences (or if you do enough business with them.)

Typical co-op programs cover a percentage of costs for the following activities:

- Counter Day
- Point-of-Purchase Displays
- Open Houses
- Advertising



- Sales/Merchandising Programs
- Direct-Mail Programs
- Logoed Apparel
- End-Customer Training
- Cookouts/Picnics/Golf Outings
- Promotions/Incentives

Having recently gone through the planning process with your key suppliers, you should be able to develop a spreadsheet that outlines all of the co-op opportunities that your suppliers offer. Ask your salesperson for a marketing contact at the manufacturer so that you can become more familiar with their tools. This provides you with a one-stop resource. From an activity viewpoint, you should be using all of your co-op dollars from every manufacturer that you earn a minimum of \$100.

Due to the uncertainty of the financial earnings, which typically is a percentage of your purchases and must be used by the end of the year, these funds are best used for tactical marketing activities – short-term programs, ideally with an objective.

For most manufacturers, the distributor is dependent upon their own resources to develop, and implement, marketing activities. Manufacturers with a direct sales organization are generally better at supporting distributors/ marketing efforts for two reasons:

- The marketing department does a better job of developing materials to support their sales network
- Direct salespeople are more willing to invest non-sales time into an activity that generates sales (planning)
- Independent sales reps are encumbered, at times, by the lines they do not sell you – they need to spend time on all lines vs. the lines you want to market.
- The typical independent rep has not had much marketing planning exposure, nor has the manufacturer committed much time in educating the salespeople in the manufacturers' marketing tools (rarely do they have meetings and the communications network is not as good as direct sales organizations, plus there is something to be said for 'control').

Historically, manufacturers pay-out 30-60% of their co-op accruals, meaning that many distributors do not claim, nor conduct, marketing activities.

If co-op is good for tactics, what about strategy?

More manufacturers have been moving their distributor marketing funds to "market development funds" or limit usage of funds to "preferred distributors". Why the change? These manufacturers are willing to spend the same, if not more dollars, if they

1. Get value from the program (what is the ROI?)
2. Focus their efforts on distributors that support them.

A 2000 study commissioned by the National Association of Promotional and Advertising Alliances (www.napaa.org) found that 51% of manufacturers (all industries) provided.