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Cashing in on “CO-OPPORTUNITIES”

“I don’t have enough money to advertise!” If we were paid by how many times we hear that from our customers, we would all be as wealthy as Donald Trump. This phrase is as old as selling, but in this tight economy we hear it more than ever. CO-OP advertising is one way to get around this objection. Here are some ideas on using CO-OP to sell new accounts and increase your current advertisers.

How CO-OP works

CO-OP (short for cooperative) advertising is a way for national companies to support their agents/retailer’s marketing efforts. To do this, they set aside a certain percentage of the local dealer’s wholesale purchases and use these funds to help pay for local ads featuring the manufacturer’s products. For example a local lawnmower dealer purchases 50 lawnmowers from XYZ manufacturing. The average wholesale price is \$200 per unit. XYZ sets 10% of the purchase price aside for marketing purposes. This means the dealer “accrues” \$1,000 ($50 \times \$200 \times 10\% = \$1,000$) in his co-op account. If XYZ co-ops 50% of the dealer’s advertising, he can purchase a \$500 ad and the manufacturer will reimburse him \$250. He can continue to do this until he has used all of funds in his account. CO-OP is a win-win-win, the manufacturer’s products are promoted in the local media, the retailer gets a much bigger bang for his advertising buck and of course, the sales rep doubles his/her sales revenue.

Flushing money down the drain

It is a sad fact that a large percentage, some experts believe 70%, of CO-OP money is never used. If these funds are not used within a pre-set period, the money reverts to the manufacturer. Allowing this to happen is a costly mistake, the local business person not only loses the co-op funds, but they also lose the new customers that an expanded advertising program would attract.

There are several reasons that local retailers let their co-op funds evaporate. Running a small business is a complex task. Business owners simply do not have time to accomplish everything they need to get done. This is especially true today because our customers are running “lean and mean” in an effort to keep costs down. Co-op often falls through the cracks because business people just run out of time to do the necessary research. The time constraints on our customers also contributes to the feeling many of them have that co-op is too complicated and time consuming. They cannot afford the time to educate themselves about co-op. In some cases, business people may not know that they are eligible for co-op.

The factors listed above create a significant opportunity for an ambitious sales person. By taking a proactive approach to co-op, you can set yourself apart from the

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competition and increase your sales. The salesperson who helps their customers “find” money and simplifies the co-op process will always have the customer’s attention.

The co-op process

Like most things in sales, taking advantage of co-op starts with a question. Simply ask your customer, “Do any of your suppliers help you with advertising their products?” If they say yes you can probe them for more details. If they say “I’m not sure,” take a look at their product line and list the brands that they sell. Your goal is to identify manufacturers that may offer co-op plans. If the customer is aware of a co-op plan, ask them to share any information they have on the program with you. This may be printed material or available on a manufacturer’s co-op website.

Do the research

If your company or association provides access to a co-op service, such as AdMall or Multiad Recas, you can find everything you need to help your customer with just a few clicks of the mouse. If these data bases are not available, you can get all the information you need with the retailer’s help. Ask your customer for his contact with the manufacturer. You can act as the retailer’s “agent” by getting them to give you written authorization to research their program. In many cases you will also need your customer’s “account number” or co-op password before the manufacturer will release any information to you.

The manufacturer will be able to supply you with a copy of their co-op requirements and to tell you the current balance in the customer’s “accrual” account. Many manufacturers can also supply you with logos, product illustrations or complete camera ready ads. Once you have this information, create a marketing plan for the customer. If the customer is entitled to co-op from several of his/her suppliers, be sure to include these in your proposal.

Dot the I’s and cross the T’s

It is important that you read the manufacturer’s co-op requirements carefully and follow them precisely. Failure to do so may cause the supplier to deny your customer’s co-op claim. If you have any questions regarding the program, contact the manufacturer’s co-op coordinator for clarification. Whenever possible submit your ads prior to publication for pre-approval.

Selling your publication to the manufacturer

Many co-op plans specifically exclude shoppers, buyers guides, demand distribution papers or “Pennysavers.” As good sales people we’re used to turning “no” into “yes” and I have often been able to get co-op approval for our shopper products. The first step is to enlist your advertiser’s support. Remember your customer is also

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the supplier's customer. The manufacturer wants to keep their customer happy and they value their knowledge of the local market. It also helps to provide third party verification of your readership. Your audit is invaluable in securing co-op approval.

After the sale

Once the ad is published, you need to help your customer get paid.

The manufacturer's co-op plan will spell out exactly what they need to document the program. Provide the customer with all the necessary tear-sheets and invoices detailed in the program. I personally like to help the customer complete any required forms and to submit the program for payment.

Potential Co-op pitfalls

Integrating co-op into your sales planning and presentations is not difficult, but there are some things a salesperson must keep in mind. Here is a list of practices you should follow to reap the maximum benefit from co-op while avoiding potential "pitfalls:"

- Never make promises to a customer until you do the research. Telling a customer they can "save 50% on an ad" before you research their eligibility and their accrual account can only lead to problems.
- Always let your customer know that they are responsible for the full amount of the advertising. It often takes some time for a customer to be reimbursed for their advertising. Some manufacturers pay the local retailer back by issuing credit memos. Let the customer know that they must pay for their advertising according to your usual credit terms.
- Always comply to the letter of the manufacturer's co-op requirements. Most companies are very strict about compliance with their policies and will not honor claims that do not follow their rules. This is especially true when dealing with an ad that features several manufacturers. Whenever possible, it is always a good idea to get pre-approval on any program.
- Always make sure that the co-op claim is submitted in a timely fashion. Most programs specify that they will only honor claims submitted within a specific amount of time after the run date.
- Some customers may ask you to provide them with inflated invoices allowing them to receive a higher co-op payment than they are rightfully entitled to. This practice is not only morally wrong, it is illegal. If a manufacturer discovers that you were not completely honest, they will deny all future claims for advertising in your publications.

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Using co-op to close sales

In addition to the obvious advantage of giving the customer “a bigger bang for their advertising buck,” co-op can help you get hesitant customers to close. Many co-op opportunities are time sensitive. Some manufacturers offer limited time offers to capitalize on seasonal items or to promote a particular product or national sale. Many of these “specials” will actually reimburse 100% of the local merchant’s advertising. A customer must use their co-op funds within a specific period. Typically the money earned within one year must be spent before the end of the following year. You can leverage this “expiration date” to motivate a customer to make a decision. The “use it or lose it” nature of co-op is a powerful tool for creating a sense of urgency and closing sales.

Don’t leave “Money on the table”

When you are rushing around and trying to run a sales territory, it is tempting to look at co-op and say, “I just don’t have the time to chase down co-op for my customers.” This is very shortsighted thinking. Co-op does require some time, but the “ROI” of becoming a co-op pro is outstanding. Reps who take advantage of co-op are able to sell bigger programs and to close more sales. The greater reach and/or impact of co-op supported ads generate a better response for advertisers fostering customer loyalty and retention. Perhaps the most important “side effect” of using co-op is the change it brings about in your relationship with your advertisers. If you proactively suggest co-op to your clients, take an active role in securing co-op support for their marketing and then help them get paid, you make the leap from pain-in-the-butt sales rep to valuable resource. Co-op increases your sales, gives you an advantage over the competition, and builds a solid relationship with your customers—in today’s tight economy you can’t afford to ignore co-op. To paraphrase Lennon and McCartney, smart sales people use co-op to “get them to buy with a little help from their friends.”

This article was written by Jim Busch of the Pittsburgh Pennysaver.

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