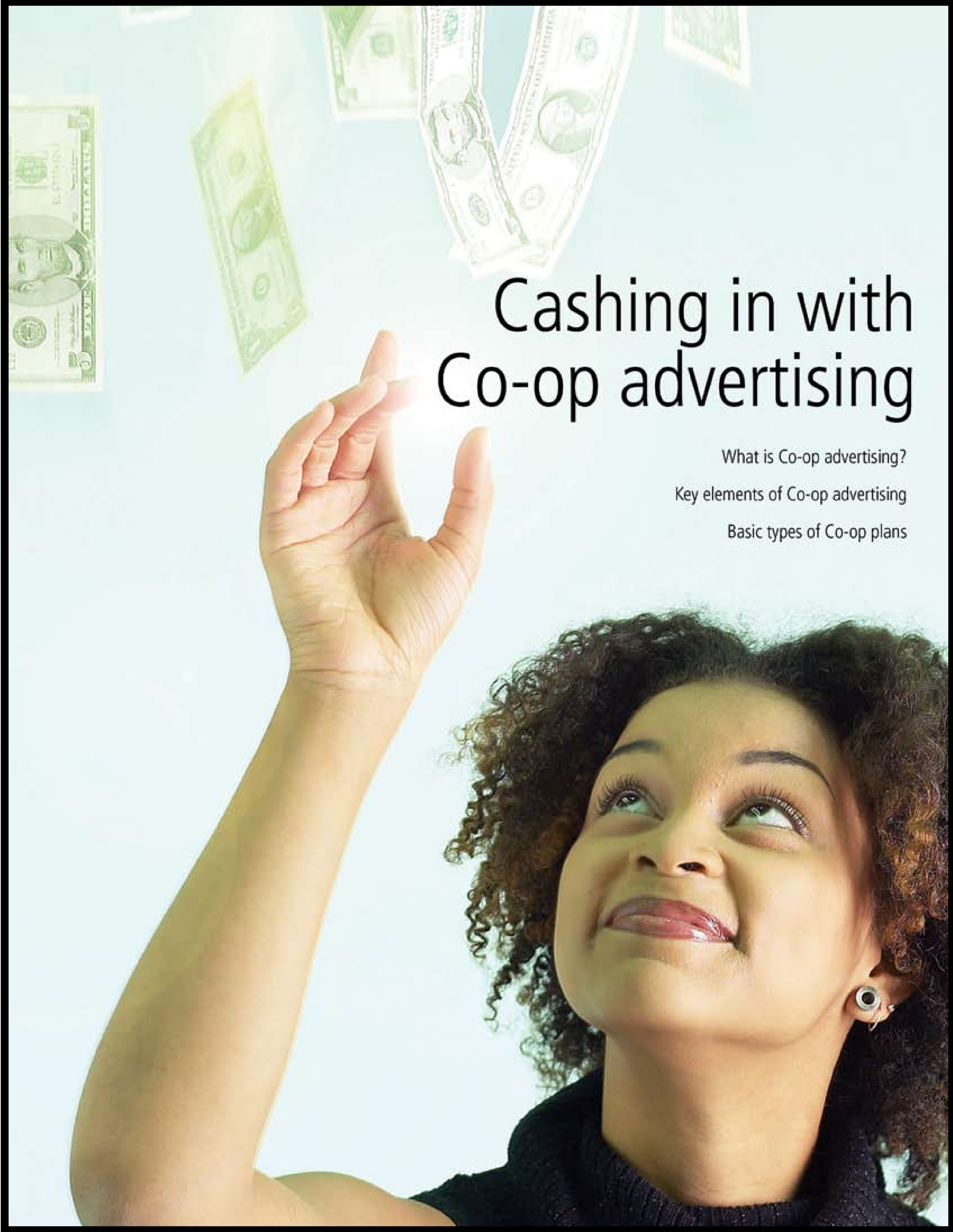
Cashing in with Co-op advertising

What is Co-op advertising?

Key elements of Co-op advertising

Basic types of Co-op plans



What is Co-op advertising?

Glad you asked. Co-op advertising is a joint venture between a manufacturer and a retailer to share the cost of advertising the manufacturer's products locally. By offering co-op advertising opportunities to their retailers, manufacturers are able to increase sales volume dramatically.

Co-op money is offered to retailers either directly or through wholesale intermediaries. Generally, the amount of the allocation is relative to the retailer's purchase of the manufacturer's products. Some plans, however, have no bearing on purchases. Instead the manufacturer agrees to share the cost of advertising up to a given number of ads, inches or dollars.

Regardless of the details of the plan, it is vital to remember that the co-op concept will increase product movement, sales volume and profit margin for everyone involved.

Three Types of Co-op Agreements

1. Manufacturer/Retailer

The retailer receives co-op money directly from the manufacturer, regardless of whether product is purchased from the manufacturer or from a distributor.

2. Manufacturer/Distributor

Co-op money is provided to the distributor and must be claimed through the distributor by the retailer. The distributor may release the funds directly to the retailer, invite retailers to participate in dealer listing ads or create his/her own co-op plan. Distributors may also use co-op funds for non-media promotion (displays, T-shirts, catalogs, etc.) in some co-op plans.

3. Ingredient/Product

The manufacturer of an ingredient and the manufacturer of the end product provide co-op funds jointly. For example: Stainmaster is an ingredient carpet manufacturers use to prevent staining. Stainmaster, the carpet manufacturer and the retailer will share in the cost of the ad.

Basic types of Co-op plans

The 100% Plan

The manufacturer pays the total cost of the retailer's ad. The money comes from the retailer's co-op accrual funds, which are generally based on a percentage of net purchases.

For example: Apple Computer Inc. offers a 100% plan based on a 5% allowance of the net purchases of computer products. Merlyn Computer Store has purchased $40,000 of Apple products, which would earn an accrual of $2,000 (5% of $40,000). If Merlyn runs one $2,000 ad, Apple will reimburse for it, but the accrual fund will be totally depleted. On the other hand, if Merlyn runs a $1,000 ad, it will still be paid 100% by Apple, but there will be another $1,000 to spend on a second ad.

The Shared Plan

The manufacturer and the retailer each pay a portion of the ad cost. The ratio is decided upon by the manufacturer and may be 50/50, 75/25 or any other predetermined arrangement.

For example: John Deere Power Equipment offers to pay 50% of a retailer's ad cost, based on an allowance of 3% of net purchases. Since Greenwood Lawn & Garden has bought $10,000 of mowers, its accrual amount is $300. If Greenwood runs a $600 ad, John Deere will pay $300 (50% of the ad cost). If Greenwood runs a $1,000 ad, John Deere will still pay only $300 because the manufacturer's share can never exceed the amount of the retailer's accrual.

The Unlimited Plan or Open-End Plan

This plan is often offered on seasonal items or for specific promotions, though some manufacturers offer it as their standard plan. Accrual is not tied to purchases in this plan; instead the manufacturer contributes a stated percentage of the cost of each ad. In some cases, this percentage is paid regardless of cost or frequency, whereas in other cases, the total accrual may be limited to a given number of ads or a maximum dollar amount.

Fixed Plan or Bonus Plan

This type of plan is usually offered for a specific product and time period. Bonus plans are usually in addition to a manufacturer's regular co-op plan.

Negotiable Plan (informal or arranged)

There may be no specific manufacturer co-op program, however, funds are provided on an individual needs basis. Funds are provided only if the dealer asks for them. Also known as "The squeaky wheel gets the grease."

For example: Dealer purchases $60,000 of products and proposes a $1,200 ad budget. Manufacturer agrees to a shared cost of $600. Dealer pays $600 out of pocket for ad cost.

"...it is vital to remember that the co-op concept will increase product movement, sales volume and profit margin for everyone involved."

Key elements of all Co-op plans

Accrual

This is the amount of co-op money available for advertising. It may be based on a percentage of purchase or it may be a fixed amount. Before initiating an advertising program, the co-op department should always research the accrual.

Participation

Depending on the plan, the manufacturer's share of the cost of advertising can range from 20% to 100% or more.

Requirements

The rules set forth by the plan must be followed to qualify for co-op reimbursement. If the rules are not followed precisely, a claim may be rejected. Among the most common requirements are:

- Illustration of the product in the ad. It may also be mandatory to use the manufacturer's ad slicks and/or certain copy.
- Logo. Use and size of the logo may be specified.
- Prior approval of the ad may be required before running.
- Competing products. A manufacturer may refuse to reimburse ads in which competing products appear. Competing products require prior approval from the manufacturer.

Term or Timing

This refers to the time period in which a co-op plan is in effect. Generally the term is the calendar year, or the manufacturer's fiscal year. There are also plans of shorter duration with specified starting and stopping dates. Adherence to the term of the plan will prevent loss of co-op funds, since funds are unavailable to the retailer after the expiration date of the plan.

Claim

Request for reimbursement from the manufacturer or distributor, filed by the retailer. Each plan specifies information, which must be submitted for a claim to be processed. Commonly requested items include:

- Invoice showing date, size and rate for the ad.
- Tear sheet
- Claim form
- Address where claim is to be sent for processing.
- Filing period. Most claims must be filed within 30, 60 or 90 days after an ad runs. Claims filed after this stated period would usually not be honored.

For more information about Co-op advertising with Tucson Newspapers, ask your account executive or contact:

Laurel Garland
Advertising Training and Co-op Manager
520-806-7711 (office)
520-488-8107 (cell)
520-573-4407 (fax)
lgarland@tucson.com

Tucson Newspapers
Arizona Daily Star
Tucson Citizen
tucson.com

Tucson Newspapers
Co-op advertising form

Date ______________________

Salesperson ______________________

Account # ______________________

Contact Information

Business Name ____

Address ____

City ______________ State ______________ Zip ______________

Contact Person ____

Phone ______________ Fax ______________ email ______________

Top 5 Manufacturers

Brand	Do you buy direct?	Acct. # With Manufacturer	Contact Information (name and phone #)
	Yes No		
	Yes No		
	Yes No		
	Yes No		
	Yes No		

Information is for determining co-op accrual only and will be kept private and confidential.

Co-op Authorization

This letter is to authorize Tucson Newspapers to research cooperative advertising funds and ad material availability for use by my company. Please release any cooperative advertising information, including accrual balances, to the Tucson Newspapers account executive who contacts you.

You may also contact Laurel Garland, Tucson Newspapers Co-Op Manager at 520-806-7711 for more information.

Sincerely,

________________________ ________________________

Authorized Signature   Date

________________________ ________________________

Name (Please Print)   Title

________________________ ________________________

Address   Phone #

____

City, State, Zip Code

Tucson Newspapers
Arizona Daily Star
Tucson Citizen
tucson.com