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Co-Op & Trade Promotion Allowances Potential Bonanzas for B2B Marketers

Michael Keating

No question about it, B2B marketers can really stretch their budgets with the aid of co-op allowances, trade promotion (TP) dollars, and market development funds (MDFs). These are cost-sharing arrangements between a manufacturer and a retailer, reseller or another manufacturer, where the manufacturer pays a portion of the other business advertising or marketing efforts. Why? Because the recipient agrees to mention the manufacturer's product in the resulting advertising, marketing literature, event program or other communication (including custom media) product. It all adds up to increased exposure, at less cost.

Co-op, TP, and MDF programs save money for manufacturers, retailers, resellers and other participants while effectively linking popular brands to local outlets. B2B marketers have found success with these programs: So much so that they boosted spending on them by 35 percent in 2005 over 2004 levels, says Arthur Fiordaliso, president of AAS Inc. (Farmington Hills, MI, www.aas.com), a company that has managed co-op and trade promotion allowance programs for 30 years. Xerox, EMC, Sun Microsystems, Microsoft and H-P are some AAS clients. Fiordaliso looked at a sample of AAS clients spending on their co-op, TP and MDF programs (value: \$42 million) to come up with his latest growth estimates.

"People say the economy is sputtering, but you'd never know it by this increase," says Fiordaliso. Marketers are using their co-op, TP allowances and MDFs on a variety of media, says the AAS president, including: conference exhibits, trade shows, direct mail, nurture marketing, both print and eNewsletters, training, trade journals, magazines and business publications.

"We have seen a trend where more of our clients are looking to provide tools to their resellers to help them market smarter, market faster and market more," says Fiordaliso.

If B2B marketers want to tap this mother lode, their first step should be to contact the manufacturer to find out if co-op or TP allowances and MDF program funds are available. Manufacturers' local business offices are good places to start, says Dan Gliatta, a vice president and senior account director at Henderson Advertising (Greenville, SC).

"One U.S. automaker has 10 business centers across the country that manage its coop marketing program," says Gliatta. At the centers, marketers can find out about co-op program requirements and submit requests to secure co-op funds, which can range up to as much as 50 percent of the total advertising or marketing program budget. A variety of businesses qualify for co-op allowances from auto OEMs, says Gliatta, including detail shops, retailers and wholesalers.

Gliatta's agency, Henderson Advertising, has managed trade promotion accounts for its clients in the automotive, tire, and consumer electronics industries.

"While co-op advertising is used in many B2B categories, it is under-used in B2B," says Campbell-Ewald Trade Marketing (Warren, MI) solutions officer Miles David. "Industries with active B2B co-op programs include agricultural products, building equipment and supplies, computers, printers and related equipment, heating & air conditioning systems and office equipment," adds David.

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B2B Marketing Trends readers tell us that these following industries also have robust co-op and market development funding programs: high-tech manufacturers, telecommunications, chemicals and carpetfiber producers.

"Any company which purchases merchandise from manufacturers for resale to end-users should check with the manufacturer to see if there is co-op promotional support offered," adds Campbell-Ewald's Miles David. Be persistent, he urges: "Even if there is no formal co-op program, there may be an opportunity for funding. A company may decide it's in their best interests to test the waters and support a major ad initiative of a significant customer."

What's more, adds David: "Co-op isn't just for ads in traditional media. Many co-op programs support events, pay for commissions to outbound sales forces and, in almost every conceivable way, support sales of merchandise."

In the custom media arena, Miles David has seen co-op allowances pay for the creation and printing of marketing publications, catalogs and other promotional materials as well as webcasts and other web-based selling.

One source worth checking: TPMA, the Trade Promotion Management Association, at <http://www.tpmaww.com>. TPMA is a non-profit group dedicated to trade promotion professionals and is a resource for information on all kinds of trade promotion programs, including co-op advertising, market development funds, slotting allowances and channel promotions.

B2B marketers may also want to check out the "Co-op Advertising Programs Sourcebook," which lists 4,000 co-op programs in 52 different product classifications. Go to <http://www.co-opsorcebook.com> - some public and college library business reference departments may have this volume. Information on the online version is at <http://co-opadvertisingprograms.com>

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