

TIE-INS

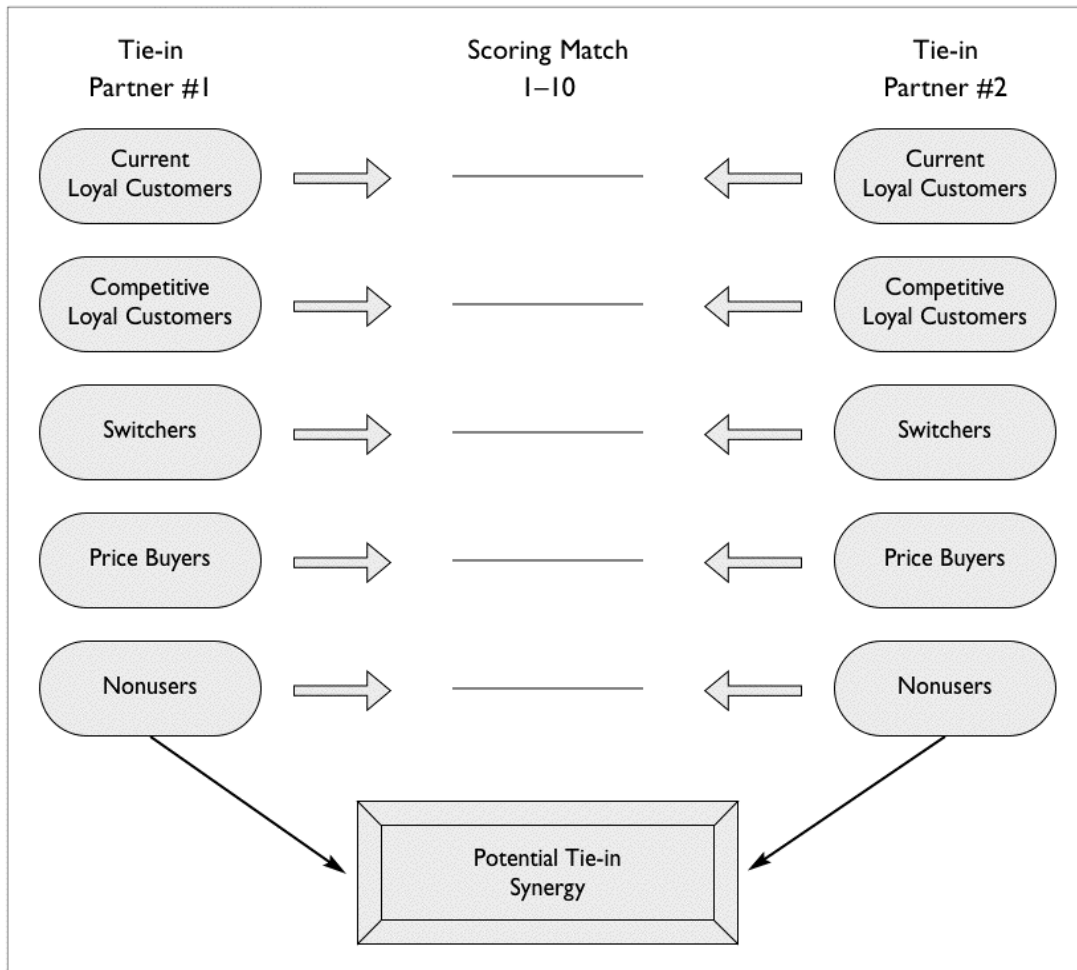
(Also see “Properties and Events,” Chapter 9)

INTRODUCTION:
TIE-INS: IT’S A MATCHING PROCESS

Tie-ins, more than most any other promotional technique, depend on matching. Matching of potential sponsors. Matching of potential customers. Matching of similar promotional interests and goals. Matching of resources. In short, tie-ins, to work, must align, and be integrated, on a number of fronts. Many of those needed matches are discussed in the following chapter.

Strategically, however, all tie-in marketplace success begins with two basic matches: (1) a match between the promotional partners and (2) a match between their respective customers and prospects. If there is no strategic fit between the prospective partners, no matter how logical, innovative, or creative the tie-in appears to be, little marketplace success will likely follow.

One of the best tools we have found to evaluate this tie-in matching is through an initial strategic screening of partner customers and prospects. A worksheet for this process is shown in Figure 11.1.

FIGURE 11.1 *Tie-in Matching Model*

The matching of potential tie-in partners is simply the matching of customers and prospects each with the other. In Figure 11.1, we've set up a 10-point scale, 10 being the highest. For example, are the brand-loyal customers of Tie-in Partner #1 similar to those of Tie-in Partner #2? Score them 1 to 10, and do the same for competitive loyal customers, switchers, price buyers, and so on. Clearly, if there is a good match, there's potential synergy between the two brands. If not, few potential incremental sales are likely to occur for either. Generally, we've found a score of 75 or above is needed to assume tie-in success.

A key part of the matching process has to do with the promotion responsiveness of the two partner audiences. If Tie-in Partner #1 relies heavily on promotion activities to generate product sales and Tie-in Partner #2's customers and prospects all but ignore any type of promotional offer, little will likely occur as a result of the tie-in program.

It is this matching process that really drives the success of any tie-in promotion. Thus, tie-in success is the result of up-front, strategic analysis, not how colorful or impressive the promotional tactics are. Time spent in identifying the best potential tie-in partners makes the implementation much more relevant and reduces many of the glitches that often occur once the program is developed.

In my experience, one of the key problems of the naïve promotion manager is that he or she too often falls in love with a creative tie-in idea. For example, the attempt to bring together two radically different tie-in partners with the idea that mixing oil and water will result in some magical promotional elixir. Generally, that doesn't happen. It's the alignment of the tie-in partners that creates success.

Proven marketplace success is the best example of why and how promotional tie-ins work. "Intel Inside" was a natural matching of marketers with similar customers and prospects, similar needs and interests, and similar concerns. The computer manufacturer needed ways to build consumer confidence in a very rapidly changing and dynamic product category. Intel needed ways to differentiate itself from other chip manufacturers. The tie-in of the computer manufacturer and Intel was a natural. Customer and prospect matches and alignments were key.

The real success story of "Intel Inside," however, was that the tie-in program was carried out all across the promotional marketplace—advertising, in-store displays, sales presentations by both Intel and retail salesforces, and, of course, the most visible and differentiating tie-in of all, the "Intel Inside" sticker on the computer itself: a continuous reminder of the alignment of two major forces in computing.

The "Intel Inside" tie-in program has been in place for more than a decade now. Most important, the promotional partners generally haven't relied on price discounts or promotional deals or big red flashing arrows saying "Buy a computer with an Intel Inside today!" Instead, it has relied on providing benefits to the three key players in the tie-in: the manufacturer, the retailer, and the

consumer. And it has provided benefits to all through a clearly identified offer, a solid in-market promotional program, and continuity over time.

Tie-in promotional success begins with the matching process illustrated by Intel Inside. If the alignment is right, marketplace success will likely follow.

—Don E. Schultz

OVERVIEW

Tie-ins allow marketers to increase their sales more efficiently, effectively, and economically. They can stretch budgets and increase a promotion's results several ways. It sounds idyllic; however, they are often complex, time consuming, and unwieldy; and after all the well-intentioned planning, tie-ins can fall through at the last second.

This chapter outlines the many forms of tie-ins, their advantages and drawbacks, and, most important, guidelines to help the partnering process proceed in an orderly fashion with open communication, clear objectives, and all the details covered.

DEFINITION

A tie-in joins two or more marketers together by uniting their complementary marketing assets and opportunities, such as media, distribution, advertising, traffic, fulfillment, target, joint usage, display activity, and more. Ideally, a tie-in both saves money and increases impact by uniting forces.

COMMON TIE-IN OBJECTIVES BY TACTIC AND DELIVERY

(Also see itemized tactics below.)

TACTIC	OBJECTIVES (Beyond Purchase)
Cousage	Leverage partners' combined usage to reach and motivate each other's target
Coupons— joint drop	<ul style="list-style-type: none"> • Share media cost • Higher value, more motivational offer • Tap into one another's consumer base • Cross-store/trade signage and shopping

TACTIC	OBJECTIVES (Beyond Purchase)
Co-refunds	<ul style="list-style-type: none"> • Share printing, fulfillment, point-of-sale, and other costs • Higher value, more motivational offer • Tap into one another's consumer base
Coupons/Refunds— on-pack/in-pack	<ul style="list-style-type: none"> • Give product extra value • Tap into one another's consumer base • Leverage couponage • Targeted offer delivery at minimal cost • Deliver offer in a partner's trading area
Bundling	<ul style="list-style-type: none"> • Higher value, more motivational offer • Tap into one another's consumer base • Share printing, point-of-sale, media, and other costs • Leverage couponage • Joint sales call/distribution • Prominent retail display through combined consumer offer and higher retail price point
On-packs	<ul style="list-style-type: none"> • Immediate purchase incentive at partner's cost • Economically deliver sample to target via partner's package • Add value and draw attention to package
Near-packs	<ul style="list-style-type: none"> • Immediate purchase incentive at partner's cost • Deliver sample through partner's display • Prominent display
Cross- merchandising— cross-store	<ul style="list-style-type: none"> • Vendors: Drive traffic to each other • Encourage retailer participation • Share point-of-sale costs • Retailer: Cross-store shopping
Vendor/Retailer tie-in	<ul style="list-style-type: none"> • Preempt competitors as partners combine for an offer their respective competitor cannot match acting alone
Comarketing	<ul style="list-style-type: none"> • Create strategic alliance by uniting retailer's and vendor's respective resources and capabilities to achieve their respective marketing objectives
Cobranding	<ul style="list-style-type: none"> • Combine two brands' equities into a single product that appeals to both brands' markets
Trade-outs	<ul style="list-style-type: none"> • Economize by exchanging each partner's complementary products or marketing asset(s)
Sponsorships	<ul style="list-style-type: none"> • Awareness through event/property • Sampling/demonstration opportunities • Increase perceived value through affiliation
Co-op programs	<ul style="list-style-type: none"> • Encourage retailer marketing activities that support the vendor brand • Route advertising and promotion funds directly to the sales arena—retail, distribution, and sales

TACTICS ITEMIZED

112. COUSAGE

<i>Definition</i>	<p>Promotion supports two products' combined usage, particularly through in-, on-, near-pack offers</p> <p>Examples: Free DVD with player, free soft drink with pizza delivery; nonoffer examples: "Intel Inside," "Protected by ScotchGard," "Real Cheese"</p>
<i>Advantages</i>	<ul style="list-style-type: none"> • One party offers product, the other distribution • Provide greater consumer offer at less cost to each partner • Economical sampling vehicle • Can introduce new product entry to early adopters, like free software with new game system • Efficient targeting through partner's franchise • Implied, credible endorsement by partners • Share media, POS, and other costs • Distinguish product quality—"Made with Thinsulate," "Real Cheese," etc.
<i>Disadvantages</i>	<ul style="list-style-type: none"> • Requires ability to efficiently distribute both products together (except for refunds or coupons) • New packaging configuration (on-pack) has cost, operational, and stocking concerns • Possible resistance from retailer who may prefer to mark up promoted product • Locking into one partner risks losing its competitor's market (tie into Apple computers at the expense of losing PC users) • Each partner is reliant on quality and dependability of other's product • Products must share common seasonality, target market, distribution, etc. • Lengthy prenegotiation and coordinated timing, logistics sell-in, distribution, etc. • Cocreative execution may be compromised • Dilutes branding

113. COUPONS—JOINT DROP

<i>Definition</i>	Partners share coupon drop; can be multiple single-product coupons or one coupon requiring multiple-product purchase
<i>Advantages</i>	<ul style="list-style-type: none"> • Partners share media cost • Encourages combined product usage • Leverages joint usage occasions—picnic theme, family health, etc. • Adds to greater immediate savings and purchase motivation, possibly group purchase • Retailer sells multiple products and gets cross-store shopping • Economical joint display opportunity • Joint sell-in • Partners tap into one another's customer base • Hard copy reminder of offer
<i>Disadvantages</i>	<ul style="list-style-type: none"> • Must share common seasonality, target market, distribution, etc. • Locking into one partner risks losing its competitor's market (dedicated Coke drinkers won't respond to Pepsi tie-in) • Lengthy prenegotiation and coordinated timing and logistics sell-in, distribution, etc. • Cocreative execution may be compromised • Dilutes branding • Relies on scrutiny of retailer cashier • Subject to misredemption—wrong sizes, products, line extensions, etc. • Reach limited to coupon clippers • Difficult redemption projections with additional variables

114. CO-REFUNDS

<i>Definition</i>	Partners share in refund offer; can require purchase of all partner products or choice from selection (possibly with escalating discount)
<i>Advantages</i>	<ul style="list-style-type: none"> • Partners share media cost and may use other's packaging and point of sale for delivery • Can encourage products' usage together • Adds to greater savings and purchase motivation

- Escalating value version (buy more, save greater percentage) encourages multiple purchase without discouraging lesser purchases
- Slippage economies
- Virtually no execution for retailer
- Retailer can combine vendor offers, spearheading its own high-value flyer (See “Coupon” advantages above.)

Disadvantages

- Mismatched distribution can frustrate consumer seeking tie-in product
- Greater administration costs than for coupons
- Larger value lessens slippage economies
- Complex refund form may discourage participation and/or lead to mistakes
- Delayed reward discourages participation
- Requires exceptional up-front negotiating (See “Coupon” disadvantages above.)

115. COUPONS/REFUNDS—ON-PACK/IN-PACK

Definition

One partner delivers the other partner’s coupon or refund on or in its package

Advantages

- Couponer/refunder receives free media vehicle
- Delivery partner receives value-added offer at no charge, no redemption costs, no executional requirements (except delivery)
- Breaks tie with competitors
- Solo coupon/refund delivery for higher awareness and redemption
- Can be highly targeted
- Coupon/refund can be delivered in trade classes the partner does not normally access (See “Coupon” and “Co-refund” advantages and disadvantages above.)

Disadvantages

- On-pack/In-pack application can be costly with operational concerns
- Printing offer on package requires separate press run
- Limited delivery compared with mass media
- Shelf life may outlast coupon life
- Delivery product must reach retail shelf in a timely manner

(See comments in “Coupon” and “Co-refund” advantages and disadvantages above.)

116. BUNDLING

<i>Definition</i>	Two or more related products combined into one package as a promotional offer Examples: Student dictionary, thesaurus, and book of quotations bundled into three-pack at special price; airline, hotel, and rental car package; free printer with computer purchase
<i>Advantages</i>	<ul style="list-style-type: none"> • Adds to greater immediate savings and purchase incentive • Excellent value over competition • Partners share point-of-sale and other costs • Can encourage product usage together • Can leverage partners’ customer bases • Commands attention at shelf • Can be account-specific offer for key retailer participation • Implies mutual endorsements
<i>Disadvantages</i>	<ul style="list-style-type: none"> • Costly custom packaging • May require new plan-o-gram and retailer approval • Doesn’t move current retail inventory • Dependent on consumer’s desire/need for all items • Products must share common seasonality, target market, distribution, etc. • Requires significant negotiating and logistics • Cocreative execution may be compromised • Dilutes branding

ON-PACK

See On-Pack/In-Pack in “Premium Programs,” Chapter 10, page 265.

NEAR-PACK

See “Point of Sale,” Chapter 7, page 188.

117. CROSS-MERCHANDISING—CROSS-STORE

<i>Definition</i>	Display program with cross-store partners Examples: Picnic theme signage appears with beans, ketchup, hot dogs, plates, etc.; tactical choice(s) open
<i>Advantages</i>	<ul style="list-style-type: none"> • Encourages display placement and multiple sales through cross-store traffic and offer • Adds to greater immediate savings and purchase incentive • Shared costs • Partners tap into one another's target and section • Extends and promotes usage • Implied partner endorsements • Can leverage peak sales periods
<i>Disadvantages</i>	<ul style="list-style-type: none"> • Extensive up-front negotiating and coordination, including joint retail sell-in for multiple signage • Tie-in partners must match distribution, regionality, seasonality, etc. • Cocreative execution compromised • Promotional offer must unite objectives and resources as well as retailer issues • Additional signage consumes space, adds clutter • Potentially large multiproduct display may become series of small shelf signs

118. VENDOR/RETAILER TIE-IN

<i>Definition</i>	One or both partners contribute a unique promotional offer exclusively to the other Examples: Multifood company imprints grocer chain name on recipe/coupon book—retailer distributes with flyer; hardware chain offers advertising and signage for lawn tractor's prize contribution
<i>Advantages</i>	<ul style="list-style-type: none"> • Vendor receives exceptional retailer support • Retailer receives exclusive offer, preempting competitors • Partners share respective costs while giving consumer added value

- Can build relationship
 - Implied partner endorsements
- Disadvantages*
- Up-front negotiating and coordination
 - May alienate other chains; open to competitor programs (see Robinson-Patman Act in the Glossary)
 - Limited to partners' reach and market
 - Can become parity practice as others receive similar programs
 - Cocreative execution may be compromised
 - Less economical than national program
 - May dilute branding

119. COMARKETING

- Definition* Retailer's and vendor's *strategic* alliance, uniting resources and capabilities to achieve each partner's marketing objectives
 Examples: Soft drink company codevelops fast-food partner's menu board based on mutual traffic and food preference research; tool maker and hardware chain co-sponsor housing cause for joint community drives
- Advantages*
- Partners maximize their respective marketing assets in mutually rewarding program
 - Partners assured of each other's exceptional participation
 - Partners share costs
 - Vendor receives strategic advantage over competitors at partnering retailer, possibly long term
 - Can reach community level
 - Builds bond in the often conflicting vendor-retailer relationship
- Disadvantages*
- Requires extensive information sharing, analysis, and planning
 - Resultant program may be costly, including capital expenditures
 - Limited to one chain versus national "sizzle"
 - May alienate other chains; open to competitor programs (see Robinson-Patman in the Glossary)
 - May dilute branding

120. COBRANDING

<i>Definition</i>	Two compatible brands unite equities and products to form a third combined brand Examples: Dairy Queen Oreo Treat, movie-themed video game, “cola float,” branded recipes
<i>Advantages</i>	<ul style="list-style-type: none"> • Cobranded product reaches two established products’ consumer bases • New products built on existing products’ success and marketing • Immediate recognition and quality perception • Can command a high price point and margin • Partners share costs
<i>Disadvantages</i>	<ul style="list-style-type: none"> • New food product may cannibalize original products • Requires two distinct brands to negotiate, develop, agree on, manufacture, and market a third • Requires negotiation on responsibilities and remuneration • Risks jeopardizing each brand’s image • Cocreative execution may be compromised • May dilute branding

121. TRADE-OUTS

<i>Definition</i>	Two (or more) partners exchange their respective products and/or marketing assets in a joint effort Examples: Automaker contributes car as prize in exchange for exposure in soft drink sweepstakes advertising and point of sale; radio station gives advertiser concert ticket prizes—concert gets exposure, station gets media buy
<i>Advantages</i>	<ul style="list-style-type: none"> • Partners receive free products/services and exposure • Cost minimized as brand’s own product or service cost or existing marketing budget (like advertising) • Partners tap into one another’s market and trading area • Adds new, exciting spin and value to program
<i>Disadvantages</i>	<ul style="list-style-type: none"> • Extensive time and negotiation

- Requires matching objectives, markets, regions, distribution, etc.
- May be difficult to assign values and determine a fair exchange
- Each partner is reliant on the other partner's responsibilities and capabilities
- Partner is reliant on the other partner's product quality
- May require distribution considerations—messenger delivery of tonight's concert ticket prizes or delivery fees for the automobile prize
- May require legal liability considerations

SPONSORSHIPS

Definition Marketer ties in with event or licensed property to add value, visibility, excitement, and promotional offerings (See "Properties and Events," Chapter 9, page 239.)

122. CO-OP PROGRAMS

Definition Retailer (or distributor) accrues funds via cumulative vendor purchases, which are applied toward mutually beneficial marketing initiatives
Examples: Retailer's purchases earn funds toward local advertising that must include vendor logo; distributor earns NFL premiums to pass on to its customers based on total product purchases

Advantages

- Encourages ongoing purchases by retailer/distributor
- Funding is applied to business-building practices for both parties

Disadvantages

- Complex with extensive claims, verification procedures, reconciliation processes, etc.
- Frequent misunderstandings on how program works, what qualifies for how much, current fund balance, etc.
- Requires efficient tracking and communication system
- Can be parity with competitor programs
- Dilutes retailer branding
- Featuring one or two brands in advertising may give impression retailer only carries those brands
- Vendor has minimal creative quality control regarding how retailer advertises its products

FINDING AND NEGOTIATING WITH PARTNERS

Can You Two Even Tie In?

Before you even contemplate a tie-in, a little research may reveal it's impossible from the get-go. Consider a national house-paint partner, for example. There are national paint companies but not really one national paint brand, because different brands are assigned to different retailers. If you defer to 3M sandpaper instead, you may find it's in and out of a chain as retailers switch to whatever brand has the best deal for a specific period.

Few national retailers are actually in each state. Some are only in urban areas, others in rural. As of this writing, the largest retailer—Wal-Mart—is just now entering urban Chicago.

Find out the chain of ownership of your potential partner. You may find it also owns your competitor.

Negotiating Advertising for Prizes or Rewards

Trade-outs save money and gain exposure. If your sweepstakes prize is a car, you'll be showcasing it in your advertising. Try trading out that advertising value for a free car from the manufacturer. Or if your auto lube chain is running a sales incentive, you might service a sporting goods company's fleet in exchange for its products.

Media trade-outs often run from a ratio of 7 to 1 to 10 to 1 in media value as related to prize cost, though it could run as high as 25 to 1 or higher for something as commonly sought after as a car. In the 10:1 example, you may be able to negotiate \$20,000 in an apparel brand with \$200,000 in advertising media—or more. But a \$20,000 car may require at least a \$500,000 media buy that features the prized car. Nonetheless, there are many variables:

- Advertising support levels and demographics
- Marketing topspin—you'll get its car in a movie scene or event appearance
- Point-of-sale coverage (very important if a partner wants exposure in your retail arena)
- Popularity of the partner's prize—does partner really need to give a product away and is it back ordered?
- Demographics and image matchup—BMW's or Chevy trucks?

- Seasonal matchups
- Is the partner popular and available in all your regions? Can you help it?
- Franchise tie-ins: Independent, regional groups may not agree to a headquarters program without regional considerations (no swimming pools in the inner city).
- Prominence of the prize in the advertising
- Product image (no cigarettes, please)
- Timing of promotion (maybe it helps a new product launch)
- Prize provider's budget status
- Who is authorized to negotiate prizes in which corporate department? Corporations have several departments, each of which can give you a "yea" or "nay"—advertising, PR, promotion, events, sales, retail relations, different brands; try them all.
- Executional opportunities—field force, salesforce, event marketing, display placement
- Overall marketing plans

Negotiate your unique assets. Apple's iTunes provided 99 free mp3s with the iMac launch. Record labels received a sampling of the artists—from well-known to semiknown (that's where the bartering got interesting). Apple received a high-value freebie for purchasers, which also demonstrated its iTunes. The iTunes launch was so successful that Apple eventually bought its own record company.

Point-of-sale signage can be a powerful bargaining chip. Point of sale can be surprisingly effective because some brands value key stores. For example, convenience stores cater to blue-collar males, who love Beer Nuts. So Stanley Tools delivered a rebate offer on the Beer Nuts package and signage. Bull's-eye! Some brands can't afford point-of-sale promotions, so a back-to-school notebook may partner with a candy bar.

Calculating a point-of-sale trade-out value. Calculate the value of your signage as either a dollar figure or an exposure figure ("impressions").

Dollar value:	Number of displays × cost per display (including shipping, retailer payment, etc.)
Exposure value:	Number of displays × total traffic exposures per store = Impressions (Remember, unlike advertising, displays reach consumers with wallets in stores.)

Also consider all the variables, such as the display's location, prominence, the store's importance to the partner, and so on. (See Chapter 7, "Point of Sale," page 181.)

WHO'S BRINGING WHAT TO THE TABLE?

Consider the following attributes you or your partner can bring to the negotiation table:

Product compatibility	Pizza and cola—maybe one needs trial; DVD player and DVDs; rental cars and restaurants
Market	Blue-collar male, nurturing mother, young m/f professional, tweens: They don't have to match—husband-wife, parent-children, purchasing agent—end user, company head—employee
Distribution	Match or provide access to outlets, like the Beer Nuts/Stanley example above
Cross-merchandising	Get your offer and your partner's offer in another store aisle—a salty snack offer in the soft drink aisle, a sand-paper offer in the paint department—retailers love cross-store traffic
Salesforce	Can your partner augment your sales effort and vice versa? Does salesforce offer direct sales versus broker?
Point-of-sale capability	Is there store delivery to assure execution? Do you have a merchandising service your partner could use? Can one provide display space?
On-pack/In-pack delivery	Can one product carry a partner sample or offer?
High value	Can one partner deliver an exceptionally high value for the customer, like a rebate, travel discount, or free-with-purchase combination?
Demand	Does one partner offer a mass market and exposure?
Advertising and media	Can either provide advertising support or deliver new media categories?
Regionality	Can one partner's strong distribution enhance the other partner's efforts in that region?
Seasonality	Can you bolster one another's strong or weak seasons, or get a jump on the competition?

Traffic and fulfillment Can one fulfill the other's offer in exchange for traffic?

TIE-IN PARTNER CRITERIA AND CHECKLIST

- ___ Mutual interest:
 - ___ Value added
 - ___ Distribution—access to partner's franchise, accounts, and trade area
 - ___ Delivery through partner packaging
 - ___ Exposure: signage, collateral, advertising, package bursts, etc.
 - ___ Cross-store merchandising
 - ___ Redemption/fulfillment (i.e., fast-food redemption of package goods prize—win free fries with burger and soft drink purchase)
 - ___ Added promotion impact
 - ___ Shared costs and economies
 - ___ Target market
 - ___ Seasonality
 - ___ Regionality
 - ___ Brand image/positioning
 - ___ Mutual product usage
 - ___ Turn
 - ___ "Windows" in promotional/advertising calendar
- ___ Execution
 - ___ Respective executional lead times—sell-in, distribution, packaging, etc.
 - ___ Redemption, slippage, breakage, etc.; promotional history
 - ___ Late redemption grace policy
- ___ Liabilities:
 - ___ Overredemption
 - ___ Misredemption (consumer, sales, and trade)
 - ___ Partner reliability in execution
 - ___ Potential injury or damage claims
 - ___ Product quality
- ___ Partnership roles:
 - ___ Contributions—costs, salesforce activities, point-of-sale capabilities, creating and printing materials, advertising, creative, events, other assets
 - ___ Liabilities

- Manufacturing considerations:
 - On-pack/in-pack, package burst, instant redeemable coupon (IRC) on package, package fabrications, product shipping container, lead times, etc.
 - Separation of promoted and unpromoted product
- Trade considerations:
 - Motivation to participate
 - Chain-specific versus all chains (in-store coupon versus newspaper FSI)
 - No conflict regarding taking alternate sale away or diminishing trade's profitability
 - Allowance funding
 - In-ads, shelf positioning, floor space, postoffs, etc.
- Sales:
 - Motivation to participate
 - Training
 - Capability to participate (ample time, know-how, resources, etc.)
 - Joint sell-in and timing
- Logistics:
 - Fulfillment (and costs)
 - Timing regarding product in field and on shelf
 - Timing regarding mutual sell-in process
 - Timing regarding other promotional activities

I n s i g h t

TropArtic® Motor Oil could not convince car companies to give it a car for a sweepstakes prize. After calls to several General Motors departments, it finally scored a free Trans Am. Why? Trans Am wanted point of sale in "gear-head" stores that TropArtic had access to.

THE BASIC STEPS TO A TIE-IN

Step	Description	Create These Items
Take stock	Identify objectives; itemize brand's relevant assets and marketing dynamics—timing, distribution, media, target market, regionality, executional capabilities, sales process, etc.	Brief fact sheet
Identify partner prospects	Companies with complementary assets and marketing dynamics—you each have what other needs	A grid with your criteria and prospect matchups; use industry reference publications, the Internet, or sales rep
Contact partners	Identify whom to talk to—director of marketing, promotion, etc.; brief initial contact; allow for wrong initial contacts and getting rerouted	Phone call, letter, or e-mail with a top-line introduction and concept; fact sheet if the party's interested. Include brief on your business, product, and promotional overview, including partner contributions and benefits. Do not provide information unless there's interest
Additional negotiations	Narrow your prospects and work out the finer points	Address questions, share more data, possibly meet in person
Finalize partner selection	Agree on the partner and overall structure of the promotion	Letter of intent providing an overview so both parties are on the same page; include who's responsible for what. <i>Make this clear:</i> This is not an obligation to tie in, only a preliminary understanding
Contract	Agreement on program	The contract plus a comprehensive attachment specifying roles, contributions, tasks, timing, and responsibilities

Partner Prospect Letter—Example 1 (Brief Intro)

Dear ____:

This letter is to explore your initial interest in a tie-in promotion with our Acme Baked Beans and Smith Potato Chips for the three summer holidays.

We would like to share creative, media, and production expenses for an FSI, while giving consumers an exceptional value by combining coupons. Baked beans and potato chips are a natural combination during the prime picnic season, and by uniting our efforts, we can both increase sales and reduce costs.

If you are interested in a brief background, I will provide a document detailing how Acme Baked Beans is a leader in the picnic market with excellent trend indicators.

I will follow up with a phone call to ascertain your initial interest in a tie-in promotion.

Thank you for your attention.

Best regards,

Steve Smith
Promotion Manager

Partner Prospect Letter—Example 2 (Harder Sell Than #1)

Dear ____:

This letter is to explore your interest in a potential tie-in FSI with Acme Baked Beans for the July 4th period this year. At this point, we simply request your expression of interest (or lack thereof) in pursuing further discussions.

We are contacting Smith's Potato Chips as a potential partner because your brand is a leader in our targeted region and an excellent complement for our brand.

Acme is the fifth leading brand in the canned beans category and number two in the Smith Potato Chip southern region. Our baked bean variety is only two years old, yet it has already achieved a 20 percent share in your region. This growth is compounded by the fact that the baked bean variety is enjoying a 4 percent annual growth. What's more, consumers prefer Acme to the leading brand three to one according to independent taste research. Clearly, we are establishing the trend in your market.

The timing is excellent for your brand: baked bean sales peak in the three summer holidays. The product is a favorite for family occasions, and Smith Potato Chips would tie in with a major store shopping destination.

Acme has an aggressive marketing plan for the upcoming year with half of its \$1 million advertising support committed to July 4th and Labor Day. In addition to spot TV and radio, Acme will spend an additional \$500,000 on consumer promotion.

These funds will be targeted to women who are 35+ years old, are high school graduates with a household income of \$45,000, have older children at home, and are living in C and D counties.

Though July 4 is six months away, we are already under time pressures with an April 30 insertion deadline. I appreciate your expedient review of this letter and will phone you soon for your comments.

Thank you for your consideration.

Best regards,

Steve Smith
Promotion Manager

Partner Prospect Letter—Example 3

Dear ____:

This letter is a preliminary exploration into a possible tie-in promotion with your wall cleaner line and Jones Decorative Paint Applicators. I would appreciate your initial comments as soon as possible as we are finalizing the initial concept presentation.

Jones Decorative Paint Applicators is launching a new product in the do-it-yourself home decorating category. The primary target is female home decorators. This launch will be supported with:

- Prominent point of sale in 6,000 home improvement locations, such as Home Depot, Sears, Sherwin Williams, etc.
- \$1 million in TV and print ads in June and July
- \$500,000 in infomercials

We would like to offer a free or discounted value on your cleaning product to our purchasers. We would insert your coupon or rebate certificate inside our product package.

This offer would be mentioned in the above media. It would also be promoted in the retail chain Sunday flyers and on package bursts.

We believe our target matches yours—conscientious female homemakers who are constantly striving to improve the appearance of their home.

I will follow up with a phone call to see if you wish to explore how Jones Company can deliver your product information and promotional offer to a highly targeted, heavy-user consumer.

Thank you for your initial consideration.

Best regards,

Steve Smith
Promotion Manager

Insight

Years ago, Hoover Europe, a Maytag subsidiary, offered free international air travel if a consumer bought a vacuum cleaner. Consumers jumped at the offer, not because they needed vacuum cleaners, but because it cost so much less than the ticket itself. It cost Hoover a one-time after-tax charge of \$30 million in the first quarter.

GUIDELINES AND CAUTIONS

The deal-breaking/deal-making third party: the retailer. You cannot simply deliver a free product coupon on a partner's product, because retailers want to *sell* products. (See "Free Product Coupons" in Chapter 3, page 78.)

The best laid plans oft go astray. Try to get both parties' upper managements' commitment up front as well as involvement from every participating department. Consider the following potential problems:

- Sudden budget cuts by one partner
- Personnel changes
- Company reorganizations
- Product release delays—especially with movie tie-ins
- Logistics and operations, including new tasks beyond the routines of current personnel
- Retailer glitches and policies
- Vacations, maternity leaves, layoffs, or strikes
- You name it—"If something can go wrong, it will."

Lots of approvals. Getting decision makers from two companies on the same calendar is a feat. Often, the first tie-in contact isn't empowered to approve a program. The promotion department may not be in sync with marketing's plans. The VP of marketing will wait until you've laid out the whole plan and then change it. The creative development needs both brands' approval, and the promotion agency may weigh in. Legal is the last to see it and will have its imprint.

Prepare fallbacks. Always assume a tie-in program will fall apart at the last second, so have a backup plan in place.

Robinson-Patman Act. By law, you must give all same-size retailers equal value programs. (See the Robinson-Patman Act in "Co-op Glossary" and in "Discounts," Chapter 5, page 139.)

Fred Meyer Corollary. See the Glossary.

Timing is everything. Tie-ins take time. Marketers prefer a 12-month lead time but may act with a 6- to 9-month window. Less than that and you have little time to make up for unforeseen circumstances. Following is a guideline for your tie-in process:

Task	Allow This Much Time
Identify and seek out partner prospects; allow for prospect's availability and time to route and respond—even time to forward your request to alternative contacts	30 days
Negotiations (involve marketing, sales, and operations)	30–60 days
Draw up agreements and get approvals from each side's marketing, sales, and legal department (may then lock in dealer promotion period)	45 days
Develop and approve creative	30–60 days
Produce promotion materials and ready them for shipment; brief each partner's salesforce (retailer period should be locked in)	30–60 days
Salesforce sells program into trade depending on trade's commitment scheduling policy (Try to do this prior to POS print production for accurate quantities.)	60 days
Execute final details, including reserving media time/space, distributing promotional materials, and dealing with logistical issues that arise	30–60 days
	TOTAL: 255–375 days, though some tasks may overlap in timing

CO-OP PROGRAMS

Co-op programs are designed to support retailers when dealers support their vendor's product. If a dealer's advertisement includes a vendor's product or logo, the vendor may contribute to the cost.

Typically, the manufacturer credits a specified amount for every product unit the retailer or distributor purchases. The amount may also be based as a percentage of a quota. In retailer programs, these are “co-op funds,” but in distributor programs, they may be called marketing or brand development funds (MDF or BDF).

Distributors may use the funds to promote the vendor’s products in sales contests, logoed merchandise for corporate buyers, and so on. On the retail side, vendors might allow co-op dollars to fund storefront signage, radio advertising with vendor mentions, Yellow Page and newspaper advertising with the vendor’s logo, and the like. Generally, there are several options.

Your competitor may be running a co-op plan with the same dealer or distributor network, so unless your strategy is to spend more money than your competitor, you need to spend more wisely. What’s best for both you and the retailer? Cofund Yellow Pages if they include your logo? Provide an employee sales contest? Fund employee training on your product? Provide professional radio spots your dealer can personalize?

CO-OP PROGRAM DEVELOPMENT CHECKLIST

- ___ Define the objectives for yourself and your retailer (or distributor), preferably something you can measure and evaluate
- ___ List what activities you’ll cofund—display fixtures, advertising, sales-force programs, consumer promotions, training, premiums, and more
- ___ Consider a percentage allocation for each specific dealer or distributor activity
- ___ Identify which products qualify and how much funding each generates
- ___ Define how the retailer qualifies for the program
- ___ Define how the retailer earns co-op funds
- ___ Define when and where the advertising can run and your brand exposure requirements
- ___ Determine how participants know what they’ve earned
- ___ Determine how and when to submit claims
- ___ Create a system to process and validate claims—tear sheets of ads, invoices, receipts for materials, audits, etc.
- ___ Create a payment system
- ___ Define periods—seasons, months, year-end

- Any special provisions—how to carry funds over to a new season; limitations; bonus funding; etc.
- State a notification time for changing or terminating the plan
- Determine how to resolve disputed claims
- Consider an auditing service
- Determine how to communicate the program to different layers—launch and ongoing—progress reports, instructions, specials
- Review the following glossary

CO-OP GLOSSARY

- accrual** Amount of money earned by dealer or distributor.
- ad specs** Criteria for an ad design, such as logo, trademarks, and sizes, for the advertisement to qualify for co-op dollars.
- advertiser's checklist** Products qualifying for co-op.
- assignment of funds** A process to assign co-op funds to distributors or retailers; also a process to pay for a multiple listing ad that requires assigning funds by specific product—for example, when a manufacturer's ad lists several retailers.
- audit services** Companies that monitor co-op ads for manufacturers.
- barter co-op** Using merchandise from the manufacturer to pay for advertising; usually used by companies without regular co-op plans.
- billback allowance** An accrual that's held from the retailer until it provides proof it has complied with all requirements.
- co-op action plan (CAP)** A program developed by the Newspaper Advertising Bureau to facilitate handling co-ops.
- claim period** Deadline for claims to be filed, usually 30, 60, or 90 days after the ad date.
- clear separation** A layout specification requiring a separation line between products.
- competing merchandise provision** Manufacturer's policy that ads containing competing merchandise do not qualify for co-op reimbursement.
- credit memo** Payment method that allows advertiser to deduct a certain amount of funds from the *next* manufacturer's invoice; usually has a deadline.
- deal sheet** A sheet outlining the deal in a special bonus co-op plan.

- deduction** Subtraction by a dealer of co-op charges from a manufacturer's merchandise invoice; forbidden in most plans.
- development money** Funds outside the normal co-op budget for things like store openings and new product launches.
- distribution affidavit** Affidavit from the U.S. Postal Service or publication distributor identifying a publication's circulation. Also a means in direct mail and some shoppers guides to qualify for co-op payment.
- electronic tear sheet** In broadcasting, a statement placed on a script telling when a commercial aired and at what cost.
- format** Advertising guidelines on how the product is presented while maintaining the retailer's dominant identity.
- Fred Meyer Corollary** See the Glossary at the back of the book.
- front-ending** Contacting the manufacturer before an ad is run to make sure the co-op allowance will be paid.
- graduated percent participation** A plan based on the number of ads run; the first ad may be 50 percent paid, the second 75 percent, the third 100 percent.
- ingredient co-op** An accrual plan based on the product's ingredients; a computer maker may have co-op available from the chip manufacturer.
- manufacturer's accrual notice** Regular notices of accrual earnings that may be required to submit claim.
- manufacturer's claim form** Form for the advertiser to claim reimbursement.
- maximum and minimum ad size** Required sizes some manufacturers require for qualifying co-op ads.
- multiple listing ads** A manufacturer's single ad listing several retailers. Dealers may pay jointly for the ad through co-op funds.
- omnibus ads** Retail ad page format containing multiple products.
- open-ended** An accrual method to initiate in-store distribution that permits a special amount of co-op funds with the first purchase of product.
- participation** The percentage of a specific ad for which the manufacturer will reimburse the dealer.
- pass-through co-op** Funds available to dealers even if they purchase from a wholesaler or other indirect source.
- performance date** The last date an ad can run to qualify for co-op—typically the date the magazine hits the street.
- prior approval** A manufacturer's requirement to review and approve the advertiser's ad.

- prior approval media** A manufacturer's requirement to approve the advertiser's media selection when it doesn't fit qualifying media policies.
- proof-of-product purchase** Documentation to claim pass-through co-op, such as from a distributor to a retailer; typically filled out by the distributor or a copy of the retailer's invoice.
- qualifying media** Predesignated media that don't require approval for co-op; media typically have an outside audit.
- rate-based accrual** Accrual value based on the prevailing media rate.
- Robinson-Patman Act** Regulatory act covering co-op that outlines the responsibilities of all parties in the process of using co-op funds. See the Glossary at the end of the book.
- supplementary funds** Same as development money, except they are often part of the *manufacturer's* co-op budget.
- tear sheet** A copy of the print advertisement that must include the name and date of the publication.
- tie-in ads** Co-op ads designed to tie in with the manufacturer's national advertising. These regionalized ads use local co-op funds to communicate where the products can be purchased.
- unlimited accrual** A manufacturer's plan that cofunds an unlimited number of ads at a specific participation percentage.
- vendor rate** A rate a retailer establishes when billing cooperative advertising to manufacturers.