

Doing Co-Op - Without Being Co-Opted

By Rob Bates, Senior Editor JCK, Jewelers Circular Keystone, 1/1/2007

In this day of declining margins, jewelers are hunting for bargains. And co-op advertising is, at least in theory, the biggest bargain of them all.

Co-op advertising puts your store's name in front of the public for a price that's often only 50 percent of the price you'd otherwise pay - typically, the brand and the retailer each foots half the bill. Plus, the advertising materials often have better production values than jewelers can afford. And it can associate your store with a famous name. "In its ideal paradigm, it's to the mutual benefit of both," says Joanne De Ricco of New York based Mediability Plus.



Joanne De Ricco

So what's not to like? In many instances, experts say, even at half the price, co-op advertising is not the steal you think. "There are many jewelers that have done a lot of co-op over the years, and it's not been worth it for them," says James Porte, of the Porte Marketing Group. "Co-op is not free. It still costs 50 percent. And if it's not working, co-op means nothing."



James Porte

The key, Porte and others say, is to look beyond the price tag and consider what the advertising is providing for you. Here are some tips to get the most out of co-

op:

Make sure the ad is promoting your store, not just the manufacturer.

"Many manufacturers provide a 60-second ad with 10 seconds about the store at the end," says Chuck McKay, a partner in the Wizard of Ads marketing company and author of the book *Fishing for Customers and Reeling Them In*. "And then they want the store to pay 50 percent of it."

This is especially problematic when a brand becomes solely its own retailer. That means a retailer has spent money on a brand that could turn into a competitor. "Tiffany's sold wholesale, and after five years they built up enough consumer awareness that they closed out that division," notes Elizabeth Chatelain, president of MVI Marketing. "Then they

earmarked those cities to open up Tiffany stores. It's something that happens only rarely; maybe we could dig up eight or nine companies over the years that have done it. But it does happen."

Don't change your advertising plan just because of co-op.

"The rule of thumb is: If you normally would not promote a product on your own, then you shouldn't do it just because you have co-op," notes Porte.

Make sure the product's image fits your store's image.

"A manufacturer is trying to build an image for a particular product," says McKay. "And a retailer is trying to build an image for their store. Sometimes those two images coincide nicely. But sometimes they don't."

Chatelain advises retailers to take a cold, hard look at whether the ad fits into the store's overall message. "If your advertising is sending a mixed message, you are doing yourself damage," she notes. "Your store may have \$40 stamped earrings that are there just as a gift option, and that's fine. But you don't want to be yelling it from the rooftops that you are carrying them."

Chatelain says a store should stick with its own image. "Just because someone is offering a *Vogue* ad, that doesn't mean you should go for it. If the look and the product category are not meshing with what you are trying to send for, let the opportunity pass."

Co-op not only can cheapen a retailer's image but also convey an unexpected subtext.

"You may have the image of a family business that does whatever it takes to please the customer," notes McKay. "Along comes an ad from a high end manufacturer. That sends out the message 'We are the elite.' Now that message may not be a bad one, but it's a different one. And you are cutting into your advertising budget, and you are leaving fewer dollars to send out your main message."

Don't let the value from a co-op ad end with the ad itself.

"Take that ad, blow it up, and put it in your window," Chatelain says. "Say something like 'As Seen in *Vogue*.' How prestigious is that?"



Chuck McKay

Track your advertising.

Tracking is important for all kinds of advertising, including co-op.

Ask consumers where they heard about the store. Coupons and other incentives give you a better sense of where your customers are coming from.

"Everyone has to pay attention so that the money isn't wasted - whether it's the manufacturer's money or the retailer's money," says Chatelain. "Make sure the advertising is placed correctly and make sure it shows up where it's supposed to be. If you waste the manufacturer's advertising dollars, they will be less inclined to advertise with you in the future."

Don't just tie yourself into a vendor's ad campaign - make theirs part of yours.

Offering co-op dollars is standard in business today. But just because a manufacturer hasn't offered them doesn't mean they're not available. "I would try to get co-op from every manufacturer I carry," says Chatelain. "I don't think retailers hit up as many manufacturers as they should. Let's say a retailer is throwing a pearl event. They could be running a generic pearl ad. But why don't they go to suppliers and say, 'Throw in \$1,000?'"



Elizabeth Chatelain

Make sure you collect the co-op money.

It sounds like a no brainer, but Chatelain says retailers collect only 60 percent of what they are owed in co-op.

"This happens to us all the time," she notes. "Retailers will come back to us a year later because their auditor picked up the fact that they are owed co-op money." Some manufacturers are understanding about this - but some aren't. The key is to keep careful records.

"Retailers are basically people on the floor," notes Chatelain. "They are out on their feet, not sitting behind the desk and looking at a computer screen. But meanwhile they don't hire people to do basic tasks. Even a high school student could [collect co-op money]. Retailers are losing money because they don't collect it."