By **GARY RITKES** | President of SproutLoud

Do you know the difference between **Co-Op Marketing funds** and **Market Development Funds** (or MDF)? These are two types of local advertising funding sources. They are useful for brands that employ a Distributed Marketing strategy, which means that the brands use networks of partners, resellers, retailers, dealers, distributors, franchisees, agents or branches to sell brand products in local markets. Both Co-Op Marketing (also called Co-Op Advertising) and MDF are financial options for brands that want to subsidize the cost of local marketing for their local partners. There are key differences between Co-Op Advertising funds and MDF. Different contexts may make one type of co-funding more suitable than the other. To avoid common pitfalls, it is important to ensure that the funding options offered are aligned both with a brand's strategic goals and with the make-up of its partner network.

Understanding the Difference between Co-Op Advertising and MDF

Co-Op Advertising funds can be set to accrue based on a percentage of local sales. These funds are typically used as a reward or incentive to partners — by tier or class or region or individually — based on the level of sales performance.

MDF may be issued to partners in advance of sales. This is discretionary in nature because it is awarded based on predicted or expected behavior..

Which Co-Funding Option Fits Your Brand?

MDF sponsorship fits well within dynamic markets, where partners' past sales are not necessarily the best indicator of how the budget to promote products in dynamic markets should be awarded today.

For example, a brand may dedicate more MDF to local partners that promote a product very early in its lifecycle, when those partners have access to a consumer base considered to be first adopters. Those partners may not generate the most sales, but they have a valuable and unique link to first adopters and the ability to get traction for early lifecycle products in dynamic markets.

Co-Op Advertising funds, on the other hand, are a more stable co-funding source, and they allow partners to plan long-term marketing activities based on available budget. They are typically better suited for local partners that demonstrate consistency in large-volume sales.

Whether brands opt for MDF or Co-Op Advertising funds, or a combination of the two, in order to offer the right co-funding mechanism and promotional allowance to the right local partners, brands need to have a clear insight into partner sales performance. This gives brands the ability to align national and local marketing strategies — which can give them the edge over competitors in local markets.

Common Co-Funding Mistakes to Avoid

When the funds from **Co-Op Advertising** or **MDF** goes unused, it is a clear sign of misalignment between the brand and its partner network. Here are some common pitfalls and solutions for how to avoid them:

Mistake: Brands don't provide preconfigured marketing programs for channel partners to opt-in and spend their promotional allowance.

Solution: Brands can use local marketing automation solutions, such as a comprehensive Distributed Marketing Platform, to give their partners an easy way to select, subscribe and execute pre-approved, brand-compliant marketing collateral, flexible financial plans.

Mistake: When partners are required to follow a brand's cumbersome claims and reimbursement processes in order to access co-funding options, they often find those processes to be too complicated and time-consuming.

Solution: Brands can simplify how their partners access Co-Op Advertising funds by offering a co-pay method that provides financial aid up-front or by opting for a streamlined and cost-effective claims process available with a comprehensive Distributed Marketing platform.

Mistake: When partners craft their own local marketing ads and campaigns that are not preconfigured by the brand, this requires an often lengthy approval process that involves a lot of administrative work to verify brand compliance before reimbursement is approved.

Solution: Brands can choose a local marketing automation solution that brings all aspects of ad building and local marketing execution within a centralized, controlled environment of a leading

Distributed Marketing platform. This means that partners choose already brand-compliant assets with built-in customization options, then local marketing campaigns are automatically routed to brand-approved expert marketing service providers for execution and fulfillment.

Mistake: Manual co-funding processes and incompatible systems can make the entire local marketing process difficult for brands and their partners. For partners, faxing or emailing proof of performance on local marketing in order to request brand approval and reimbursement can be complex and frustrating, especially when they experience delays. For brands, it can be difficult or impossible to retrieve data on partner performance and ROI on local marketing. This makes it hard for brands and their partners to align national-to-local marketing strategy or respond quickly to changing market conditions.

Solution: Brands can choose to eliminate all the issues associated with manual co-funding processes and incompatible systems by choosing a comprehensive local marketing automation solution. Today, leading Distributed Marketing platforms offer innovative solutions for all aspects of local marketing, including co-funding options, ad building, brand compliance, automated marketing execution and fulfillment and robust marketing analytics. It's important to find the right fit to meet the needs of both your brand and your partner network.

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