

Altman Dedicated Direct

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Column: "**After the Phone Rings ...**"

Month: **August 2005**

Topic: **Using Co-marketing to Expand Your Product Line**

Many DRTV marketers enjoy tremendous success promoting one special, unique product, and acquire a large buyer file during that process. But few are ready to follow-up that initial success with additional products that are of interest to their hard earned customers. It is far less expensive to sell more products to existing customers than to constantly strive to acquire new customers for your existing product. Unfortunately, many companies underestimate the timetable, development challenges, costs and other risks of finding those perfect follow-up product(s) and miss the opportunity for additional sales.

It is difficult to plan for follow-up products prior to the launch of your initial product, but speed to market of back-end products is critical to long term growth and success. One solution to this challenge is a co-marketing arrangement with another company(s) who already has a product or service that meets your criteria for your customers. Co-marketing can significantly reduce time to market with new products, and garner incremental sales from your customer base while they are still loyal and interested in your company.

Co-marketing arrangements vary widely from company to company, or even from product to product within the same company. Whether called a Licensing Program, a Private Label Program, or perhaps a Distribution Agreement, all parties to the agreement have financial incentives to work together. Product introductions are much more rapid than if starting from the beginning of the development cycle. Expenses and revenues are shared, hopefully from a wider universe of customers than either party could reach on their own. Typically, one party has the brand recognition that will significantly boost sales and the other party(s) brings the technical know-how to manufacture and distribute the goods. In any co-marketing agreement, the strengths of one party should complement, not duplicate, the strengths of the other party(s).

Regardless of the structure of the co-marketing agreement, there are 8 essential components to consider prior to entering into any collaboration:

1. **Grant of Rights** – Clearly identify terms and conditions of your offer, including but not limited to discussions of exclusivity or non-exclusivity and whether the rights being granted are transferable or not.
2. **Term** – Identify the beginning and ending dates of the agreement.
3. **Costs** – Clearly state who shall bear costs associated with the development, manufacture, promotion and sale of the product(s).
4. **Copyright and Trademark requirements** – Specify which party holds the copyright and trademarks involved.



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5. **Approvals** – Outline the approval process for new product development, and address the consequences of deviation from the agreed upon process and/or approved prototype(s).
6. **Territory** – Determine the territory where the co-marketed products can be distributed and sold (e.g. USA? North America? Worldwide?)
7. **Compensation, payment schedule and reports** required
8. **Conduct upon termination of agreement** – how to liquidate leftover inventory at the conclusion of the term

Upon agreement of these 8 issues by the parties, new product development and/or manufacturing can begin. Each type of co-marketing program has its own set of advantages and disadvantages, and most successful company programs should include a combination of licensing, distribution, and private-label agreements.

Co-marketing arrangements are limited only by one's imagination and entrepreneurial spirit. Successful programs are win-win situations for all parties, and allow each party to concentrate on their core competencies, develop more products than possible on their own, expand into markets they do not have the expertise or resources to reach, and enjoy increased sales beyond what they could otherwise achieve.

Have a question on any of this? Email me: Saltman@AltmanDedicatedDirect.com Next month we'll consider critical factors to success with insert marketing.

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