

HOW MUCH SHOULD YOU BUDGET TO BRAND YOURSELF?

Your marketing budget depends on your goals, your competition, and your media options but should never be based on how much money you have to spend.

By Greg Herder

I am often besieged with questions about how much top agents spend on marketing. Is a certain percentage of income the ideal amount? Can you spend too much or too little?

The answers are straightforward and logical, but they do require you to think. The amount you should be spending on personal marketing is determined by the media cost in your area, the competitive environment, and your personal goals.

Determine your marketing mix

First, you must figure out the media costs in your farm area. Every farm is different—some have a number of great publications that effectively reach that target; others do not have any publications, so you must rely purely on direct mail.

Your marketing plan should expose your name and marketing message to your target three to five times each month. You should also send something to your past clients every three to four weeks. Simply add up the cost of getting your message out using a combination of the media options that are available to you.

Differentiate yourself

Next, you must look at your competitive environment. Look at the core marketing message that you are going to build your campaign upon. Does it make you stand out from the rest of the agents in your area? The stronger your core marketing message and the more passion you have about your point of difference, the less you have to spend in order to get your prospects to pay attention.

Keep in mind, though, that if you take on a dominant, well-established agent head to head, your marketing budget is going to have to be much larger, and it will take longer to be effective. If, on the other hand, you are already well-known in your area for any reason, your marketing will work faster and more effectively.

Let your goals lead you

Finally, look at your personal goals. How much real estate do you want to sell? How fast do you want to grow? How do you want your business to operate?

You can cut your marketing costs if you are willing to pay the price in time to personally cold call and knock on doors. However, most agents hate doing business this way and don't have the discipline to do it consistently. Plus, do-not-call regulations make it more difficult than ever to succeed with cold calling.

Understand that the best thing about investing in personal marketing is that it not only helps you build your business, but it also buys you time. Lots of top agents are willing to invest a greater percentage of their income in order to have more time off and to have their business operate in a way that they enjoy.

Tailor your budget to your needs

Notice that not once in determining your marketing budget did I ask how much money you have to spend. The least effective way to invest in a marketing plan is to say, I have X dollars to spend, how should I spend it? You must start by asking, What do I want to accomplish? Then figure out how much it will cost to meet that objective. If you don't have the money to accomplish your objective, make it smaller or figure out how to get the money.

I see so many agents wasting marketing money because they feel that doing something is better than doing nothing. Remember, in marketing, spending 90% of what it takes to get your message into your prospect's awareness produces nothing.

Consider where you want to be, not where you are

During my 25-year involvement in real estate, I have come up with a rule of thumb that might be helpful. You should set your budget based on what you want to earn, not what you currently make. Your marketing budget should be between 15% and 30% of your gross commission goal for the coming year.

The percentage that you spend is inversely proportional to your income. The more you make, the less you have to spend. If you earn \$1 million a year in commissions, you can get by with spending 15% or even less on marketing. If you are making \$100,000 or less, you must spend 30% so that you grow your business.

A real-world business application

Over the years, I have seen many brand new agents who have started out with a goal to build a real estate business and invested \$20,000 to \$30,000 to jump-start their business through personal marketing. Almost all of them end up earning over 100,000 in commissions their rookie year. Best of all, their businesses keep growing and within three or four years they are the top-producing agents in their areas.

When I tell this to agents, I get one of two responses: anger or excitement. Some agents have even called me names and told me I was hurting the real estate profession. On the other hand, agents with business backgrounds often ask why everyone isn't taught this when they get into real estate—after all, it's the way business works.

Take it step by step

At times agents will ask me, “What do I do if I don’t have the \$20,000 I need to build my business through marketing?” I tell them that if they have no money they must start out cold calling and door knocking because they have no other option. As soon as they can save up some money, they can then launch a marketing campaign. If they have between \$6,000 and \$10,000 to invest, I tell them to create a prospecting brochure and follow my 90-day prospecting plan. This plan uses a personal brochure that is designed to generate 10 or more transactions every 90 days using only a prospecting brochure. As they start making money, they can then move on to a complete marketing campaign.

The reality is that you have to invest enough in marketing to get the job done. I am amazed at how many agents come up and say to me, “Last year I spent a few hundred dollars on note pads, chip clips, magnets, and other things and it generated nothing in return.” If those things ever do pay off for you, think of it like winning the lottery; enjoy it, but don’t count on winning the lottery every year!

Greg Herder, CRB, is cofounder and CEO of Hobbs/Herder Advertising, and is one of the most highly respected figures in North America on the topic of personal marketing in real estate. He has written books, articles, and gives seminars on the subject, and consults with many of the industry’s top agents and companies.