

How Much Should You Spend on Advertising?

Different experts advise different formulas for determining advertising spending. Keep in mind that these figures are for all advertising, not just property advertising.

- Allocate between 30 and 35 percent of your gross commissions to advertising, says real estate author William Pivar.
- Allocate 15 percent of annual overhead to advertising, says Joan McLellan Tayler, author of [From Ads to Riches](#).
- Allocate 20 percent of gross revenues, less commissions, to advertising, says Hal Douthit, creator of the “Computer Adwriting” software program.
- Allocate 2.9 percent of your gross sales if you want to be average. This is the amount that the average real estate salesperson or manager spends on advertising, according to the [National Association of America’s 2002 Newspaper Advertising Planbook](#).

Budgeting Tips for Advertising

Allocate the biggest portions of your annual advertising budget to the months in which you generated the most sales the previous year. —Courtesy of the Newspaper Association of America

- Use tracking analysis to determine the cost per contact for each advertising medium you use. Calculate that figure by dividing the cost of the ad by the number of responses.
- Buy advertising in quantity to obtain discounts. If you don’t have enough listings to qualify for a discount, pool your ads with others from your company for the maximum reduction.
- Contract for at least six months of advertising to obtain frequency results. You can change the ads if you continue to buy the same amount of space over that period.

TIP: Never put classified ads on an unlimited run. If the property sells and you forget to cancel, you will still have to pay.

Tips to Track Your Ads

- Insert codes into all classified and display ads to help in tracking response rates.
- Train office salespeople to ask callers where they heard about the property and keep notes in a log.
- In tracking responses, ask callers what about the ad attracted their attention and keep notes in a log.
- Create an ad schedule book to keep copies of all ads that run with the issue date, content of the issue (e.g., special homes supplement, real estate guide, decorating section), and the location of the ad in the publication. See if you can determine any other factors that help produce a significantly higher response than average to an ad.
- Consider installing a separate phone line and using that number only for ads and yard signs, suggests real estate author Joan McLellan Tayler. It will help make tracking responses much easier.

For The Advanced Sales Person

Tony Marsella, vice president of classified marketing for the Newspaper Association of America, shares some expert advice on maximizing your ad budget.

Q: How does newspaper advertising fit into the overall promotional mix for a property today?

Marsella: Today, real estate practitioners should use all major media for promotion; online listings, Web sites, home magazines, and newspapers all have a place. The NAA recently did a survey in which it found that recent homebuyers had used an average of 4 ½ sources to find a home.

In addition, different media serve different purposes. Online promotions really function more like MLS books. They contain detailed factual information about properties so prospective buyers can do research, and most allow you to sort date by price range, number of bedrooms, and so on so that you can narrow options.

Newspaper advertising, on the other hand, is about making a direct, emotional appeal that will get a person to take an action—in this case, pick up the phone and call the real estate salesperson about the property. Ads should contain the most important facts about the property—the price, the location, the number of bedrooms, but the real appeal should be to the emotions.

Q: So the goal of a property ad is to sell the property?

Marsella: Not exactly; the goal is not to sell that particular house as much as it is to make someone contact you. When prospective buyers call, they may not really know whether or not they are qualified for that particular house. But getting them to call in response to a particular ad gives the real estate salesperson the opportunity to act as a consultant and direct the prospects to houses that meet their needs and price range.

Q: What sorts of strategies should you use in your newspaper advertising to get that phone to ring?

Marsella: In my advertising seminars, I suggest that real estate professionals always advertise a full complement of properties in all price ranges. You can't afford to advertise every home, but by including a range, you ensure that you get calls appropriate to all your listings. Don't just advertise your top homes.

You also want a mix of homes with different appeals—some people may want a quiet, wooded lot, while others may prefer a modern home near shopping. You need ads that appeal to every taste.

If you have a listing that looks like a particularly good value, be sure and advertise that. It will attract a flock of calls, even from people who could spend more. Once you have prospects on the phone, you can use consultative selling to help them find the properties that best suit them.

Q: What other advice would you give real estate associates to help them improve their property advertising?

Marsella: Don't make the mistake of mixing property marketing with personal marketing. Both are important, but the goals are very different. A property ad should be directed to the thin market of buyers who are motivated to buy now. Property advertising has the goal of getting this small market segment to pick up the phone and call. But they are not calling you because of your skills or experience; they're calling the person who advertised the property.

Personal marketing, on the other hand, is designed to establish you and your services as a brand. Personal marketing builds name recognition and gains listings, but it doesn't sell properties. Don't waste space in your property marketing ads running pictures of yourself or lots of information about your background. Do that somewhere else.