

How To Decide On A Marketing Budget

How do you calculate and decide on an effective marketing budget?

Having a marketing budget is a critical part of being in real estate and running any business. How do you do it? What factors need to be calculated?

The Importance of Your Marketing Budget

A marketing budget can be the most important part of your overall plan. It's what gets the money coming in, and keeps your business running.

You can't really build an effective marketing plan, or business plan, or goals, without a marketing budget. Even if you have the greatest marketing team in the world, you have to give them an accurate budget so they know what they are working with, and can make the best suggestions.

Key reasons for a marketing budget:

- Effective and efficient selection of marketing channels
- Ensuring marketing channels are given long enough to pay off
- Managing cash flow
- Setting strong growth goals

Spreading Out Your Budget

The most important thing to get right is to ensure your budget lasts you long enough until new money is coming back in. However, there is a lot of confusion about how to do this, especially in the world of real estate.

It can take a little while for leads to close. You need to be able to keep marketing and filling the funnel with new leads in the meantime. You want your income to be consistent, and grow. If you stall out due to budget, then your entire income pipeline can be choked. With this in mind most advise to spread your initial marketing budget out for 3 to 6 months. That means you'll be able to keep marketing that long, even if you don't have any income come in during that warm up period. Plus, it just takes time for some real estate marketing mediums to really build up steam and start paying off, and hit their maximum impact and ROI.

However, this doesn't mean go super cheap. If you just go dirt cheap and spread yourself too thin, your marketing may not be effective enough to produce real results. You may want to do less, at a higher quality in order to create the deals and dollars to do more marketing.

A common misconception and piece of advice thrown around the web is to create a flat and consistent marketing budget. For example; \$2,000 or \$10,000 per month. That can work. However, more experienced investors and business owners know that opportunities aren't just flat and even throughout the year. There are seasonal fluctuations each year. There are times when prospects are more receptive and motivated to take action. As well as times when your competition is slacking. It can make sense to weight your budget at these times. Then there are special opportunities. Changes in the economy, big news, or upcoming tour and events can all be great moments to make an extra marketing push.

Choosing a Marketing Budget

How much should your marketing budget be?

It's the most important part of your operation. It's what makes all of your income and wealth possible. So, as a basic guideline, your marketing budget should definitely be more than you spend on your car payment, and probably your house payment and the play money you use to live it up every month too.

The best way to set a budget is to back it out from how much you want to earn.

How much do you want to make in the next 12 months? \$ _____

What is your average income per deal? \$ _____

How many deals do you need to do in order to hit your money goal? _____

What percentage of leads are you converting into closings? _____

How many leads will you need to generate to hit your required number of deals? _____

How much does it cost on average to generate a lead? _____

Multiple that by the number of leads, and that's how much you should spend yearly: _____

Divide it by 12 to get your monthly marketing budget: _____

VIP note: You need to accurately calculate what it really costs per lead for this to work. For example; you can't just say a postcard costs \$1. You might spend \$100 on the design. Send 250 cards, and have an assistant filter them at a cost of \$15 an hour. You need to add all this up to get your true cost per lead.

Marketing Mix

It's never wise to bet your entire marketing budget on one strategy, channel, or campaign. A good real estate marketing warrior maintains a good mix of revenue generating weaponry in their armory. Some will be low cost guerrilla style marketing. Others will be more expensive. Some will be fast, others will help the brand and yield even bigger gains over time.

Possible types of marketing in your mix:

- Google PPC ads
- Facebook ads
- Craigslist
- In person networking
- Purchased leads
- Direct mail
- Email marketing
- Social media posts
- Billboards
- Magazine ads
- Blogging
- Press releases

When just starting out, try to pick at least three of these and make them great. Then once they begin turning in money, expand and add new channels as you go, and maintain at least 3-5 diverse methods that will keep up your performance and keep your pipeline full over time.

The one big, crippling mistake you need to avoid is to pull back on marketing when the market gets tough. That's the time to take advantage of your competitors' weaknesses, and pick up market share.