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Direct Mail Vs. Mass Media: Get The Most For Your Advertising Dollar

by Greg Herder



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"They" say 15 to 30 percent of your gross income should be spent on advertising. That's way too much money to be spent haphazardly. I want to devote time to helping you determine the best method to deliver your message to your target market.

When allocating your marketing budget, you need to break things down. One of the first things you want to look at is your direct mail and mass media options. Mass media options would include print advertising, commercials on cable TV, and billboards and other "outdoor" advertising such as bus benches.

Your goal is to expose each household in your farm area to your message three times each month, but how should you reach your target market? The best-case scenario is to provide those three exposures through a carefully orchestrated mix of both direct mail and mass media.

What's Your Best Option?

Generally speaking, the first place for any agent to build a core marketing campaign is with direct mail. This delivers your message directly to your targets and you only pay to reach those you wish to reach, providing a pinpoint effect as opposed to the blanket coverage of mass media, which covers a lot of ground also provides increased credibility and a higher quality of your message.

For the most part, when I'm looking at an agent's situation, I advise them to allocate most of their budget to direct mail. Over time, or if they are already a top producer, the agent should augment that direct mail campaign with mass media advertising, especially when the agent's production increases or they are forced to expand their market in order to grow their business. But there

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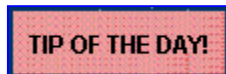
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are some fairly rare instances when direct mail is not a next-level supplement to direct mail, namely those agents whose markets are too large to make direct mail cost effective.



Finding the Right Mix For You

Here's a general analysis every agent should do to get started:

- If your target market can be defined by streets, a neighborhood, a subdivision, or a lifestyle, and has 3,000 names or less, direct mail will probably generate the best return on your investment. If your target market is not defined by a geographic region or place, and is comprised of more than 3,000 people, mass media will most likely be your best option.
- If your analysis leads you to direct mail, keep in mind that as your business and income grow, you need to look toward bolstering your direct mail with a mass media campaign. This will not only provide your campaign with a needed injection of new energy, but also increased credibility.

A Quick Case Study

A good example of this is Phil Herman. Phil's original farm was a single subdivision in Dayton, Ohio, which he farmed exclusively through direct mail. The more successful he became and the more markets he expanded into, the more he recognized the need to add mass media advertising to the mix. In conjunction with his direct mail campaign, he began running ads in the Dayton Daily News and launched an outdoor campaign that found him on a prominent billboard in the area. He later began running TV commercials on local cable stations. Needless to say, direct mail is a costly method of reaching every homeowner throughout the region, so Phil has made the complete transition to mass media and no longer does any direct mail farming.

Evaluating Mass Media Effectiveness

Whether you're going to use mass media to augment your direct mail or if your situation dictates that you use mass media exclusively, there is a proven advertising formula that will help you evaluate your options. It's crucial that you learn this formula to determine how to get the

most for your marketing dollar.

The CPM is the advertising industry's universal measuring stick to compare the cost of putting a message in front of 1,000 people. It's determined like this:

Cost of the Advertising

- Number of People Reached (in thousands) = CPM (Cost per thousand)
- Divide the cost of the advertising by how many thousands of people this option will expose your message to. For example, let's say you want to place an ad in your local weekly newspaper. For our purposes, let's say it has a circulation of 25,000 and a half-page ad costs \$750. To figure your CPM, you would divide 750 by 25, which equals 30 dollars per thousand people your message is exposed to.

Consider Your Reach

However, an important caveat must be considered when evaluating mass media CPM. In mass media outlets, your reach, that is, the amount of people exposed to your message, may be larger than you need. If that's the case (and it often is), you're actually paying to deliver a message to a subgroup of the entire circulation of the publication. What this means is that to best evaluate cost effectiveness, you should recalculate your CPM using the smaller, subgroup number because the rest of the people to whom your message is delivered do not really matter to you.

Cable TV is a tremendous mass media opportunity. Cable TV companies often serve just one or two cities each, allowing you to deliver your message directly to those to whom it matters for a fraction of the price of broadcast networks. What's more, it still carries a large part of the cachet of traditional television advertising, giving you increased credibility and prestige.

Good Question, Difficult Answer

To recap, direct mail will usually be the core element of your marketing campaign. As you begin to grow or if you've been mailing consistently for two years or more, add new communities to your farm and your repeat and referral business grows,

you'll want to augment your direct mail with mass media for optimal effectiveness. Once you reach a point where you need more targets to continue to grow your business, you will want to definitely augment and maybe eventually replace your direct mail with mass media advertising. It all depends on the CPM.

The best thing you can do for your career is to follow the guidelines we've laid out in this article and make a habit of calculating what will provide the best return on your investment. By doing so, you will stretch your marketing budget to the max, ensuring the greatest result for your dollar.

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Greg Herder (Greg@HobbsHerder.com) is cofounder of Hobbs/Herder, a recognized leader in real estate marketing training since 1986. Herder is one of the most highly respected figures in North America on the topic of personal marketing for real estate professionals. The author of several articles, manuals and books, Herder is also an accomplished speaker known for his dynamic presentation style when conducting seminars on the subject of cutting-edge real estate marketing. Blending his wealth of knowledge with practical advice and an engaging style, Herder has the unique ability to show how high-concept advertising theory can be applied to create winning marketing campaigns.

For more information about Greg Herder and Hobbs/Herder's training programs and marketing products, please visit www.HobbsHerderTraining.com or call 1-800-

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