



4

MARKETING

Market Analysis /
Budget

Market Analysis



Our Mutual Goals

1. 150 units or \$600,000 volume in fees and commission per office
2. 10% - 25% market share in your selected target market
3. Ultimately, 25% market share around the country

Your Goal

1. Gain market share
2. Reach profitability (i.e. pay your bills and salary and realize a profit)

Your Market Analysis

You can achieve your goals with the **right** target market. Your Market Analysis determines your:

- Target market
- Fee
- Office location
(A place where people pass everyday on their way to work or to shop)
- Marketing plan

What's Needed?

- Number of households
- Number of sales in the last year
- Sales distribution by price range
- Turnover rate
- Average days on market (DOM)
- Media costs (cost of inserts in newspapers, ads in Home Magazines, etc.)

The Help-U-Sell® Market Analysis Package

Number of New Listings Taken Each Month For the Past 12 Months

Total Closings by Price Range For the Past 12 Months

Market Survey

Advertising Costs

Number of Closings Each Month For the Past 12 Months

Fill in the information below about the advertising mediums available in your market...

Typical Pitfalls

- Choosing too large a marketing area
- Choosing too small a marketing area
- Choosing an area with low turnover

Typical Market Parameters

The Typical Target Market has the following parameters:

Households Has between 14,000 to 25,000 households.
(Households are single-family dwellings, town homes and condos that are owner occupied.)

Note: A market may have an acceptable number of households, but a large portion could be apartment buildings. Such a situation produces limited resales.

Total sales Has between 800 and 1,200 annual sales.

Note: If your territory has less than 800 sales, be sure there is a real possibility to gain market share (talk to your coach). Your marketing strategy will be different in such a territory.

Turnover rate Has a turnover rate of 5% or more.

Less than 4%	The cost of advertising to your entire market may outweigh the benefit, resulting in no return on your advertising dollars. Find pockets of turnover and use direct mail.
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4% to 6%	Consider that average
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7% to 10%	Consider that excellent
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Over 10%	Consider that even better. However, check to see if there are a lot of new homes in your area. New construction may be skewing your turnover rate. Weed out those numbers to find the real turnover rate.
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Average Days on Market 30 to 90 days on the market is typical. Anything longer than that (90 to 180 days) will affect your marketing strategies.

30 days or less	Fast
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30 to 90 days	Reasonable
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90 to 180 days	Slow
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Break-Even Break even with one to three sales per month, and the break-even point equals 3%¹ of your market share or less

Driving Time It is a short drive from one end of the market to the other in normal driving conditions.

Drill down to find pockets of turnover, if possible. Melissa Data (www.melissadata.com) can help you find pockets of turnover by subdivisions and/or carrier routes

¹ In rural areas with fewer transactions, it may take a greater percentage of market share to break even.

Determining Your Target Market

Market Data: Number of Closings Each Month



Number of Closings Each Month For the Past 12 Months

Section I

Use this form to record the number of closings in each town or zip code in your marketing area. This information is vital in determining your marketing strategy.

1. Write the name of the town or the zip code on the top line.
2. Enter total closings by town/zip on the next line. (You should be able to obtain this information from your local MLS or the County Recorder's Office.)
3. Enter the number of households in each town/zip. (Mailed weekly papers are a good source for household counts. Your Regional Director may also be able to give you a count.)
4. Next, divide the number of closings for each town/zip by its number of households. This will give you the turnover rate for each town/zip.

Zip code or town	92008	92009			TOTAL
Total closings	1,500	1,400			
+					
Total households	32,000	14,000			
= Turnover rate	4.6%	10%			

Section II

Fax this page to your Regional Director or Coach to determine which zip codes or towns in your market present the best opportunity. Once you make this determination, complete the rest of this page by breaking down the totals by month for only those areas.

	92009			TOTAL
Jan.	143			
Feb.	62			
Mar.	49			
Apr.	223			
May	305			
June	80			
July	19			
Aug.	21			
Sept.	190			
Oct.	123			
Nov.	140			
Dec.	45			
TOTAL	1,400			

Market Data: Sales By Price Range



Total Closings by Price Range For the Past 12 Months

Across the top of the form enter the name(s) of towns or zip code(s) in your marketing area. Enter sales prices in \$10,000 increments. Enter the number of closings in that price range under the corresponding town or zip code where the closings occurred. Fill in "Average Days on Market" ("ADM") next to the town/zip where closings took place. In the totals column, enter the percentage of total closings for each price range to the right of the total. Enter totals for each area at the bottom of the page. Enter the average days to close for all areas under the totals. Use additional pages if necessary. **See sample.**

Price Range	Town/Zip		Town/Zip		Town/Zip		Town/Zip		Total	%
	# Closings	ADM	# Closings	ADM	# Closings	ADM	# Closings	ADM		
Below 69,999	0	0								
70,000—79,999	8	33								
80,000—89,999	18	35								
90,000—99,999	38	27								
100,000—109,999	41	22								
110,000—119,999	24	21								
120,000—129,999	14	19								
130,000—139,999	11	25								
140,000—149,999	9	30								
150,000—159,999	128	32								
160,000—169,999	134	28								
170,000—179,999	150	19								
180,000—189,999	154	22								
190,000—199,999	162	25								
200,000—209,999	8	27								
210,000—219,999	2	24								
220,000—229,999	2	29								
230,000—239,999	4	33								
240,000—249,999	5	31								
250,000—259,999	8	35								
260,000—269,999	8	37								
270,000—279,999	6	34								
280,000—289,999	4	36								
290,000—299,999	16	35								
300,000—309,999	41	37								
310,000—319,999	81	41								
320,000—329,999	78	48								

Continued on next page



Total Closings by Price Range (Cont.)
For the Past 12 Months

Price Range	Town/Zip 92009		Town/Zip		Town/Zip		Town/Zip		Total	%
	# Closings	ADM	# Closings	ADM	# Closings	ADM	# Closings	ADM		
330,000—339,999	80	45								
340,000—349,999	66	52								
350,000—359,999	16	50								
360,000—369,999	6	54								
370,000—379,999	0	0								
380,000—389,999	2	47								
390,000—399,999	3	55								
400,000—409,999	1	51								
410,000—419,999	0	0								
420,000—429,999	18	48								
430,000—439,999	20	45								
440,000—449,999	16	41								
450,000—459,999	11	49								
460,000—469,999	7	43								
470,000—479,999	0	0								
480,000—489,999	0	0								
490,000—499,999	0	0								
500,000—509,999	0	0								
510,000—519,999	0	0								
520,000—529,999	0	0								
530,000—539,999	0	0								
540,000—549,999	0	0								
550,000—559,999	0	0								
560,000—569,999	0	0								
570,000—579,999	0	0								
580,000—589,999	0	0								
590,000—599,999	0	0								
600,000—609,999	0	0								
TOTAL	1,400	25.28								

Total for Territory 1400
Average Days from Listing to Contract 25.28

Market Analysis

Step 1

Determine your sales goal. Your market share goal is 10%. In this exercise, your market had 1,400 sales last year. What is your goal? _____ sales

Step 2

Calculate your turnover rate. (Sales divided by households)

$$1,400 \div 14,000 = \text{_____}\%$$

Step 3

In what price range(s) are most sales made? These are the price ranges you will concentrate on in your market.

Group 1 price range: _____ How many sales? _____

Group 2 price range: _____ How many sales? _____

Step 4: Calculate your fees. Set fee between the high and low ends of the range.

- Low price range x high side percentage = fee limit
- High price range x low side percentage = fee limit

Group 1:	\$150,000 x 2.7% = \$4,050
	\$200,000 x 1.9% = \$3,800.
	Set fee between \$3,800 and \$4,050, e.g. \$3,950
Group 2:	Luxury Fee
	\$300,000 x 2.7% = \$8,100
	\$350,000 x 1.9% = \$6,650.
	Set fee between \$6,650 and \$8,100, e.g. \$7,450

If there is discount brokerage competition in your area, you may have to use lower percentages. For example, you may choose to use 2% as your high buyer side percentage and 1.5% as your low buyer side percentage, resulting in a fee between \$2,000 and \$2,250 (\$2,150).

Step 5

Determine Days On Market (DOM). DOM will affect your marketing budget and possibly your fee. For example, longer DOM results in higher marketing costs; hence you will set your fee at the higher end of the range. In our example DOM is normal; properties sell within 30 to 60 days.

Step 6

Estimate your monthly operating budget.

- As a rule of thumb, your monthly operating budget should be your set fee x 3.
- In this case, (3 x \$3,950 (fee) = \$11,850).

Step 7

Develop your marketing budget.

- That budget should be between 33% and 50% of the monthly operating budget.
- In this case, between \$3,910.50 and \$5,925.

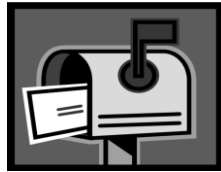
ETM Distribution

Developing an effective marketing strategy is a balancing act between cost, coverage and effectiveness.

Your goal with the ETM is total market coverage with maximum effectiveness. In our example, we have a target market of 14,000 people. How do we decide which methods to use?

\$350/m means it costs \$350 per thousand (m = 1,000 pieces)

Although direct mail is expensive, it can give you the largest return on your investment.



Direct Mail — The Ideal

Direct mail is the **most effective distribution** method. It would be wonderful if we could do a direct mailing to all 14,000 residents in our target market.

The drawback is that the cost is high, especially when printing, target marketing, and classified advertising costs are added to your monthly marketing budget.

$$14,000 \times .\$350/m = \$4,900$$

So, let's look at alternatives, such as inserting the ETM rather than direct mailing it.

Considerations

Find Where the Grocery Stores Place Their Ads

In choosing whether to insert in a daily newspaper, weekly newspaper, advertising mailers, or weekly shoppers, look where local grocery stores insert their weekly circulars. Grocery stores count on homemakers reading their weekly circulars to make their shopping list and patronizing their stores. Because they count on this business, grocery stores track the responsiveness of their distribution very closely. Take advantage of their research and insert your ETM in the same distribution method when you start.

Test Different Methods

Consider using some of your initial capital toward testing two different methods of ETM distribution for your first few months. Monitor your results then drop the less responsive method of distribution. Since it can be very challenging to find out just where consumers heard about you (i.e. the daily newspaper or the Pennysaver), run your insert in the two different vehicles **two different** weeks apart. That way you can see by call volume which vehicle is most responsive.

Choose Your Market Coverage Options

The following market coverage options are listed in order of preference. Choose a method based on practicality and cost.

ETM TEST

1. Direct mail entire market area.
2. Insert to entire market area **twice** using two different distribution methods (daily newspaper, weekly newspaper, shopper, ADVO) two weeks apart.

This option is a good way to test ETM response rates so you can find out what method works best. If you have the initial capital to use two methods, do so. Using this option means your marketing budget will be higher for a while (four to five months), until you determine which method works best.
3. Insert to entire market area **once a month** using **one** distribution method (daily, weekly, shopper, ADVO) and mail to targeted areas (approximately 5000 to start).
4. Insert to entire market area **once a month**, using two different distribution methods (daily, weekly, shopper, ADVO); one to each half of the market area two weeks apart. (Caution, this option may not possible if your distributors can't split zip codes or divide your target market in a reasonable fashion)
5. Insert to entire market area **once a month** using **one** distribution method (daily, weekly, shopper, ADVO).
6. Direct mail to only **high turnover** areas in target market.

Talk to your Regional Director if your turnover rate is below 3%. Your ROI on inserts may be too low. You will need a different strategy to get the word out.

You can direct mail an ETM through Pacific Marketing Services. 1 to 1 online also provides several oversized postcards that allow you to do direct mail readily and easily.

Repetition brings success. If you have enough money to reach 10,000 households one time or 1,000 households 10 times, reach the 1,000 households. The Help-U-Sell® Marketing program builds recognition and credibility over time

Marketing Budget

Pacific Marketing ETM Printing Costs: FSWO ETM (includes pictures w/ houses)

11 x 12 ETM Volume Grid	
FSWO with photos of homes 4 sale	
Volume	Rate
10,000	\$68.50/m
15,000	\$59.50/m
20,000	\$54.50/m
30,000	\$50.50/m
40,000	\$47.50/m
50,000	\$44.50/m
60,000	\$41.50/m
70,000	\$40.50/m
80,000	\$40/m
90,000	\$39/m
100,000	\$38/m
150,000	\$37/m
200,000	\$35/m
300,000	\$34/m
400,000	\$33/m
500,000	\$32/m

1to1Online ETM Postcard Costs

Quantity	Cost per card printed and mailed
0-2500	57 cents
2500 –4999	52 cents
5000	45 cents

ADVO Shared Mail

ADVO Shared Mail averages about \$35/m.


Don't Make These Common Mistakes!



Some of the most common mistakes we've seen made when determining a marketing budget include:

- Not distributing as many ETMs as there are households in the target market (if there are 14,000 households in your target market, then print and distribute 14,000 ETMs)
- Assuming you can split distribution evenly between vehicles. If your market area is 22,000 households, it's unlikely that you can insert 11,000 in the PennySaver and 11,000 in the daily paper. Usually you'd have to take the whole zip or zone and the odds on that being a 50-50 split are slim.

Use the information you obtained on your "Advertising Costs" Sheet when completing your marketing budget.



Advertising Costs

Key Information

Fill in the information below about the advertising mediums available in your market. If you own one daily or weekly newspaper in your area, please copy this sheet as needed. Included are sections for classified ads and display advertising. Gather samples of each media and send to your Coach.

Daily Newspaper: BIG CITY TRIBUNE **Circulation** 14000 IN TARGET MARKET

- What is the cost to insert a **pre-printed insert** (single sheet 11" x 12") to all subscribers in my market area (define area for rep by zip or town): \$ 35/M # of subscribers? 8,000
To non-subscribers in my market area? \$ 35/M # of non-subscribers? 6,000
- What is cost per line for **classified ads**? \$ 12.20 /line Contract rate? \$ 9.53
- What is the cost for **classified display advertising**:
Black/White: \$ _____ /col inch Color: \$ _____ /col inch

Weekly Newspaper: THE VALLEY COURIER **Circulation** 14,000 FREE (PAPER)

- What is the cost to insert a pre-printed insert (single sheet 11" x 12") to all subscribers in my market area (define area for rep by zip or town): \$ N/A /M # of subscribers? N/A
To non-subscribers in my market area? \$ 35/M # of non-subscribers? 6,000
- What is cost per line for **classified ads**? \$ 5.15 /line Contract rate? \$ 3.55
- What is the cost for **classified display advertising**:
Black/White: \$ _____ /col inch Color: \$ _____ /col inch

Shopper Magazine: PENNYSAVER **Circulation** 18000 IN TARGET MARKET

- What is the cost to insert a pre-printed insert (single sheet 11" x 12") to all subscribers in my market area (define area for rep by zip or town): \$ N/A /M # of subscribers? N/A
To non-subscribers in my market area? \$ 40/M # of non-subscribers? 18,000
- What is cost per line for **classified ads**? \$ 4.50 /line Contract rate? \$ 3.75
- What is the cost for **classified display advertising**:
Black/White: \$ _____ /col inch Color: \$ _____ /col inch

Homes Magazine: HARMON HOMES **Circulation** 115,000

- Circle type: Weekly Bi-weekly Monthly Average Number of Pages 150
- Contract rate terms: Full pg b/w \$ 450 Color \$ 550 1/2 pg b/w \$ 200 Color \$ 350
- Do they zone (send to just my market area)? X Cost to zone: 12 /M
- Is there a local sharemail program in the area (ADVO, etc.) NO
- Where do major grocery stores insert their weekly circulars? THE VALLEY COURIER
- Who distributes the free material in racks by grocery store entrance? Look on rack or ask manager.

8

Core Marketing Action Plan And Budget




Help-U-Sel

Owner:

Core Marketing Action Plan

Your goal is a **10%** Market Share
from your target zip codes for the first year.

1. Mail ETMs to at least 33% of the rooftops in your market area year 1.
(Percentage increases to 50% year 1; 60% year 2; 75% year 3; 90% year 4; and 100% year 5.)
% of households to mail = **33%**
33% of total households =
START DATE: (Cover Page)
Augment with inserts or shared mail as recommended by your Coach.
2. Send BRAG CARDS to HOT CIs in areas of high turnover.
Number of HOT CIs =
(Average number of new listings in MLS [from Page 3] plus the average number of solds in the MLS [from Page 2] plus the average number of FSBOs [from Page 7] in the target market area)
3. Send BRAG CARDS to your AROUNDS in areas of high turnover (send to entire carrier route)
of Arounds =
(This number reflects 5% of the number of new listings and solds in the MLS. Your market share goal is 10%, but probably half of your listings will be in areas of high turnover where you want more listings. You'll send AROUNDS just on the listings in these areas, not everywhere.)
4. Hold off sending anything to Temporary Hot CIs.
5. Send a Free Weekly List to buyers in your buyer pool.
6. Use the Internet Starter Kit from Aviatech or find another "Pay Per Click" service (e.g. <http://adwords.google.com>) to target Internet home shoppers.
7. Place the two lead generating ads (Free Weekly List and Save Thousands ads) in the local paper.
8. Budget for classified ads in the paper to advertise your listings.

		Help-U-Sel		Owner:		
Core Marketing Budget						
ETM Printing						
	Piece	Quantity	X	Unit Cost	=	Cost
	8½ X 11		X		= \$	-
	11 X 17 folded		X		= \$	-
ETM Distribution						
	Piece	Quantity	X	Unit Cost	=	Cost
	Postcard mailer (from 1to1online, etc.)		X		= \$	-
	Other Mailer		X		= \$	-
	Piece	Quantity	X	Unit Cost	=	Cost
	Coop Rack Piece (Print + Distribution)		X		= \$	-
	Direct Mail Postage + Handling		X		= \$	-
	Newspaper Insert		X		= \$	-
	Shared Mail		X		= \$	-
Brag Cards (or Free Weekly List) To Hot Cls						
	Piece	Quantity	X	Unit Cost	=	Cost
			X		= \$	-
Brag Cards (or Free Weekly List) to Arounds To Entire Carrier Route						
	Piece	Quantity	X	Unit Cost	=	Cost
			X		= \$	-
<p>Note: \$126 is the average cost per listing to mail Arounds using 1to1online as the resource. (350 in a carrier route x \$0.36).</p>						

Free Weekly List to Buyers						
Piece	Quantity	X	Unit Cost	=	Cost	
Free Weekly List		X		=	\$	-
Internet Marketing						Cost
Monthly Pay-Per-Click Budget						
Lead Generating Ads						
Piece	Cost (3 lines of text)	X	Frequency Per Month *	=	Cost	
Save 1000's Ad	\$ -	X		=	\$	-
Free Weekly List	\$ -	X		=	\$	-
<i>* For Frequency Per Month, use 4.333 for Weekly, 30.4 for Daily.</i>						
Property Ads						
Piece	Cost (5 lines of text)	X	# of listings	X	Frequency Per Month *	= Cost
Free Weekly List	\$ -	X	0	X		\$ -
<i>* For Frequency Per Month, use 4.333 for Weekly, 30.4 for Daily.</i>						
Additional Marketing Budget						
Piece						Cost
Property Flyers						
Realtor.com (Target Zip Display Ads)						
Print Display Ads (Newspaper, Homes Magazine, etc.)						
Other						
Total Marketing Budget						\$ -

Break-Even Analysis

Market Budget Guidelines		
Your advertised set fee:	_____	\$ _____ - Net Fee
# of Transactions per month to break even	0.0	
Total Marketing Budget	\$ _____ -	Your marketing budget should be 33% to 50% of your total budget.
% of Total Budget		
Core Marketing Budget	\$ _____ -	Your marketing budget should be 10% to 15% of your gross income.
% of Total Budget		

Net Set Fee

The net set fee is the set fee minus royalty. We use the net set fee to determine the break-even point because it provides a bit more accuracy.

Rules of Thumb

There are three rules of thumb by which to judge your marketing and monthly expense budget. These rules are based on typical operating expenses.

How does your budget compare?

Set fee x 3 =
monthly
operating
expenses

Rule 1

Your initial monthly operating expenses should be your set fee x 3.

$$\underline{\$3,950} \quad \times \quad \underline{3} \quad = \quad \underline{\$11,850}$$

$$\text{Set Fee} \quad \times \quad 3 \quad = \quad \text{Monthly Operating Expenses}$$

Marketing budget
= 33% to 50% of
operating
expenses

Rule 2

Your marketing budget should be 33% to 50% of your total monthly operating expenses.

Shoot for the low end of that range when you start because your marketing expenses will rise as you get listings (no more use of those less expensive, generic ETMs).

$$\underline{\hspace{2cm}} \div \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$$

$$\text{Marketing Budget} \div \text{Operating Expenses} = \underline{\hspace{2cm}} \text{ (33\% to 50\%)}$$

Marketing budget
= 10% to 15% of
gross income

Rule 3

Your marketing budget should be 10% to 15% of your gross income

$$\underline{\hspace{2cm}} \div \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$$

$$\text{Marketing Budget} \div \text{Gross Income/Month}^* = \underline{\hspace{2cm}}$$

* Gross Income/Month = (10% of sales in market area/year x \$3,950) ÷ 12 = _____

Keeping It In Perspective

The percentage spent on marketing may appear large, but remember that 15% spent on marketing is better than paying out 70% or more in commissions!

Marketing Planner For Office Opening

Item	Order Placed	To be Run, Distributed, or Put in Place
<input type="checkbox"/> ETM	15 th of month prior to Opening with Pacific Marketing Services or local vendor	The Wednesday to Friday before Opening Weekend
<input type="checkbox"/> Bulletin board tear-off ads	3 weeks before Opening	The week before Opening
<input type="checkbox"/> Market Blitz signs	1 month before opening	Friday night before Opening Weekend
<input type="checkbox"/> Display Ads	1 month before Opening	Opening Weekend
<input type="checkbox"/> Free Weekly List ads	1 week before Opening	
<input type="checkbox"/> Save Thousands ads	1 week before Opening	

Make sure that your one-time opening costs are factored into your initial capital expenditures.

Marketing Budget

One-Time Opening Costs

Item	Unit Cost	x	Frequency / Quantity	=	Cost
Homes Magazine Ad (1/2 or full page ad)			1 /month	=	\$0.00
Newspaper Display Ad (1/4 or 1/2 page ad)			1 /month	=	\$0.00
Market Blitz Signs			100 /sign		\$0.00
Car Wrap			1 /car		\$0.00

SUBTOTAL COST \$0.00

Complete
Module I on the
Excel 2006 MA
and BIZ plan
forms
spreadsheet.

Your Assignment

1. Using what you learned about methods of distribution in class and the cost information you brought with you, choose a distribution method (or methods) for getting you ETM out. Decide what quantities you will send and how often.
2. Using your Advertising Cost information, calculate the cost of doing your ETM as described above. How much will you spend for printing and for distribution?
3. Consider your target marketing:
 - a. How many **Free Weekly Lists** do you expect to mail on an average week? Since your primary costs will be postage, estimate \$.37 each.
 - b. How many **HOT CIs** will you mail to each month? To estimate, add the average number of new listings in MLS plus the average number of solds in MLS plus the average number of FSBOs in your target market. Multiply the total by the per piece cost of mailing.
 - c. **Temporary Hots** can be very expensive. Remember: they are the 40 households (give or take) around a new listing or a recent sale. You can see that if you multiplied your budget for HOT CIs by 40 it would be cost prohibitive. That's why we suggest you hold off on these CIs until you are established and stable. Then start to phase them in, doing a few each week in the highest turnover neighborhoods in your target market.
 - d. How many **Arounds** should you plan on sending? Arounds are the carrier route mailing you do around your own listings. Your market share goal is 10%, but probably 5% of your listings will be in areas of high turnover where you want more listings. You'll send "arounds" just on the listings in these areas, not everywhere.

\$126 is the average cost per listing or sold to mail Arounds using 1to1online as the resource. (350 in a carrier route x .36 = \$126).
 - e. **Warm CIs**: You'll be mailing something to these people once a month, so multiply the number of names on your list by \$.37.
4. Decide where and how frequently to place your lead generating ads (Save 1000,s and Free Weekly List line ads). You should run them every day in at least one publication. Calculate the cost per insertion and record it in your plan and budget.
5. What will it cost you to advertise your listings in the newspaper? First, find out what the average days on the market is in your marketplace. Divide by 7 to convert it to the average number of weeks. Then multiply that by cost of running a five-line classified ad.
6. Finally, will you use display ads? It's not something we usually recommend, but there are circumstances where this kind of ad may prove beneficial.