

Doing too much marketing?

There's a real estate guy who specializes in selling homes in my neighborhood. He is very eager to work with me. I know this because I receive marketing stuff from him constantly. I get a jar of (branded) apple butter on my doorstep every fall. I get a property report, hung on my doorknob on a quarterly basis. I get a magnetic calendar every December. All told, I get at least six direct marketing pieces from this guy every year. As does everyone in my community.

As a communications consultant, I understand what his rationale and motivations may be:

- Gain/retain name recognition
- Stand out from the crowd
- Appear neighborly
- Show he is local and understands the community.

On a personal basis, I feel this guy is making way too much of an effort to get my business. And I feel his marketing efforts are intrusive.

But is this real estate guy doing too much marketing? The answer comes down to doing some calculations (yes, there's math involved).

The true test of whether you are doing too much marketing has to do with the value of a customer and how much you are willing to spend to acquire said customer.

The value of a customer

Your first calculation will be to determine the value of a customer. To do this, you will have to calculate how much money a customer's business generates for you, in terms of current transaction, future transactions, and also including the potential value of any referred business.

Your marketing costs

The second calculation you will have to do is to figure out how much you are spending on marketing. To do this tally up all marketing related costs such as printing, advertising spending, distribution, consulting/design fees, website, memberships, and so forth. You may also want to include your time.

Cost per acquisition

Your final calculation is to figure out your acquisition cost per customer. So say you spent \$10,000 on marketing in a year. You obtained five customers from that marketing effort. That means you spent \$2,000 per customer acquired.

Which means

If the spending to acquire each customer exceeds the value of the customer to your business, your acquisition cost may be too high.

I don't know how much the real estate guy spends on his marketing, nor do I know what value his customers generate, but I sure hope he has done this calculation. If not, he may be doing too much marketing.