

## Research Insider

### Effective Use of Your Marketing Budget

by Laura Indergard, MBA

How did you spend your marketing dollars this year? Do you really know how effective they were? In *A Three-Stage Model of Integrated Marketing Communications at the Marketing-Sales Interface* (Journal of Marketing Research, 2006) T.M. Smith, S. Gopalakrishna, & R. Chatterjee analyze the impact of marketing media distribution, timing, and the consideration of sales force capacity in the marketing mix planning process. During their research process, each marketing medium was given its own unique toll-free number so that efficacy could be tracked individually. Their research draws conclusions that may help you spend your marketing budget more efficiently. **Please note, the industry studied here was not real estate, though the core findings will still be relevant to your field. The results of this research should not be applied blindly, but with serious thought as to how they might be relevant in your particular market. Specific types of marketing media, measures of time, and percentages should be altered to fit your industry.**

1. “Leads followed up within five days of being identified are converted to sales at 20% higher rates than those that wait longer than ten days for a sales visit.”

**THINK:** Increasing marketing expenditure in order to generate more lead volume may not always be advisable if you do not have the capacity to follow up promptly. Though in the real estate industry you think in terms of hours not days, if you take in mass quantities of leads without regard to your ability to respond, it could work against you.

2. “Delays [between inquiry and sales force follow-up] linger in the system beyond the period in which they are created.”

**THINK:** What is today’s delay going to cost me in weeks to come? When you fail to respond today you generate a delay that will combine with any other lag created when you are slow in the future. Your delay today could hurt your response time to tomorrow’s lead.

3. Leads generated from newspaper advertising, referral programs and telephone directories are converted to appointments at higher rates. Exhibitions, direct mail and radio leads are converted at significantly lower rates. However, the research here also shows that direct mail and radio advertising cause indirect increases in leads from newspaper advertisements and exhibition.

**THINK:** Is your marketing media balanced? The planning of marketing expenditures should be integrative at the front end of the process. When you are planning which media to utilize think about how they work together to bring you the leads you desire. Which marketing media work best for your potential customers? Observe when you alter them how successfully they work independently of one another than they do together.

4. "...In general, accommodating additional customer-driven lag has a positive relationship to the likelihood of sales."

**THINK:** When the customer is responsible for the delay, it does not have the same negative impact on sales as when the salesperson is responsible for the delay. So when your customers are twiddling their thumbs and taking their time calling you back, don't panic. This research has shown those customers are more likely to close a sale.

5. "If marketing activities create enough stress on the sales force to generate even minor levels of capacity-driven lag, the predicted sales conversion rates for repeat customers and referral program appointments are adversely affected. A sales visit conducted within a day of a referral lead is expected to be converted into a sale 60.7% of the time, but if that lead waits 15 days, it is converted only 22.6% of the time."

**THINK:** Time is of the essence. If the amount of leads you generate is so much that you cannot respond quickly, don't expect to close as many sales. Delay decreases sales exponentially. Increased quantity of leads may harm your overall sales.

6. When you release your media can impact lead generation, conversion to appointment, sales and profit. The interactive effects of media, i.e. the effects they create by working together, are best when the media are used simultaneously, rather than in alternating weeks. In this research simulation, leads increased by 9.1%, appointments increased by 7.1%, sales orders increased by 5.2%, and profit increased by 8.0%. Sales call lag increased by 7.2%

**THINK:** Are you spending your marketing budget when it is most effective? Using more than one type of marketing medium at the same time can bring in more leads. Keep in mind that you need to be aware how many leads you can handle efficiently. Consider how much you can increase lead generation before the sales call lag will ultimately decrease your profit.

7. The way you spend your marketing dollars affects lead generation, conversion to appointment, sales, and profit. In this research simulation, increasing the radio budget and spending it to leverage newspaper and exhibition advertising, while simultaneously reducing the direct mail and newspaper budgets (in conjunction with the media timing noted in item 6) had a positive

overall effect. Leads increased by 12.7%, appointments increased by 10.2%, sales orders increased by 7.3%, and profit increased by 11.3%. Sales call lag increased by 10.8%.

**THINK:** Are you spending your marketing budget on the right media? By balancing your marketing mix and using that mix interactively with appropriate timing (item 6) you can create a more efficient use of your marketing dollars. Observe which medium brings in the most leads. How about the best leads? Does the answer change when you use the media together in different ways? Consider which types of media are smartest to invest in for your potential customers. At what point will the increased leads impact you negatively due to increased sales call lag?

8. Decreasing the marketing budget can also have a positive impact on sales and profit. In this research simulation, the marketing budget was reduced by 10%. The reallocation of the budget to increase radio advertisement dollars and decrease direct mail dollars had a positive overall effect. Though this impacted lead generation and conversion to appointment slightly negatively and increased orders only marginally, profits increased by 6.1%. Sales call lag decreased by 1.2%.

**THINK:** This research suggests that you should understand how your communications influence each other “simultaneously (among media in a given week) and sequentially (between media and selling activities).” If you are having difficulty servicing all of your leads in a timely manner, think about reducing the amount you spend on marketing overall. If you have a smaller group of leads on which to focus, that can “permit increased service quality (in the form of the response time) and selling efficiencies (higher closure rates) downstream.”

### About the Author:

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Laura earned an MBA from Baylor University and a BS in Radio-TV-Film production from Texas Christian University. Her background includes work in the advertising industry as a copywriter for IT Network and independent small business marketing and feasibility consulting.