# How To Select The Perfect Target Marketing Using The Market Profitability Analysis

Would you rather go fishing in a pond with a few dozen fish, or a pond with a few hundred…or thousands? The answer is obvious: the more fish, the greater your odds of having fish for dinner. The same is true with target-farming.

Oh…and did you notice throughout this manual I've been saying "target farm" and not "mass farm?" There's a big difference. See, most agents destroy their chances of success when farming – before they even begin – because they select the WRONG MARKET. Let me explain.

I frequently ask agents how they selected their farm area, and they'll tell me something like*, "oh, it just seemed to be a good area*," or "*I live there*," or "*it's conveniently located between work and home*."

WRONG ANSWER! Most agents don't have any strategy behind their decision, so most of the time they select the wrong area(s) – doomed up front.

The first "secret" to farming successfully is to ***select the right market***. You never want to "mass farm" because you simply don't have the resources of time and money to get any market penetration that way. You want carefully "target-farm" areas of about 300 to 750 homes (each market), and plan on dominating the area with continuous, value-oriented contact.

So BEFORE you spend a nickel on target-farming, we need to create a target…a **HIGH POTENTIAL TARGET**.

That's why I created a simple analysis to help you evaluate and compare the profit potential of as many markets or farming areas as you choose. **Now, instead of selecting areas without knowing their potential, you can perform this simple analysis and KNOW which markets are the MOST PROFITABLE for you to farm. Now you're fishing in a "stocked pond!"**

And all you need is access to your local MLS system. This analysis is a function of 3 items:

1. The **Gross Profit Potential** Of The Market You Selected;
2. The **Earnings Potential** Of The Market, (Vs. Other Markets)
3. How Much **YOU Can Expect** To Make By Selecting That Market

What should you look for in selecting a good market? Check out (and use) the ***Market Profitability Analysis*** on the next page…

# Market Profitability Analysis

| Market Selected | EXAMPLE | | | | | |
|---|---|---|---|---|---|---|
| **The Relative Strength Of Market:** | | | | | | |
| 1. Enter: Size of Market Area (# Homes) | 837 | | | | | |
| 2. Enter: The Number of Homes Currently For Sale | 22 | | | | | |
| 3. Enter The Average SOLD Price Of Area | $ 145,000 | | | | | |
| 4. Enter Average Time To Sell (days) | 107 | | | | | |
| 5. Calculate Annual Homes Sold Multiple: (360 / #4) | 3.36 | | | | | |
| 6. Calculate Est. # Homes Sold In Year (# 2 X #5) | 74 | | | | | |
| 7. Calculate % of Total Market Sold in Year (#6 / #1) | 8.84% | | | | | |
| 8. Activity is Increasing/Decreasing From Previous Year | Increase | | | | | |
| **Earnings Potential Of Market:** | | | | | | |
| 9. Calculate: Annual Revenue Potential Of Market (#3 X #6) | $ 10,732,710 | | | | | |
| 10. Enter: Ave. Agent Commission For Area (w/co-broker) | 4.0% | | | | | |
| 11. Calculate: Gross Commission Potential Of Mkt (#9 X #10) | $ 429,308 | | | | | |
| **YOUR Potential Earnings From Market:** | | | | | | |
| 12. Enter: # of Agents In Market -- Past Year | 18 | | | | | |
| 13. Ave. # Transactions per Agent per Year (#6 / #12) | 4.11 | | | | | |
| 14. Ave. Earnings Per Agent per Year (# 11 / #12) | $ 23,850 | | | | | |
| 15. # of Dominant Agent(s) In Area (more than 15% of mkt)? | 3 | | | | | |
| 16. Enter: YOUR Estimated Annual Home Volume | 6 | | | | | |
| 17. Calculate: Your projected earnings potential | N/A | | | | | |
| from market (#16 X (#3 X #10)): | $ 34,800 | | | | | |

The *Market Profitability Analysis* is for your use in comparing various target farms in your area, using your MLS system. And if you're willing to go through this analysis comparing various markets in your area, you'll notice a few of them will STAND OUT and identify themselves as higher potential markets. Those are the markets you want to pursue.

Here are a few things to think about (they also follow your *Market Profitability Analysis* I've included on the last page):

- √ Market size should be no less than 300 homes, yet not more than 750 or so;
- √ The greater the current number of homes for sale, the better;
- √ The higher the average sold price of area, the better;
- √ The lower (shorter) the average market time to sell, the better;
- √ The higher the Homes Sold Multiple, the better (goes hand-in-hand with average market time);
- √ The higher the % of total market sold in a year, the better – to a point. Some markets may be bad because the homes are poor – can open you up to other problems when selling them;
- √ Check the trends…you preferably want increasing activity from the prior year or two;
- √ The higher the average commission (mostly with co-broker) for the area, the better;
- √ The higher the gross commission potential for market, the better
- √ The fewer # of agents in the market, the better – given enough activity;
- √ The higher average # of transactions per agent, the better;
- √ The fewer number of dominant agents in area (market share less than 15% of area), the better. This number is calculated by taking the total number of homes sold by each listing agent, and dividing it by the total homes sold in your target market).

Bottom Line: A good market has enough home sales to make it worth your while, higher than usual prices, fairly high turn-over of homes (at least enough to make you a decent living with a reasonable market share), shorter time to sell, and market share spread between several agents.