



WHAT SHOULD HOME CARE AGENCIES SPEND ON MARKETING?



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A home care agency owner/marketer wrote to me the other day asking the following: *“I want to double my business this year to \$1 million in revenue. Last year I only spent about \$1,500 on marketing for our website (which isn’t producing any results to date). The rest has been e-mail and social media and, of course, referrals. I’m upping the budget a bit and wanted to know where you thought I should best invest this money?”*

This is a REALLY common question that comes in from the home care agencies we serve; I can tell you from 16 years of experience working with home care companies, hardly anything is being spent on marketing, with all growth coming from referrals.

Because of this, many have gross misconception on the subject and a **VERY inaccurate expectation** around what a home care agency should spend on marketing. So, let's get some accurate thinking around this, shall we?

First off, expecting a \$500,000 increase in revenue for a paltry \$3,000 investment (and that's assuming you double your budget) is wholly unrealistic and unreasonable—UNLESS you have the ability to generate leads from a platform or can secure a number of paid speaking engagements to put yourself in front of a huge list of qualified prospects.

Acquiring clients COSTS MONEY. When I ask most home care owners, "You DO realize that client acquisition costs money?" they'll and say, "Of course!" Then I'll ask them to show me how they calculated their pricing to ensure a healthy profit margin. In practically every case, **there is NO LINE ITEM COST for marketing or client acquisition**, which proves they don't truly understand that a business must invest in marketing to get clients; if they did, that cost would have been built into the cost of delivering their services.

Sure, you could grow a home care business entirely by word-of-mouth referrals, but it is rare for a company to survive on referrals alone or achieve the speed of growth needed to thrive.

The average cost for a qualified home care sales lead is around \$275, and cost per sale is approximately \$1,500. Again, that's an AVERAGE. I don't know if that seems like a lot or a little to you. But any home care agency pricing their services properly SHOULD be able to spend this to acquire a client and would be happy to.

But what about free online social media marketing? In my experience, the free or nearly free, online-only, social media approach to marketing a home care agency is mostly ineffective. For some businesses, like a restaurant, it might work. But when selling to adult children making decisions for their aging parents, you're not going to get sales by tweeting and posting pictures on Facebook. You might get SOME - even a stopped clock is right twice a day. **But if you want sales today, you likely need to do more than just free social media.**

So how much should you budget for marketing? The best way to determine your marketing budget is to first calculate what a client is worth to you—in revenue and profits—and from there, determine what you can and/or are willing to INVEST to acquire that client.

For example, if an average client brings you \$6,000 a year in revenue with a 25% profit margin, it's reasonable to INVEST \$500 to \$1,000 to get that account. And the more you WILL invest in marketing and sales efforts, the faster you can grow. This is no different than any other INVESTMENT decision.

There should be two marketing “budgets” you manage.

- ✓ One is for branding collateral you need - website, brochures, etc. That can be 3% - 5% of revenue.
- ✓ The NEXT budget should be based purely on performance marketing - like direct in-person sales, email marketing, newsletters, SEO, content. If you have a marketing strategy delivering \$100 in sales for every \$10 spent, WHY cap it? You'd invest as much as possible because it was delivering ROI.

The only marketing you're "spending too much on" is marketing not generating a positive return. But if it's not generating a positive return, look INWARD. WHY is it not generating a positive return? What can you do better?