Participant Workbook

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Marketing

CAM
CERTIFIED APARTMENT MANAGER®

NAA
NATIONAL APARTMENT ASSOCIATION
Education Institute

CAM CERTIFIED APARTMENT MANAGER®
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August 2016

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For over 40 years, the National Apartment Association and NAA Education Institute have offered the Certified Apartment Manager (CAM) credential to enhance the knowledge and skills of apartment management professionals. NAAEI recently rewrote the CAM program after conducting a job task analysis and validating the knowledge and skills required for community management competency. Alexandra Jackiw, CAPS, CPM, past NAA Chairman and past NAAEI President, served as the lead CAM subject matter expert. She also pilot tested CAM at the Triangle Apartment Association in Raleigh, NC and the Apartment Association of Greater Orlando. Alex worked tirelessly to take CAM to the next level. Of particular note is the case study she developed that is woven throughout the CAM program. The NAAEI Board of Directors and NAAEI staff recognize and thank Alex for the hundreds of volunteer hours she spent developing the 2016 edition of CAM.

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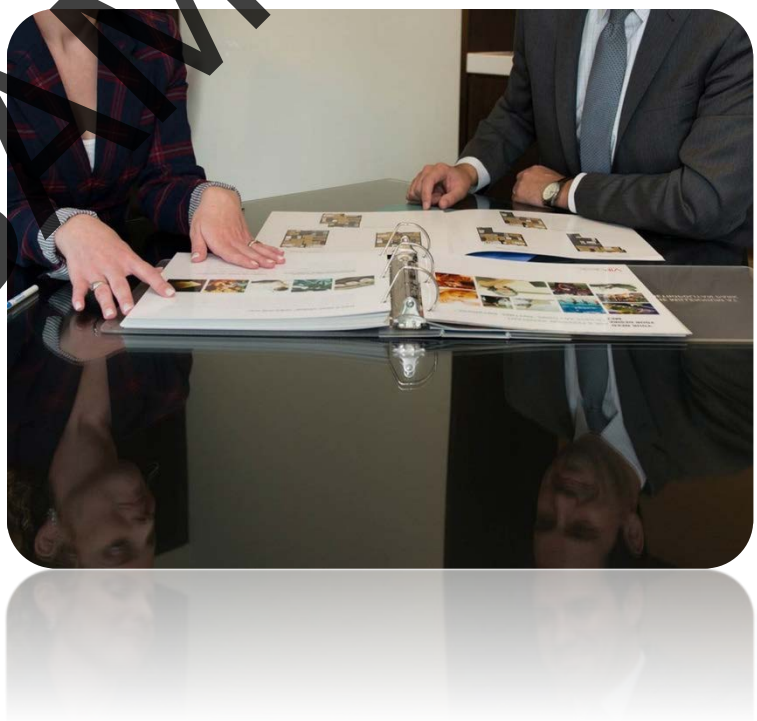

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Table of Contents

Introduction 5
Introduction to Marketing 6
5 Ps Evaluation Checklists 11
Characteristics of Successful Marketing 12
Marketing Plan 13
Components of a Marketing Plan 16
Marketing Plan – MARKET ANALYSIS 18
Types of Analyses 22
Elements in a Market Analysis 23
Marketing Plan – COMPETITOR ANALYSIS 24
Marketing Plan - PRICING 26
Marketing Plan - RESIDENT PROFILE 31
Marketing Plan – TARGET MARKET 33
Factors Impacting Markets 38
Marketing Plan - OBJECTIVES 40
Marketing Plan - STRATEGY 42
Marketing Plan – PROMOTIONAL MARKETING 44
Types of Promotion 52
Testing an Advertising Strategy 53
Types of Advertising Media 53
Marketing Plan - RECOMMENDATIONS 54
Marketing Plan - BUDGET 56
Marketing Plan – MEASUREMENT & EVALUATION 57
Writing a Marketing Plan 61
Activity: SWOT Analysis 63
The Impact of Marketing - Adding Value with Rental Adjustments 66
Factors to Consider Before Adjusting the Rent 73
Managing Occupancy 74
Reports Used to Manage Occupancy 77

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Methods Used to Manage Occupancy 78
Wrap Up 79
Knowledge Check 80
Knowledge Check Answers 81
Marketing Terms Glossary 95
Types of Advertising Media 89

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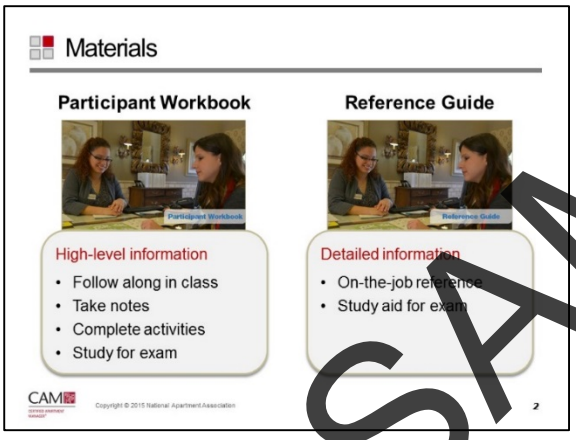
Introduction

Slide 1

Slide 2



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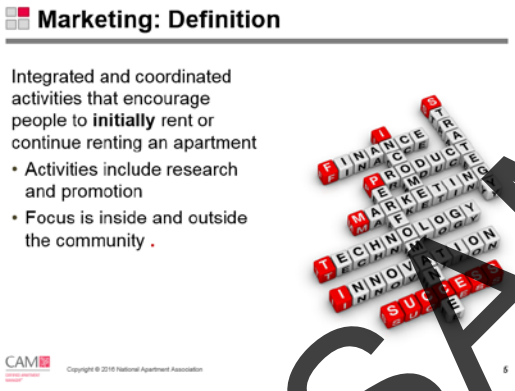
Introduction to Marketing

Slide 4

Slide 5



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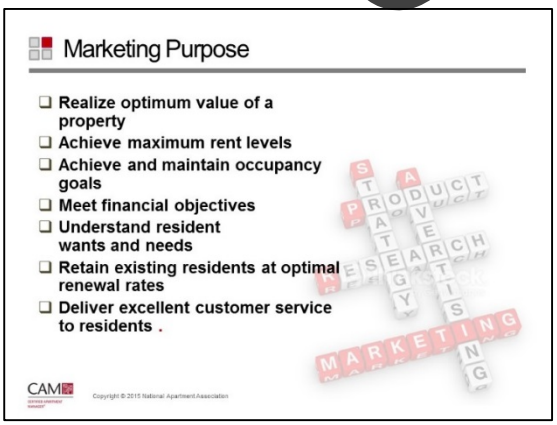

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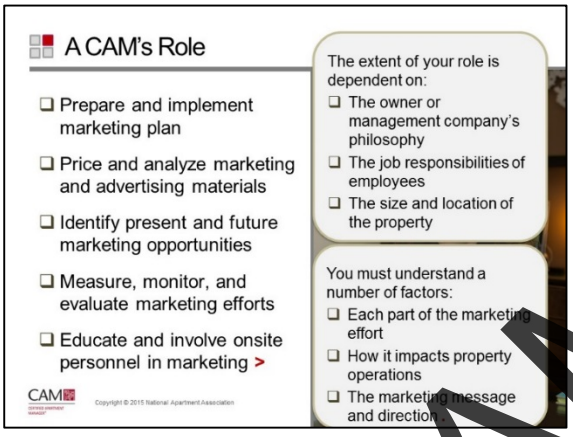

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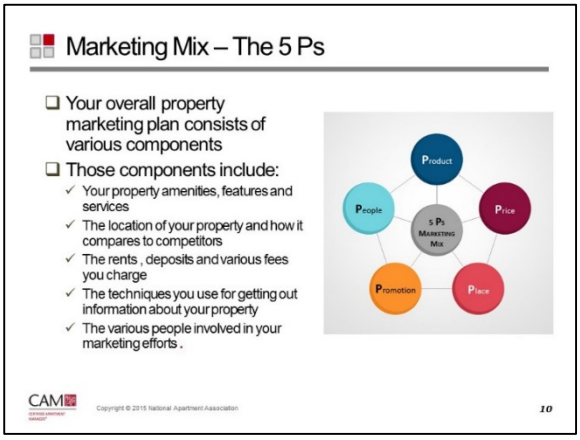

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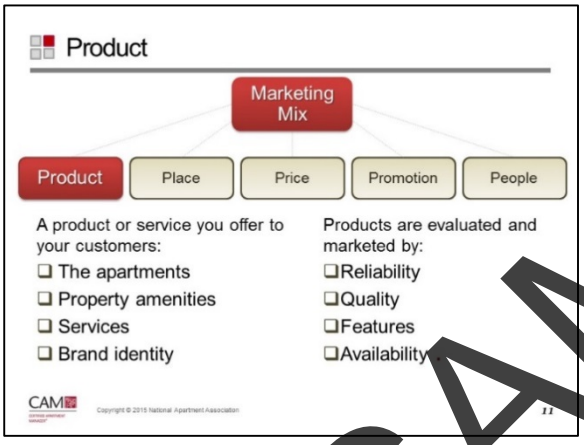

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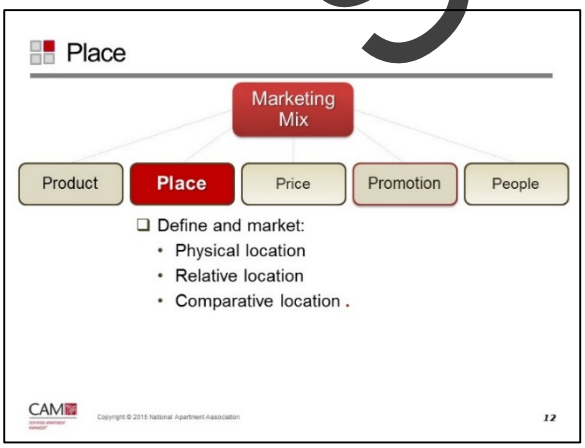

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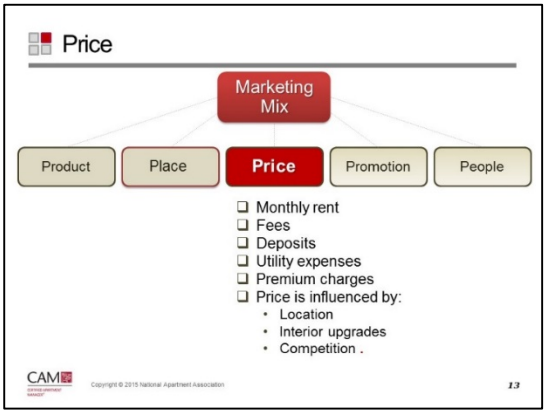

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Slide 15

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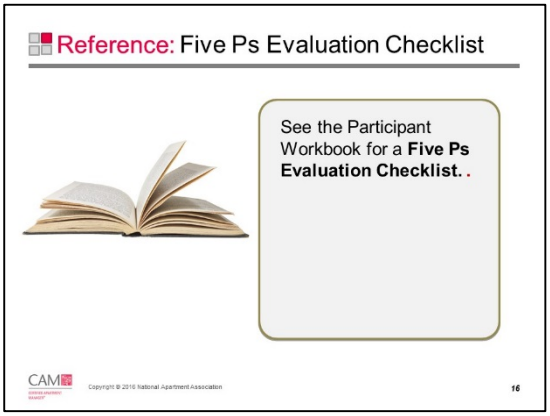
Slide 16



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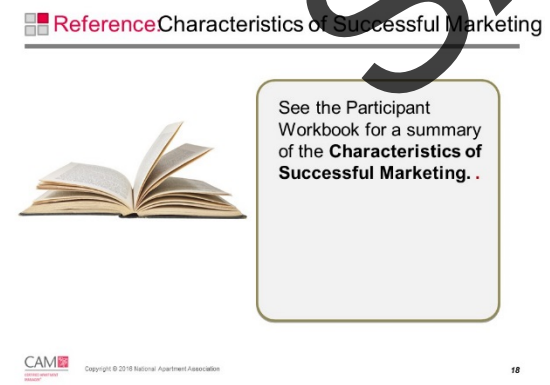

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Five Ps Evaluation Checklist

P	Description	Evaluation Checklist
Product	• A product or service you offer customers • In the apartment industry this refers to: o Apartments o The apartment community o Services o Brand identity and logo	☐ Rental Information Center ☐ Clubhouse ☐ Amenities ☐ Models ☐ Ready Apartments ☐ Services Offered
Price	• Price includes: o Monthly base rent o Fees o Deposits o Utility expenses o Premium charges for additional features and services • Base rent may be influenced by other criteria such as location, interior upgrades, or other amenities.	☐ Rent comparison and evaluation ☐ Amenity fee comparison and evaluation ☐ Comparison of discounts, specials and fees ☐ Value-added components ☐ Floors ☐ Views ☐ Concessions and marketing incentives ☐ Rental mix ☐ Pricing software and real-time pricing
Promotion	• Marketing used to convince potential residents to select an apartment community over a competitor. It includes: o Advertising o Public relations o Sales promotion o Relationship selling	☐ Advertising/Marketing Themes ☐ Advertising Resources ☐ Other Advertising Resources ☐ Corporate marketing ☐ Resident Promotions ☐ Lease renewals
Place	• Distribution channel or method to make a product available to customers • In the apartment industry, this refers to the location of the apartment and community • Includes defining and marketing Physical Location, Relative Location, and Comparative Location	☐ Study of Location ☐ Site Neighborhood ☐ City/Region

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P	Description	Evaluation Checklist
People	• Everyone involved in marketing efforts o Onsite personnel o Management team o Contract workers o Marketing partners o Vendors o Prospects	☐ Determine Appropriate Staffing Levels ☐ Staff leasing training ☐ Leasing personal knowledge of submarket ☐ Awareness of competitive advantage ☐ Staff shops ☐ Proper incentives

See reference guide for more detailed list

Characteristics of Successful Marketing

Success Factor	Description
Visionary	It is focused on current activities, while considering future trends and technologies. This information is used to remain competitive and stay ahead of competitors.
Goal Oriented	Benchmarks are established, goals are set, and plans are implemented that support the overall mission and objectives. Successes and failures are evaluated against goals.
Customer Focused	Marketing efforts are focused on meeting the needs of current and prospective customers and arouse their interest in the product. Building good customer relations is essential.
Team Oriented	Everyone participates in the planning process and activities that keep a company focused on the customer's wants and needs.
Communicated Effectively	Effective communication is incorporated in every aspect of marketing. The target audience receives a meaningful message and responds.
Consistent	The consistency of the message delivered allows the consumer the ability to more fully understand the product and thereby pre-qualify him or herself to purchase it. Additionally, it can promote corporate image and consistent quality.
Repetitive	It repeats the message to ensure that customers retain pertinent information about your product and the services that you offer. It also works to reinforce the message to your team.
Adaptable to Change	Successful marketing is adaptable to the changing market. With new technologies emerging and shorter product life cycles, competition is heightened. Successful marketing tracks these changes and adapts them to the overall marketing plan.
Monitored and regularly evaluated	The only way to determine the effectiveness of any marketing program is to closely monitor its results. Not only by counting traffic and leases, but also by determining your "return" on your marketing efforts and investment.

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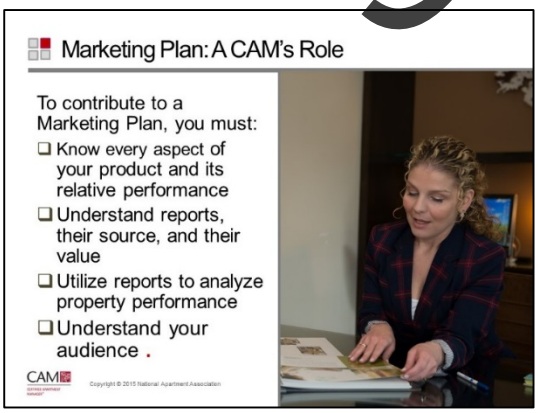
Marketing Plan

Slide 19

Slide 20

Slide 21



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Slide 22

Goals of the Marketing Plan

- Meet prospect and resident desires and expectations
- Differentiate your property from your competitors
- Identify a unique positioning statement
- Deliver high impact messaging that the customer will notice
- Distribute materials and information in such a way that it easily reaches the customer
- Identify appropriate support and resources to execute the marketing strategy .

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22

Slide 23

Need for a Marketing Plan

- A component of the property owner's annual business plan and budget
- Closely linked to an owner's business & investment objectives
- Created when there is:
  - Critical need: e.g. new ownership
  - Repositioning: e.g. significant physical or operational changes
  - Problem solving: e.g. occupancy issues or revenue shortfalls
  - Sustaining plan: e.g. ongoing efforts to keep the property in front of the customer's eyes .

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23

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Marketing Plan Audiences

- On-site property staff
- Management supervisory staff
- Owners and/or investors
- Lenders
- Regulatory agencies
- Future buyers .

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24

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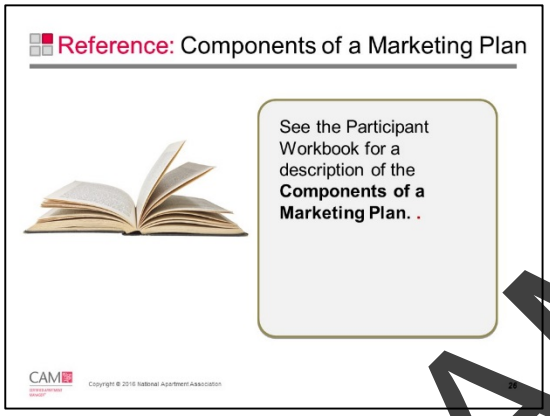

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Components of a Marketing Plan

Component	Description
Community, Amenities, and Services	The apartment property buildings themselves, the rental center, exterior and interior amenities, unit features and design, resident common areas, pay-for services and services included in the rental package, area discount programs, resident-friendly policies and practices, hours of business, communication tools and ready access to staff
Pricing	Monthly rent, amenity fees, recurring additional rents (i.e. garages); amenity-based pricing structure, add-on fees for views, floors and features; pricing structures and software, specials and/or leasing incentives, deposits, required insurance, cost to move-in
Target Market	Those individuals whom a community wants to market some of their marketing and advertising efforts. This includes economic, geographic and amenity characteristics that are non-discriminatory.
Competitors	Other area properties with whom you compete for residents and renewals. A competitor may not be a comparable. A comparable is similar in style and age, but a competitor may be different.
Marketing Objectives	A marketing objective identifies a specific goal and defines its achievement. Objectives are more effective the more specific they are. A leasing goal that says we need to improve leasing in the coming quarter is not as effective as specifying a closing ratio, or percentage of increase in a defined period of time. Objectives are goals. Objectives answer the question "what" and "why".
Marketing Strategies	A marketing strategy defines how the objective will be met. It answers the questions "when," "how, "who". It outlines the specific steps to be taken to achieve the objective. In the example above the objective can be met by assigning responsible parties, identifying how progress will be measured, when it will be measured and what programs or policies will be created to assist in achieving the objective.
Budget	A marketing budget projects costs to adequately supply effective marketing of the community. Typical budget categories include leasing salaries and bonuses, advertising, promotional or giveaway items connected with a campaign, signs, banners and flags, referral fees and gifts, website enhancements, software and application purchases, community outreach costs. All budget accounts are designed to increase and maintain community awareness of the property.
Promotional Mix	The promotional mix defines the five components that must be addressed and in peak operating levels in order to be successful in marketing programs and campaigns. The mix includes people, product, price, promotion and place.

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Component	Description
Measurement and Evaluation	The critical process to define success in any marketing plan. Growth in production objectives (more leases, more traffic, and fewer notices) or expense control (marketing sources, electronic outreach, minimizing concessions and incentives) must be measured at the onset and throughout the identified period. In a 6-month plan to grow occupancy, increase rents and retain residents, measurements would likely be taken and evaluated at each month and even each week depending upon achievement of weekly and monthly targets. Evaluation must be made and communicated to the affected personnel striving for the goals.

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Marketing Plan – MARKET ANALYSIS

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Slide 28

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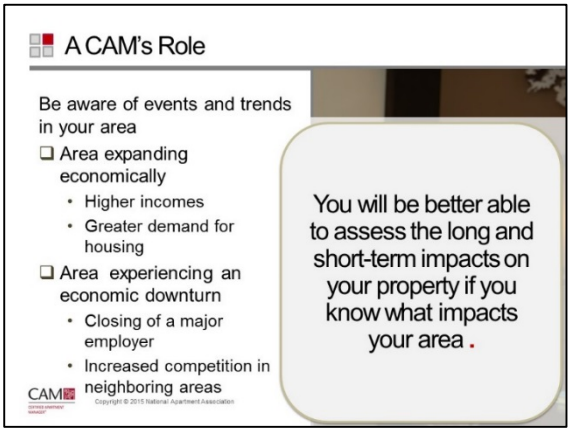

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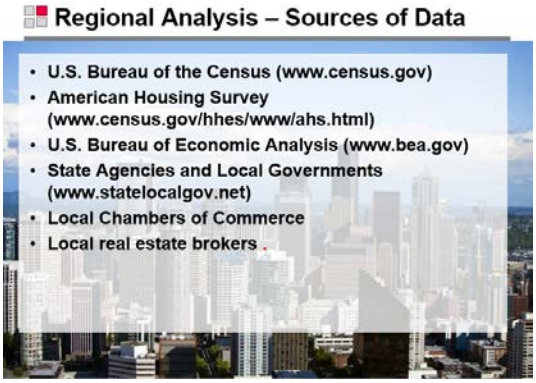

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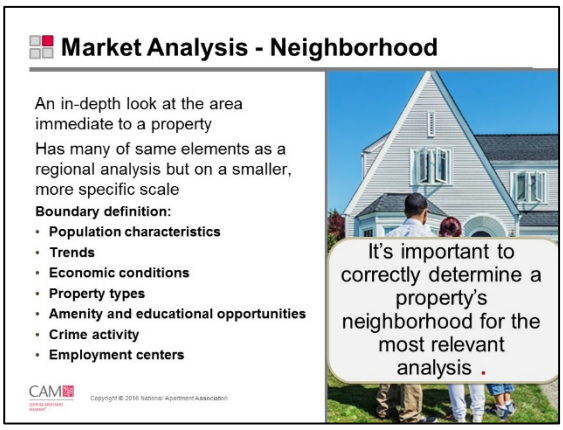

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Slide 36

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Types of Analyses

Type of Analysis	Description	Details
Regional Analysis	Economic and demographic characteristics outlined for the property's region; typically the metropolitan area	Includes: • Population and economic characteristics • Trends • Recreation & entertainment • Government structure • Educational institutions
Neighborhood Analysis	An in-depth look at the area immediate to a property	Includes many of same elements as a regional analysis but on a smaller, more specific scale : • Boundary definition • Population and economic characteristics • Trends • Property types • Amenity and educational opportunities • Crime activity
Property and Location Analysis	Contains information about a property's amenities and location, positive and negative aspects of each, and how they affect rentals	• Identifies opportunities and key issues such: o If features and benefits are fully utilized o How new trends impact the property o How residents view quality & reliability • Allows for proactive marketing efforts
Resident Analysis	Contains information about residents' demographics, their satisfaction with service levels, and their needs and wants	• Helps identify: o People who fit resident profile o Potential residents if repositioning • Provides ideas for Marketing Plan o Potential rent levels o Occupational targets o Amenity changes
Target Market Analysis	Refers to characteristics of the consumer a community wants to focus marketing and advertising efforts towards	• Completing preceding analyses helps you identify target markets • Part of overall affirmative marketing campaign
Competitor Analysis	Information about other apartment communities that compete with yours	Helps you: • Identify your competitive advantage • Identify areas of missed opportunity • Make innovative improvements

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Type of Analysis	Description	Details
		• Identify needs not being met • Learn more about your market

Elements in a Market Analysis

Element	Description
Population Characteristics and Trends	These elements include: • Age • Occupations • Income levels • Education • Household size
Economic Conditions	The region's major employers, business climate (favorable or unfavorable), types of business and employment opportunities.
Recreational/ Entertainment Venues	The types of entertainment and recreational facilities are available in the region such as parks, zoos, museums, sports venues for participants and spectators, theater, movies, etc.
Governmental Structure	State and local government structure, growth policies, regulatory environment, and tax policies
Educational Institutions	Higher education facilities such as colleges and universities that serve the region.
Boundary Definition	Physical boundaries such as highways, parks, major roads or street patterns, or natural boundaries such as bodies of water.
Economic Conditions	These elements include: • Job opportunities, and • Job growth (or loss) trends
Property Types	The balance of residential, commercial, or industrial uses. The physical conditions of other property uses surrounding the property also impact quality.
Amenity and Educational Opportunities	Local school systems, shopping, recreational and entertainment facilities.
Crime Activity	Crime activity in the area is another quality factor affecting property appeal.

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Marketing Plan – COMPETITOR ANALYSIS

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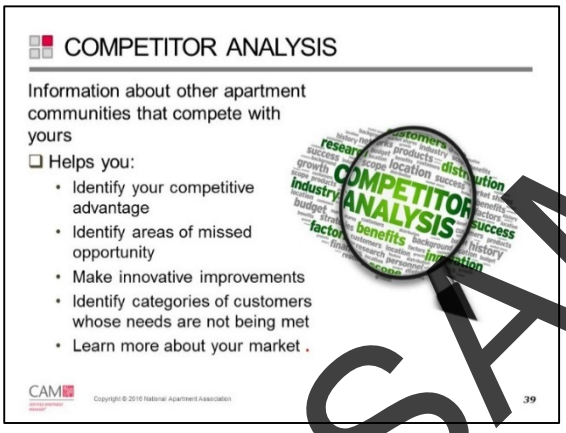
Slide 39



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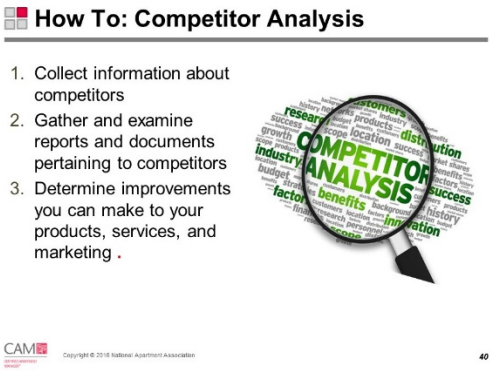

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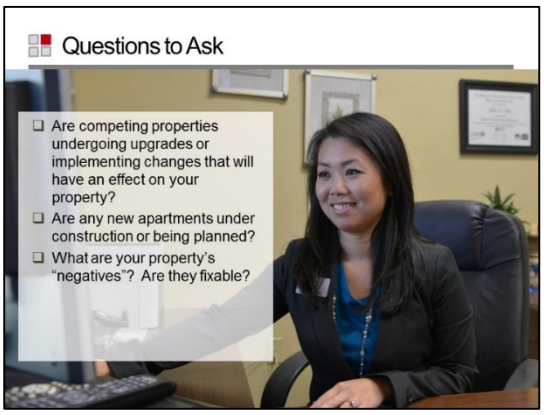

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Marketing Plan - PRICING

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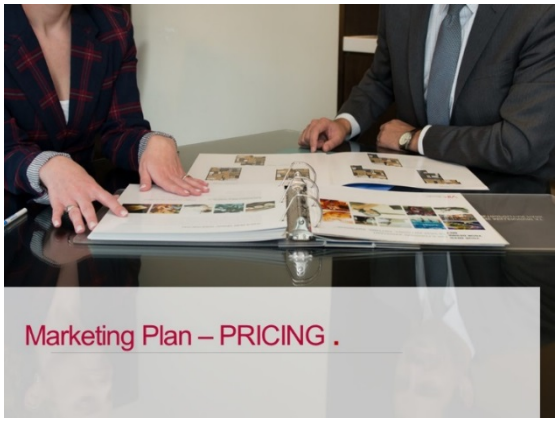

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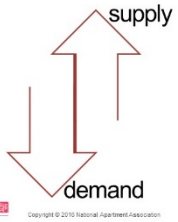
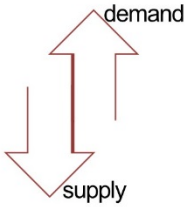
PRICING - Law of Supply and Demand

If demand is low and the supply is high, rents must be competitive to attract residents



If the demand is high and the supply is low, higher prices can be obtained .



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PRICING - Local Economic Conditions

Factors impacting economic conditions for apartments:

- Population growth
- Household formation
- Job creation

When the local economy grows, rental rates may increase

Areas in an economic downturn may require reduced rental rates.

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PRICING - Housing Trends

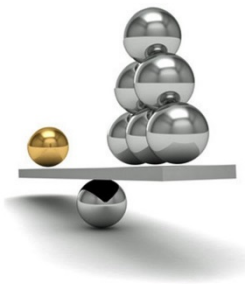
Housing trends that affect apartment rent levels include:

- ❑ New construction of apartment units with better amenities
- ❑ New construction of single-family homes
- ❑ Conversion of rental homes to condominiums .

Slide 47

Pricing- Competitors' Offerings

- Assess the types or styles of apartments, rates, and amenities of your competition
- Estimate the monetary value of various amenities and apartment features
- Determine the value of utilities that may be included in rent
- Compare fees and deposits
- Do a "cash outlay to move-in" analysis .



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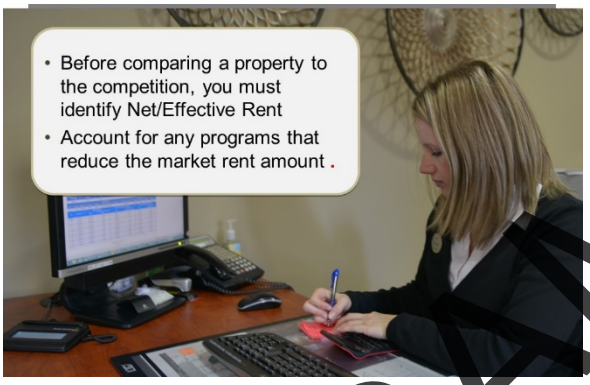
Pricing- Net/Effective Rent Guidelines



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Net/Effective Rent

GPR – VAC = TRR

$$\frac{\text{Total Rental Revenue}}{\text{Units Occupied}} = \text{Average Effective Rent}$$

Market rent x # of months in lease
Less total concessions
Equals total lease rent
Divided by # of months in lease
= Effective Rent .

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49

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Average Creekwood Effective Rent

Example:
- 6 units leased @ $489 = $2,934
- 74 units leased @ $572 = $42,328
- 42 units leased @ $698 = $29,316
- 122 Total Units Leased = $74,578

What is the Average Effective Rent?

$$\frac{\$74,578}{122} = \$611.29 \text{ rounded to } \$611.$$

Slide 51

Creekwood Effective Rent Example

Example:
- Market Rent = $730
- Concession = 1 Month Free $730

What is the Effective Rent?

1. $730 x 12 = $8,760
2. $8,760 – $730 = $8,030
- $8,030 ÷ 12 = $669.16 rounded to $669.

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Pricing- Property Features

Identify features for which you can charge premiums
- Views
- Fireplaces
- Washer/dryer connections
- Floor levels
- Location on site.

52

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Pricing- HUD & Gov. Assistance Programs

- Subject to government-set regulations and rental rates
- HUD establishes "fair market rents" annually
- Government assisted programs serve groups based on income
  - Federally subsidized
  - Low Income Housing Tax Credit .

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Marketing Plan - RESIDENT PROFILE

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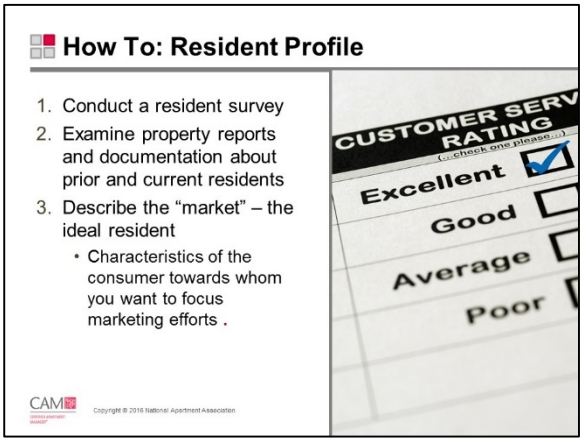
Slide 55

Slide 56



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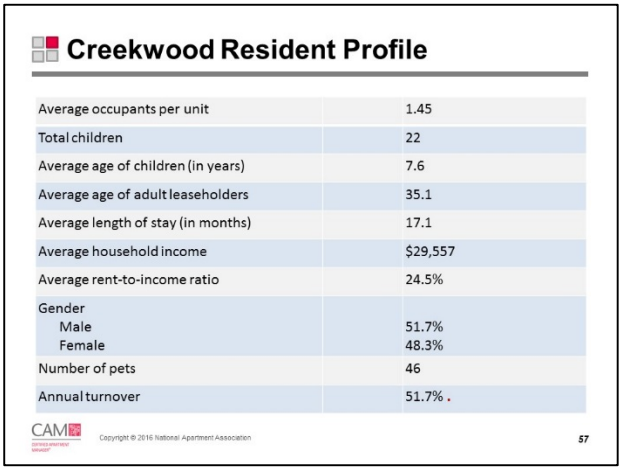

Creekwood Resident Profile

Average occupants per unit	1.45
Total children	22
Average age of children (in years)	7.6
Average age of adult leaseholders	35.1
Average length of stay (in months)	17.1
Average household income	$29,557
Average rent-to-income ratio	24.5%
Gender	
Male	51.7%
Female	48.3%
Number of pets	46
Annual turnover	51.7%

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Marketing Plan – TARGET MARKET

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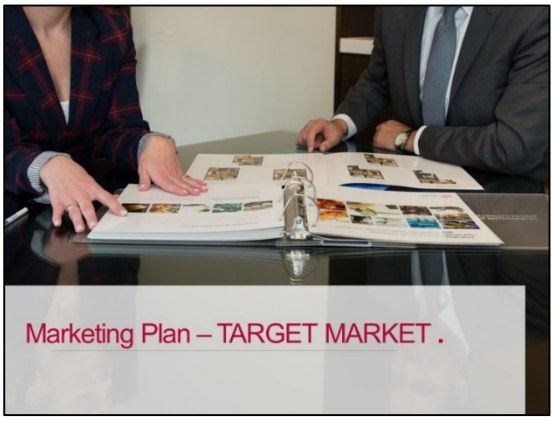

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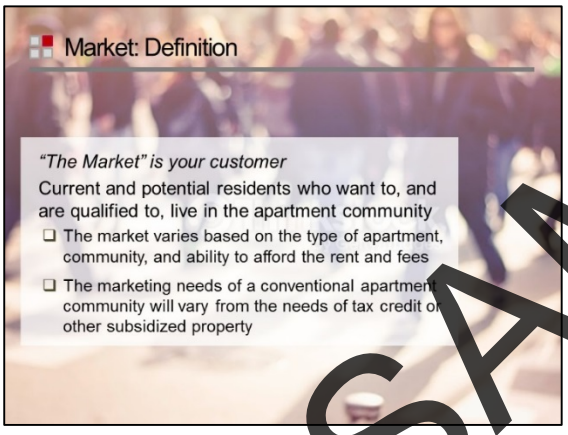

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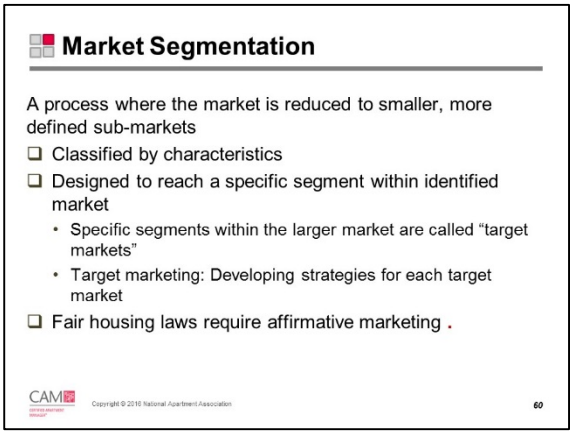

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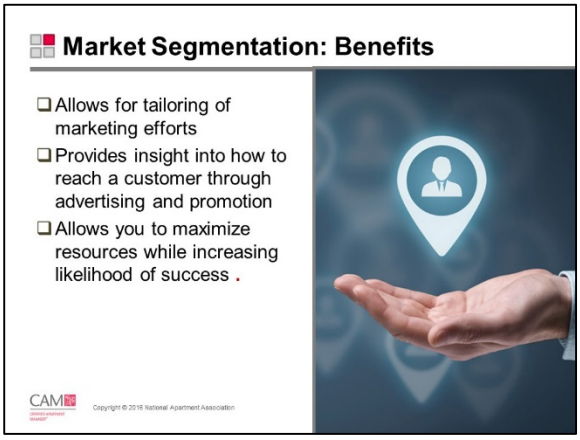

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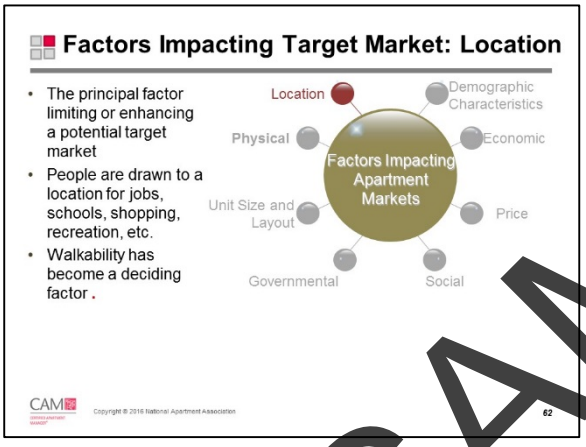

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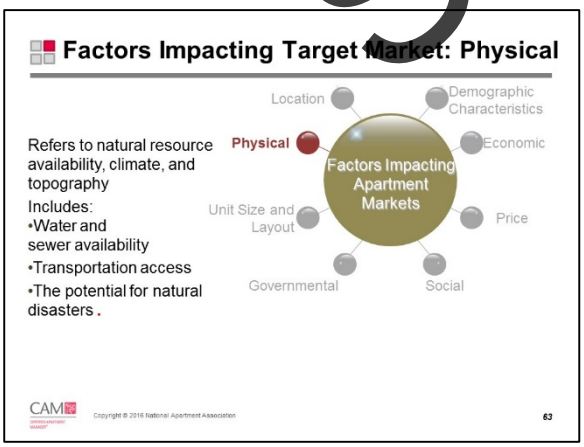

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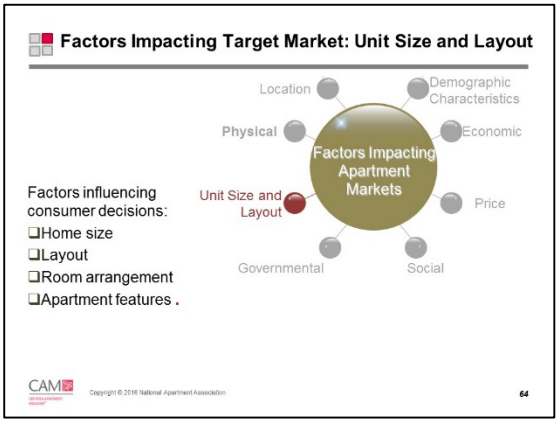

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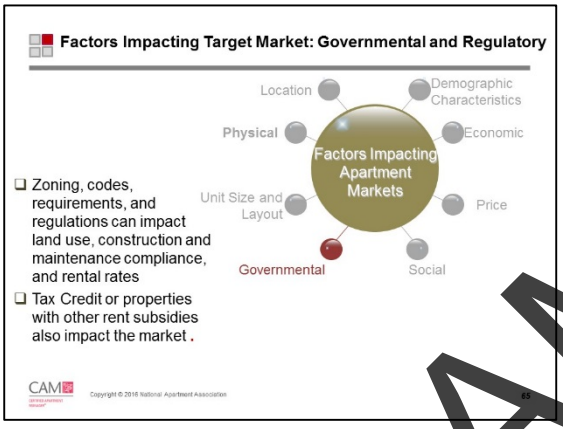

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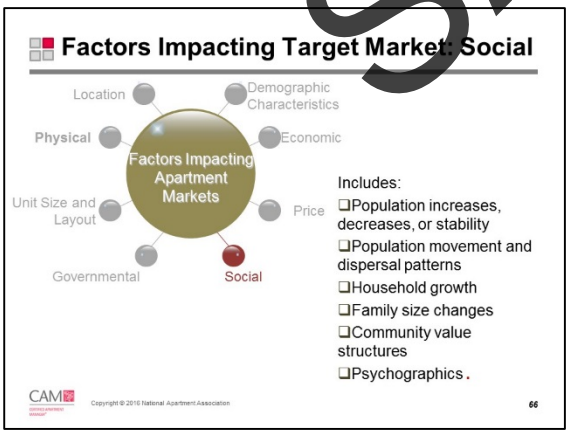

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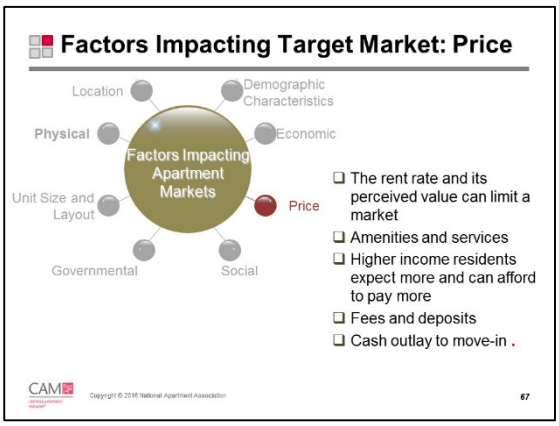

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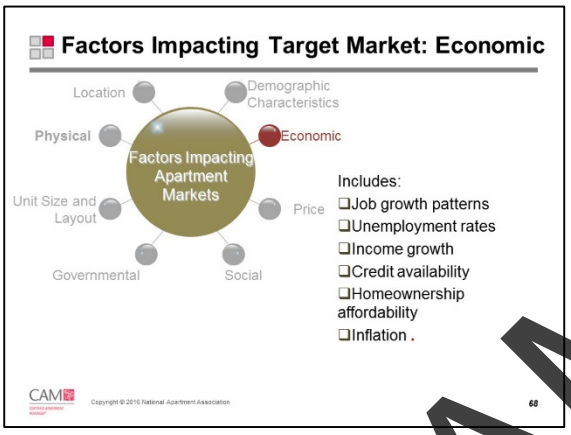

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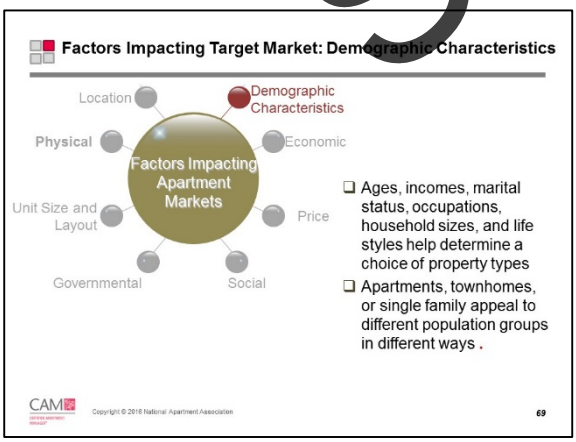

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Factors Impacting Markets

Factor	Description
Location	The principal factor limiting or enhancing a potential market; people are drawn to a location for jobs, schools, shopping, recreation, etc.
Physical	Refers to natural resource availability, climate, and topography. Includes: • Water and sewer availability • Transportation access • The potential of natural disasters
Unit Size & Layout	Apartment home size, layout, and room arrangement can also define a property's market.
Governmental	These impact land use, establish construction and maintenance compliance requirements, and rental rates in some markets: • Zoning classifications(residential, commercial, industrial, agriculture) • Building codes, e.g. fire & safety • Homeland security requirements • Environmental regulations • Rent control legislation • Fair housing requirements • Housing subsidies • Income and property taxes • Landlord-tenant laws
Demographic Characteristics	• Ages, incomes, marital status, occupations, household sizes, and life styles help determine a choice of property types. • Apartments, townhomes, or single family appeal to different population groups in different ways.
Economics	• Job growth patterns • Unemployment rates • Income growth • Credit availability • Homeownership affordability • Inflation
Price	The rent rate and its perceived value can limit a market. Factors include: • Amenities and services • Fees • Higher income residents expect more and can afford to pay more
Social	• Population increases, decreases, or stability • Population movement and dispersal patterns • Household growth • Family size changes • Community value structures

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	Other important elements that impact the perceived quality of the property's location, includes: • Proximity, accessibility, and availability of transportation systems • Educational institutions • Shopping • Employment • Cultural and entertainment centers • Social services, and • Public safety providers

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Marketing Plan - OBJECTIVES

Slide 71

Slide 72

Marketing Objectives – The "What"

Identify a specific goal and define the metrics that will be used to determine if the goal was successfully achieved

Marketing objectives should:

- Define desired results
- Be measurable
- Identify a clear time frame
- Be clear and specific
- Be achievable
- Be consistent with one another .

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Marketing Objectives: Example

Increase traffic by 25% for the quarter.

Desired Results | Measurable And Specific | Time Frame

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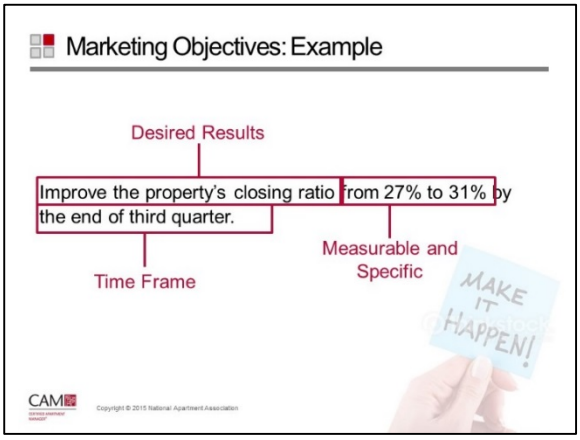

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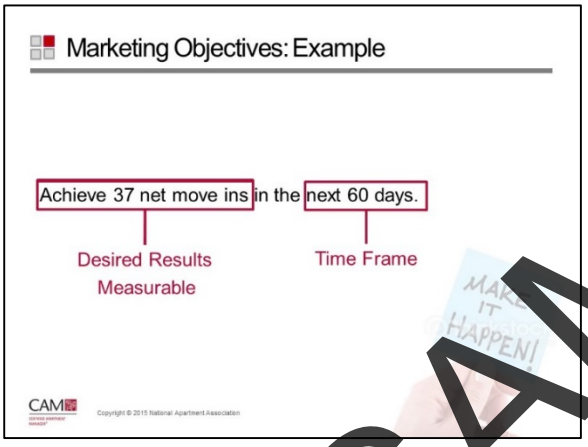

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Marketing Plan - STRATEGY

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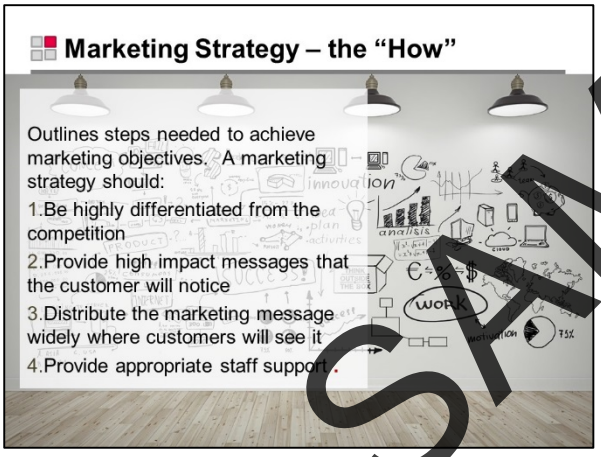
Slide 77



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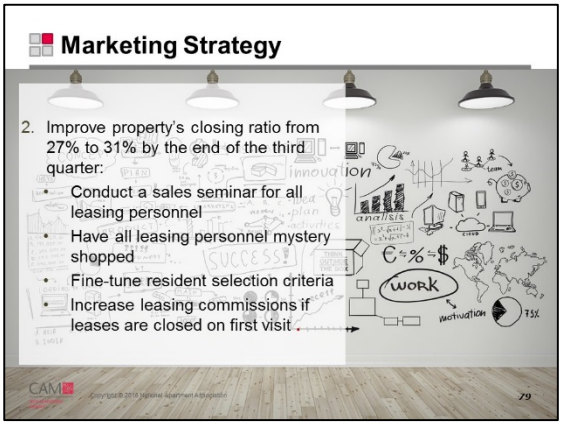

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Marketing Plan – PROMOTIONAL MARKETING

Slide 81

Slide 82

Slide 83

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Promotional Marketing – Objectives: AIDA .

Slide 85

Slide 86

Purpose of Advertising

- ❑ Increase qualified traffic
- ❑ Keep apartments rented
- ❑ Promote product
- ❑ Make buyer aware of your product
- ❑ Move the buyer to action

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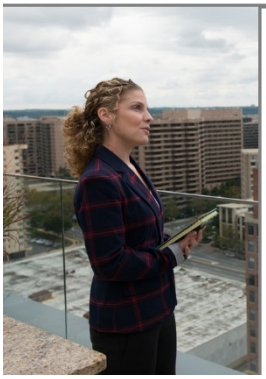
Consider Potential Residents



- Average age
- Income
- Education
- Employment
- Occupation
- Household size
- Attitudes
- Lifestyles .

87

Slide 88

Advertising Strategies

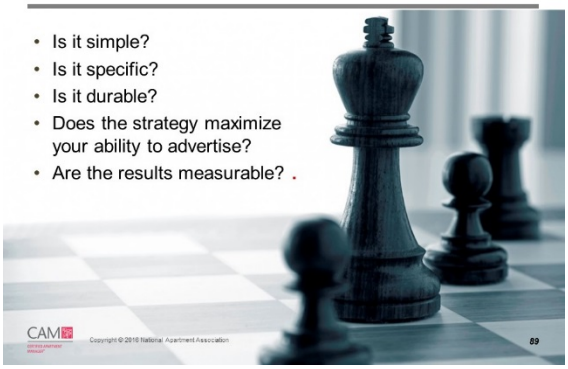
Carefully considered approach that you will take to let the marketplace know about your property

- How you connect advertising media to a message, target group, or goal
- Focused on positive aspects of the community to enhance its value .

Slide 89

Review Your Strategy

- Is it simple?
- Is it specific?
- Is it durable?
- Does the strategy maximize your ability to advertise?
- Are the results measurable? .



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Goals of Advertising

- ❑ Establish and maintain awareness and positive image
- ❑ Create a real or perceived need for product
- ❑ Develop sales leads
- ❑ Persuade customers that your product is best for them
- ❑ Promote events
- ❑ Lead potential residents to rent from you .

Slide 91

Advertising Campaign

Program of coordinated ads and promotional activities intended to accomplish objectives

1. Establish goals
2. Enhance use of media visibility
3. Compile media database
4. Send collateral material
5. Contact recipients .

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Advertising Campaign: Message and Theme

- Identify a theme
- Include a color scheme
- Include message on every aspect of marketing collateral
- Train staff
- Offer incentive .

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Advertising Tools and Media

- Apartment publications
- Rental magazines
- Online marketing
- Newspapers
- Direct mail
- Visual traffic generators
- Directive brochures
- Radio
- Television
- E-Marketing
- Outreach
- Signage and banners
- Transit advertising
- Outdoor billboards .

Slide 94

Media Selection

- ❑ Advertising objective
- ❑ Target audience
- ❑ The message and frequency
- ❑ Budget .

Slide 95

Reference: Types of Promotion, Advertising Strategy, Types of Media

See the Participant Workbook for: **Types of Promotion**, **Testing an Advertising Strategy**, **Types of Advertising Media** .

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Public Relations

- Ongoing relationships between the apartment community and the public
- Efforts made to enhance relationships by generating favorable publicity
- Activities designed to create a positive image of your apartment community

Public relations can result in increasing sales, reinforcing a positive reputation, creating goodwill, and reducing impact of problems .

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Sales Promotions

Sales activities designed to complete a sale or increase the size of the sale of goods or services by providing the incentive to make a positive purchase decision

- Used to:
  - Motivate leasing professionals to improve results
  - Induce potential residents to rent
  - Encourage current residents to renew
- Techniques include:
  - Price-reduced rent packages, coupons
  - Utility offers
  - Contests or incentives .

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97

Slide 98

Internal Marketing

Onsite marketing practices that occur within an apartment community

- Staff and resident involvement and referrals
- Residents events and activities
- Marketing the management company .

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Relationship Selling

- Custom tailoring information to individual people
- Flexible and individualized
- Requires well-trained associates who can develop relationships with prospective residents and align wants and needs with fe benefits

The purpose of Relationship Selling is to close a sale once the prospective resident is attracted to the apartment community .

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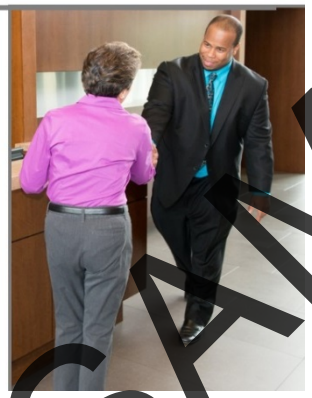
Successful Sales Personnel

- Knowledgeable of all aspects of product
- Knows a customer's wants and needs
- Good communication, observation, listening and questioning skills
- Employs strategies to overcome objections
- Uses proven selling techniques
- Knows how and when to close a sale .



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Sales Activities

Activities that stimulate consumer purchasing and increase effectiveness and supplement other parts of total marketing efforts

- Preparation
- Prospecting
- Relationship building
- Telephone skills
- Getting appointments
- Interviewing
- Responding to needs
- Obtaining commitment .

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Types of Promotion

Promotion Type	Description	Purpose and Goals
Advertising	A non-personal promotion of your product, service or company in mass media that is openly paid for and/or sponsored by you • Promotes your product, service or company through a widely distributed vehicle • Increases qualified traffic flow to keep apartments rented • Makes potential buyers aware of your product or service and moves the potential buyer to action	• Establish and maintain an awareness and positive image of your company, products or services • Create a need for products or services • Develop sales leads by pre-qualifying the customer • Persuade customers that your products or services are the best for them • Promote events • Lead potential residents to rent in your community
Public Relations	The ongoing relationship between the apartment community and the public • Includes efforts to influence relationships with publicity	• Create a positive image of your apartment community • Increase sales, reinforce a positive reputation, create goodwill, and reduce impact of problems
Sales Promotion	Sales activities designed to sell or increase the size of a sale by providing incentive to make a purchase decision • Includes salesmanship • Often occurs face-to-face • Selling by telephone, although less effective, is still an important method	• Convince potential residents that the community and apartment unit are essential to their satisfaction
Internal Marketing	Onsite marketing practices that occur within the apartment community • Include staff & resident involvement • Includes marketing open job positions • Includes marketing the management company	• Have high-quality associates • Provide high-quality customer service. • Market your personnel one to another • Supports your company theme for teamwork and quality personnel • Leave sense of value to a customer
Relationship Selling	Custom tailoring information to people using the services of a sales team • Flexible and individualized • Personnel well-trained in all areas • Requires allocation of personnel	• Close a sale once the prospective resident is attracted to the apartment community • Aligning prospect wants and needs with property features and benefits

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Promotion Type	Description	Purpose and Goals
	• Achieved by careful listening and excellent product knowledge	

Testing an Advertising Strategy

Strategy Aspect	Question to Ask
Simple	• Is it easy to understand and is the message clear and meaningful to your target audience?
Specific	• Is it complete and concise and easy to understand?
Durable	• Can your strategy be used over an extended period of time?
Maximizes ability to advertise	• Can great creative advertising come from your strategy? • Does your strategy provide you the ability to generate powerful advertising?
Measurable	• Are the results measurable?

Types of Advertising Media

Apartment Publications and Rental Magazines
Online apartment listing services
Online social media, i.e. Facebook, Twitter
Online classified ads like Craigslist and Trulia
Reputation Management sites like Apartment Ratings and Renters Voice
Print and digital Newspapers
Direct mail
Visual traffic generators, i.e. curb appeal, signage, flags and banners, human directional
E-brochures and electronic marketing material
Radio and television
Movie theatre trailers
Prospect electronic traffic follow-up, i.e. e-marketing
Vendor relationship marketing – shared or discounted services, product or service flyer exchanges
Transit advertising
Billboard advertising
Print ads in community event brochures, i.e. little league, chamber events.
Support of area business needs in exchange for flyer distribution, i.e. schools, daycare providers.

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Marketing Plan - RECOMMENDATIONS

Slide 103

Slide 104

Examples of Recommendations

- Develop and print "Employer" flyers that show distance from the site to the 8 key employment centers in the submarket – Cost $800
- Sponsor a "health fair" utilizing the local medical community to further cement the relationship between the property and the local hospitals. Conduct blood-pressure screening, administer flu shots and focus on fitness activities that would highlight the fitness facility at the property – Cost $1,500
- Contact the local Chamber of Commerce and schedule a "Business After Hours" event in the clubhouse – Cost $500 .

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Slide 105

Examples of Recommendations

- Preferred Employer Program
  - PEP participants will receive waived application fee and administration fee
    - Preferred Employers – IU Health, Cummins, Eli Lilly, Rolls Royce, Angie's List, Deloitte, Streetklinks, Ironyard, Sales Force and Tender Box.
    - Military professionals will be offered the PEP discount for the month of November in honor of Veteran's Day .

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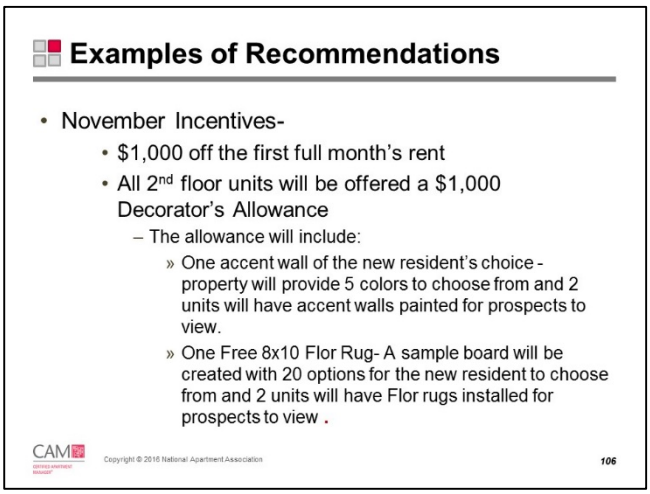

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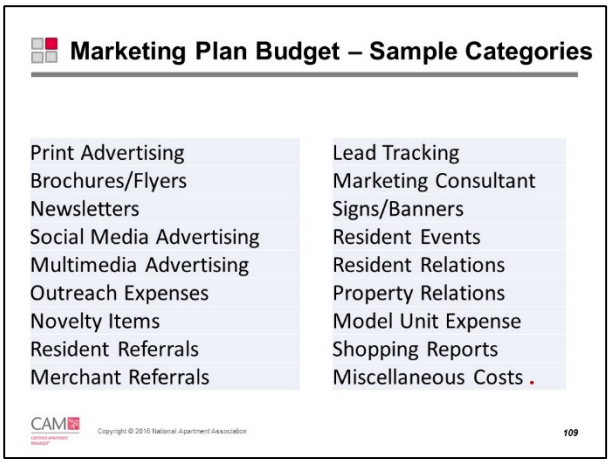
Marketing Plan - BUDGET

Slide 107

Slide 108

Slide 109



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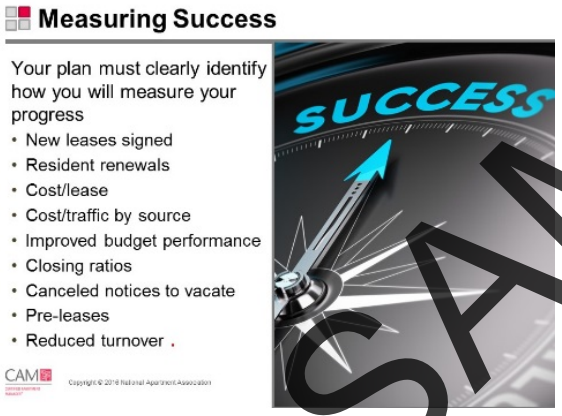
Marketing Plan – MEASUREMENT & EVALUATION

Slide 110

Slide 111



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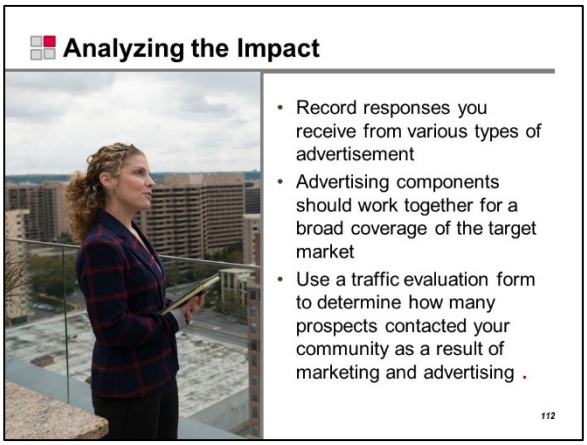

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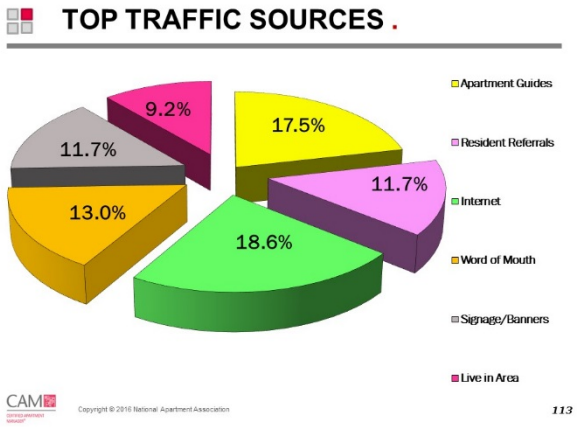

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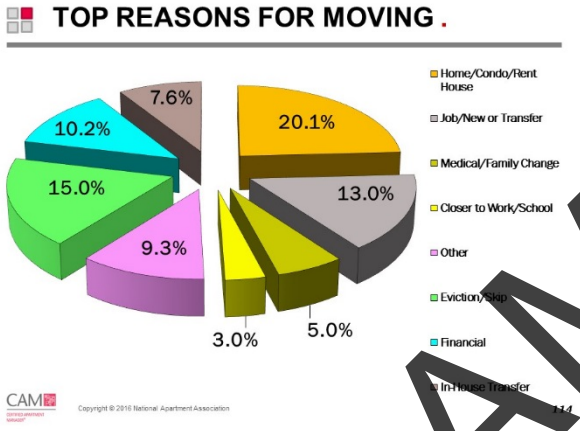

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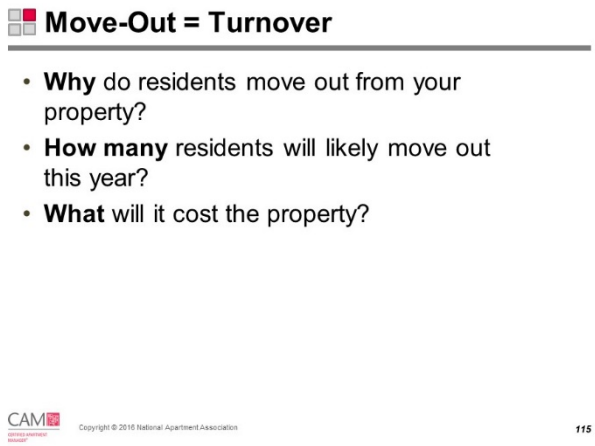

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Turnover Ratio

The total number of move-outs for a given period divided by the total apartment units

- Used to assess occupancy & potential operating expenses
- Generally measured annually; historical data can be useful
- Determine reason(s) for high turnover
- Average turnover varies by region, building type, etc.

$$\frac{\text{Number of Move Outs}}{\textbf{Total Number of Units}} = \text{Turnover Ratio}$$

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116

Slide 117

Turnover Ratio Example

Example:

- Units = 246
- Current month's move outs = 9
- Year's move outs = 138

What is the Current Month's Turnover Ratio?

$$\frac{9}{246} = 3.7\%$$

What is the Annual Turnover Ratio?

$$\frac{138}{246} = 56.1\%$$.

Slide 118

Occupancy Trend: Percent Leased

Future percentage of leased units indicates the occupancy trend

Total Units
- Vacant Units
– Units on Notice
+ Vacant Units Leased
+ Units on Notice Preleased
= Total Units Leased

$$\frac{\text{Leased Units}}{\textbf{Total Number of Units}} = \text{Percent Leased}$$.

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118

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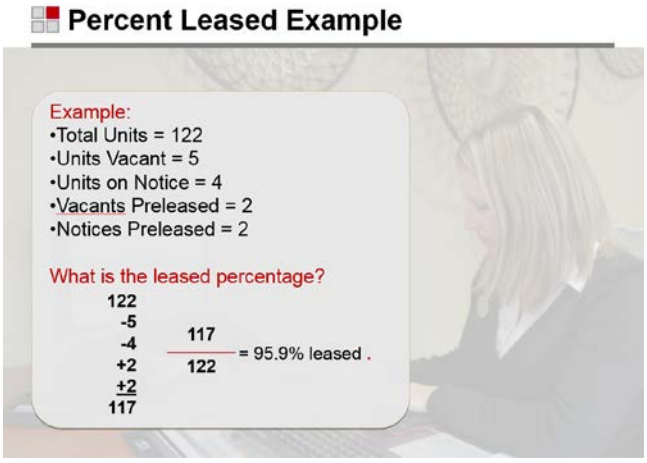
Slide 119



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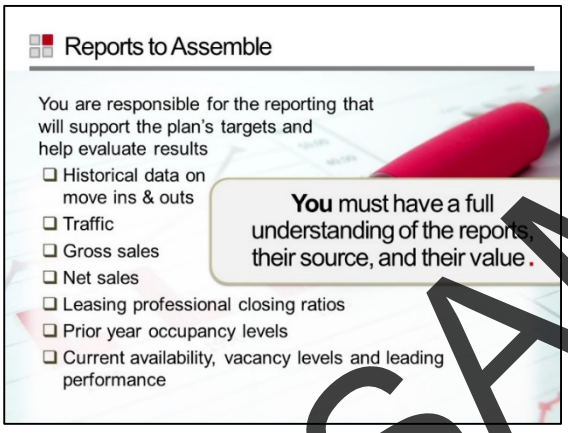
Writing a Marketing Plan

Slide 120

Slide 121



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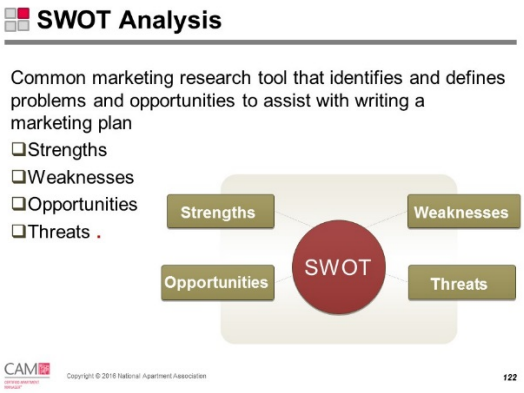

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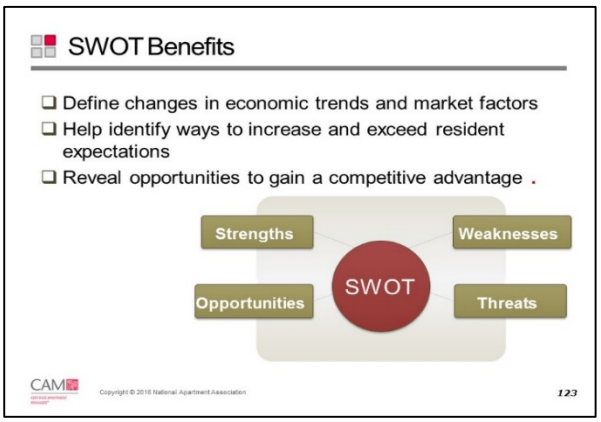

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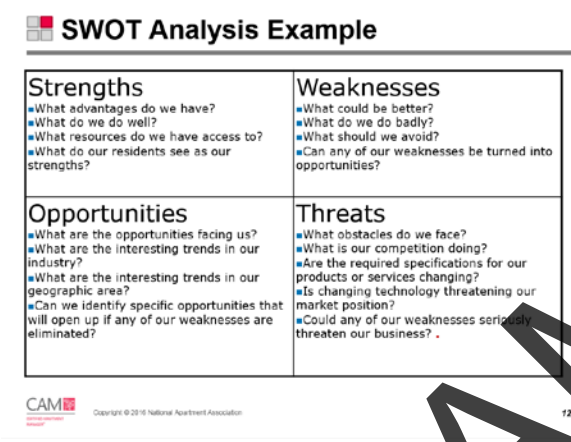

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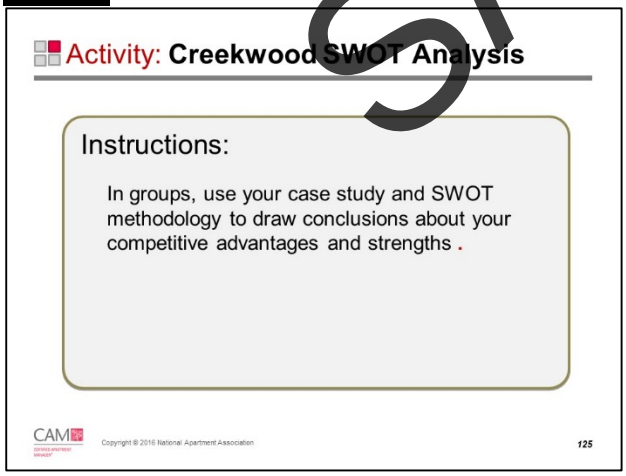

SAMPLE

Activity: SWOT Analysis

Instructions:

1. In groups, use your case study and SWOT methodology to draw conclusions about your competitive advantages and strengths.
2. For each question, consider your perspective, a resident's perspective, & a potential resident's perspective as related to the 5 Ps.

SAMPLE

Strengths

1. What advantages do we have?

Product:

Price:

Promotion:

Place:

People:

2. What do we do well?

Product:

Price:

Promotion:

Place:

People:

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3. What resources do we have access to?

Product:

Price:

Promotion:

Place:

People:

4. What do our residents see as our strengths?

Product:

Price:

Promotion:

Place:

People:

Weaknesses

1. What could be better?

Product:

Price:

Promotion:

Place:

People:

2. What do we do badly?

Product:

Price:

Promotion:

Place:

People:

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3. What should we avoid?

Product:

Price:

Promotion:

Place:

People:

4. Can any of our weaknesses be turned into opportunities?

Product:

Price:

Promotion:

Place:

People:

People:

SAMPLE

Use the answers from your SWOT analysis to define your competitive advantages and strengths. This will be the cornerstone of your marketing plan.

Create a specific description of your ideal target resident. Define what is important to them. By creating this "picture" of your target audience your "message" or promotion can be much more specific and meaningful.

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The Impact of Marketing - Adding Value with Rental Adjustments

Slide 126

Slide 127

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Economic Occupancy Percentage

Gross Potential Rent (GPR)
Amount of rent collected if a property was 100% occupied and all residents were paying market rent

GPR − VAC = TRR

$$\frac{\text{TRR}}{\text{GPR}} = \text{Economic Occupancy}$$

REVENUE	
Gross Potential Rent	$958,920
Vacancy	($163,297)
TOTAL RENTAL REVENUE	$795,623
OTHER INCOME	$78,146
EFFECTIVE GROSS INCOME	$873,769

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128

Slide 129

Creekwood Economic Occupancy Example

Example:
- GPR = $958,920
- VAC = – $163,297
- TRR = $795,623

What is the Economic Occupancy?

$$\frac{\$795,623}{\$958,920} = 83.0\%.$$

SAMPLE

Slide 130

Balancing Rental Rates & Vacancies

- The goal is to maximize income not occupancy
- Pricing too high may cause higher vacancy
- Pricing too low means you are losing money while the unit is occupied

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Factors to Consider

- Price is not the only factor that dictates occupancy
  - Lowering rent will not always gain occupancy
  - Raising the rent will not necessarily lose occupancy
- You must analyze many factors before adjusting rent.
  - Current conditions in the market
  - Current conditions in the community
  - 5 Ps .

131

Slide 132

Reference: Factors to Consider Before Adjusting the Rent

See the Participant Workbook for a list of **Factors to Consider Before Adjusting the Rent.** .

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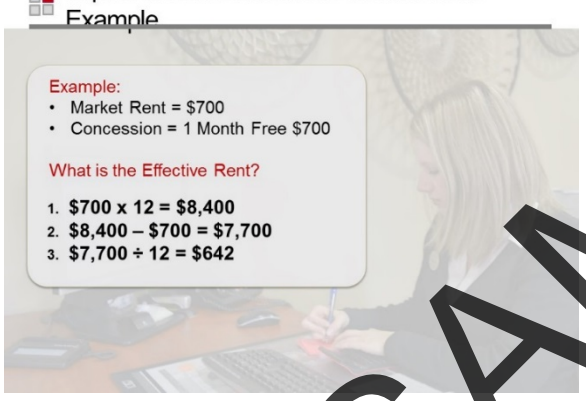
Impact of Concessions on Effective Rent

Slide 134

Impact of Concessions on Effective Rent Example



Slide 135

Increasing Rental Rate Example

Example:
- Market rent = $800
- You raise the rent 10% = $880
- Increase per month = $80
- Unit is vacant = 15 days

What is the cost of the vacancy? **$400**

At the new rate, how long before you recover the vacancy loss? 5 months ($400 ÷$80 = 5).

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Lowering Rental Rate Example

Example:
- Market value = $800
- You lower the rent 10% = $720
- Loss per month = $80
- Loss per year = $960

What would you lose if the apartment sat vacant for a month?

$800 .

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Determining Pricing

- Consider the inflation rate
- Conduct a market survey of competing properties
- Use an automated revenue management system .

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Average Renewal Increase

Avg. Effective Rent for Renewal
– Avg. Effective Rent on Previous Lease
= Amount of Increase

$$\frac{\text{Amount of Increase}}{\text{Previous Lease Rent}} = \text{Percentage Increase .}$$

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138

Slide 139

When to Consider a Rent Increase

- A floor plan remains occupied at 95% or more
- Rents fall below levels indicated by a comparative rent analysis
- The community is full
- Owner request .

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Slide 140

Rental Increases: Current Residents

- ❑ Increase as leases expire or on select expired leases using non-discriminatory standards
- ❑ Some companies set renewal rates slightly lower than market rate
- ❑ Provide at least 30 to 60 days notice prior to the effective date
- ❑ Review market rents on each unit type .

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Slide 141

Lease Expirations

Control lease expiration dates so all or most leases do not expire at the same time

- ❑ Develop a Lease Management Plan
- ❑ Stagger monthly expiration *dates*
- ❑ Stagger expiration *days*
- ❑ Variable pricing

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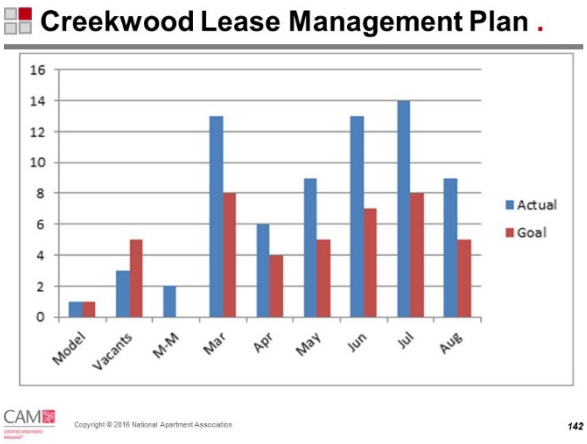

SAMPLE

Factors to Consider Before Adjusting the Rent

P	Questions to Ask	
Place/Product	• Does the property (product) have outstanding curb appeal? • Does it look and feel well maintained or is there deferred maintenance apparent? • Is preventive maintenance performed in a timely manner? • How do the amenities, the models, and the leasing office "show"? • Is the tour route clean and inviting?	• When was the model last refreshed and preventive maintenance work done? • Is the model route walked every day before business opens? • What does the parking area look like? • Is signage fresh? • Are there abandoned or disabled vehicles? • Do current residents get the service they expect?
People	• Is the staff well trained with the right skills? • Are the right people in every position? • Are we cutting rents to compensate for poor performers? • Is staff appearance professional? • Are the best people working high traffic times (the weekend) and are they asking for the sale? • Do they exude energy and enthusiasm?	• Is excellence demanded from my employees or are they allowed to just get by? • Is the property being managed effectively and efficiently? • Do my residents receive prompt service? • Is the asset being managed with the owner's investment goals in mind? • Are vendors providing what is required in their service contracts?
Price	• Are your rents competitive in the marketplace? • What is your availability in total and among various floor plans? • Do we have correct pricing based on total availability and the types of floor plans available? • Is there sound lease renewal pricing?	• Is pricing based on incomplete or inadequate market knowledge? • Are we quick to lower rents and slow to take advantage of improvements in the marketplace? • Do rents simply stimulate traffic instead of getting in front of the right potential residents?
Promotion	• Is the property using the best, most cost effective marketing sources with advertising that is creative and eye-catching? • Are the right prospective clients being reached? • What are the main traffic sources; are they providing quantity and quality potential residents?	• Are you measuring the cost per traffic and the cost per lease of your advertising sources? • Are you responsive in a timely manner to Internet inquires? • Is "outreach" being done a regular basis?

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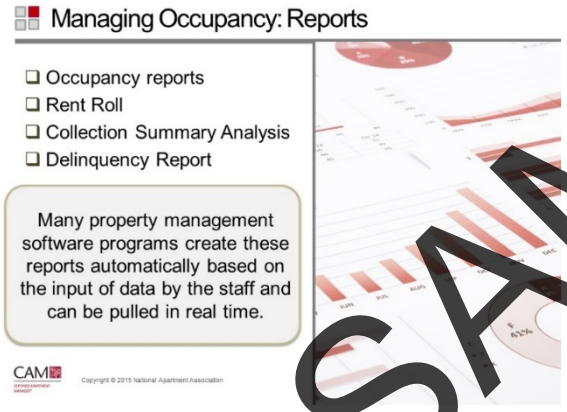
Managing Occupancy

Slide 143

Slide 144



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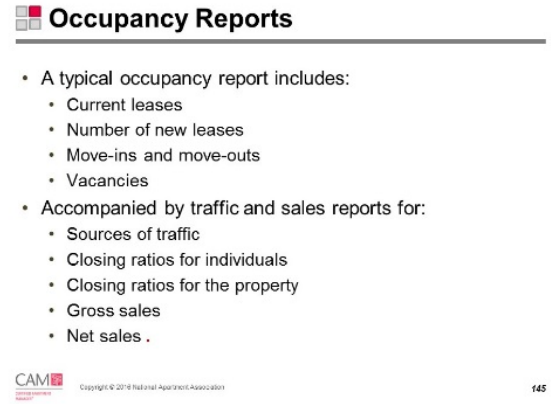


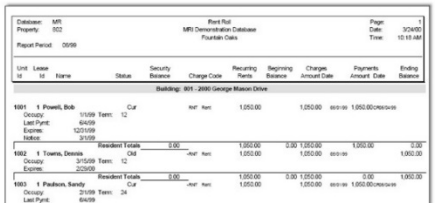
SAMPLE

Slide 146

Rent Roll

A comprehensive record of occupancy, lease terms, rents and other charges, balances due

- ❑ Is a source document for other reports
- ❑ Used to compare rent potential with money lost from VAC
- ❑ Software programs allow access to real time rent rolls



Slide 147

Collection Summary Analysis

As rent is collected, delinquencies reviewed, and bank deposits are made, you can track:

This month's collections compared to last month's

This month's collections compared to amount billed

This month's collections compared to budget

Helps you identify:

- If collections are increasing or decreasing
- How you're doing on collecting rent
- If you will achieve the income budgeted
- Favorable or unfavorable variances .

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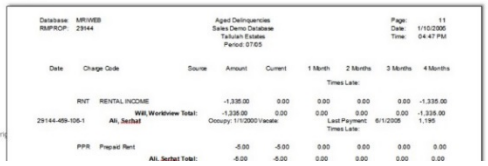
Slide 148

Delinquency Report

Lists residents who are in arrears and the amount each resident owes

- ❑ Documents who owes rent and fees, when/how they have been contacted, and the results of contact
- ❑ Documents the time frame over which amounts are delinquent
- ❑ Typically generated on late payment dates and eviction filing dates



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Reference: Reports Used to Manage Occupancy

See the Participant Workbook for a description of **Reports Used to Manage Occupancy.** .

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Reference: Methods Used to Manage Occupancy

See the Participant Workbook for a list of **Methods Used to Manage Occupancy.** .

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Reports Used to Manage Occupancy

Report	Description
Occupancy reports	A typical occupancy report includes: • Current leases • Number of new leases • Move-ins and move-outs • Vacancies Accompanied by traffic and sales reports for: • Sources of Traffic • Closing ratios for individuals • Closing ratios for the property • Gross sales • Net sales
Rent Roll	A comprehensive record of occupancy, lease terms, rent and other charges, balances due • Is a source document for other reports • Used to compare rent potential with money lost from VAC • Software programs allow access to real time rent rolls
Collection Summary Analysis	As rent is collected, delinquencies reviewed, and bank deposits are made, you can track: • This month's collections compared to last month's • This month's collections compared to what was billed • This month's collections compared to this month's budget Helps you identify: • If collections are increasing or decreasing • How you are doing on collecting rent • If you will achieve the income budgeted • Favorable or unfavorable variances
Delinquency Report	Lists residents who are in arrears and the amount each resident owes • Documents who owes rent and fees, when/how they have been contacted, and the results of contact • Documents the time frame over which amounts are delinquent • Typically generated on late payment dates and eviction filing dates

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Methods Used to Manage Occupancy

<table>
<tr><th>Method</th><th>Description</th></tr>
<tr><td>Occupancy Trend</td><td>Future percentage of leased units indicates the occupancy trend. Forecasting occupancy is a critical part of managing financial performance. Occupancy Trend acts as a guide for management decisions concerning marketing strategies and potential expenses.</td></tr>
<tr><td>Lease Expiration Variations</td><td>
<table>
<tr><th>Method</th><th>Description</th></tr>
<tr><td>Stagger Monthly Expiration Dates</td><td>• Align expirations with traffic counts
• Allow more leases to expire in months with typically higher traffic
o Potentially vacating units can be reoccupied more quickly
• Allows more flexibility in lease terms</td></tr>
<tr><td>Stagger Expiration Days</td><td>• Allow the lease to expire on various days throughout the month
• Turnover activity isn't restricted to the first and last days of the month
• Lease termination dates early in the week allow the maintenance staff to manage make-ready duties
• Have leases begin on Mondays
o Prevents administrative demands on weekends
o Allows greater leasing focus on the peak weekend traffic days</td></tr>
<tr><td>Variable Pricing</td><td>• Adjust rents based on the lease term
o E.g. Offer an eight-month renewal at one rental rate and a six-month renewal at a higher rate</td></tr>
</table>
</td></tr>
<tr><td>Turnover Ratio</td><td>The total number of move-outs for a given period divided by the total apartment units. It is used to assess occupancy and potential operating expenses. It is generally measured as an annual percentage. Using one month to annualize your turnover may skew the number; however, historical data can be useful.</td></tr>
</table>

SAMPLE

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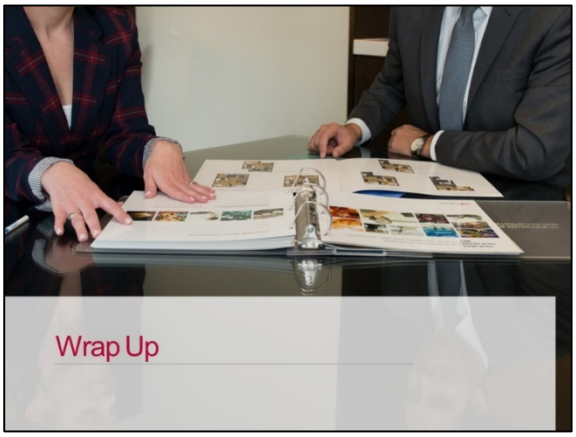
Wrap Up

Slide 151



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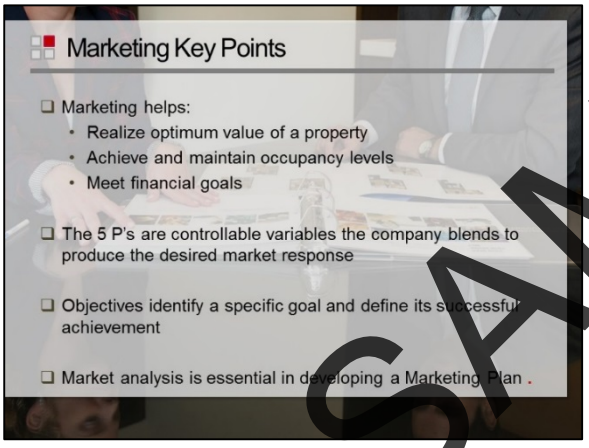

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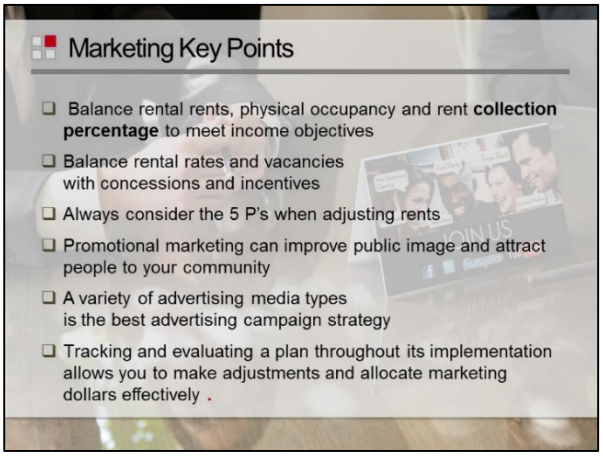

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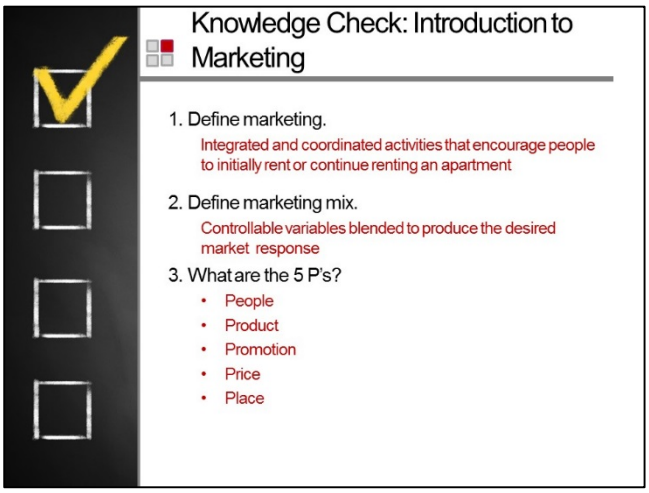
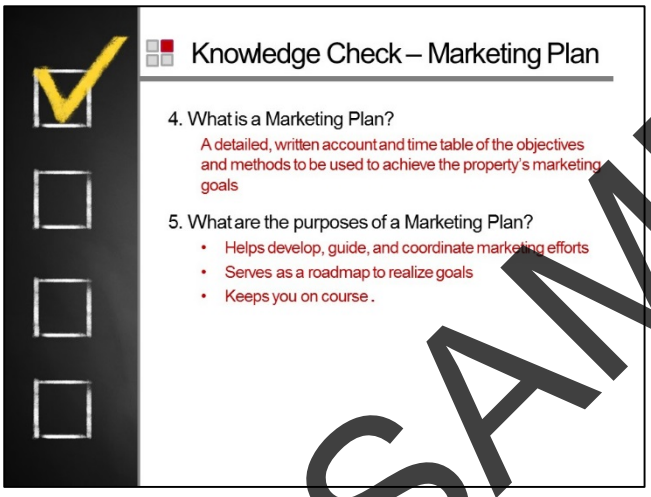
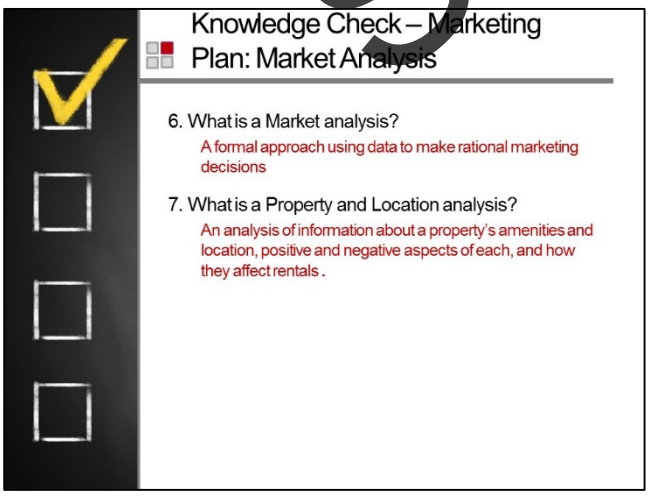
Knowledge Check Answers







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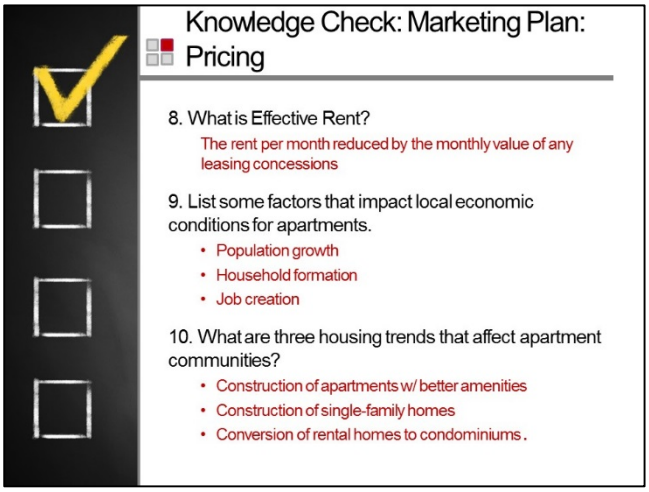

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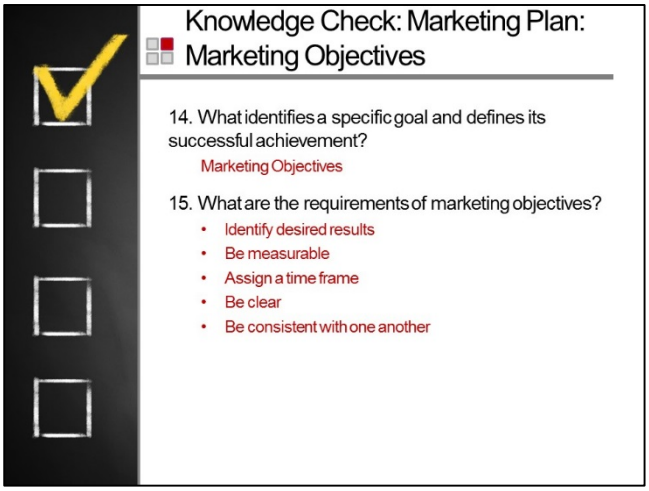

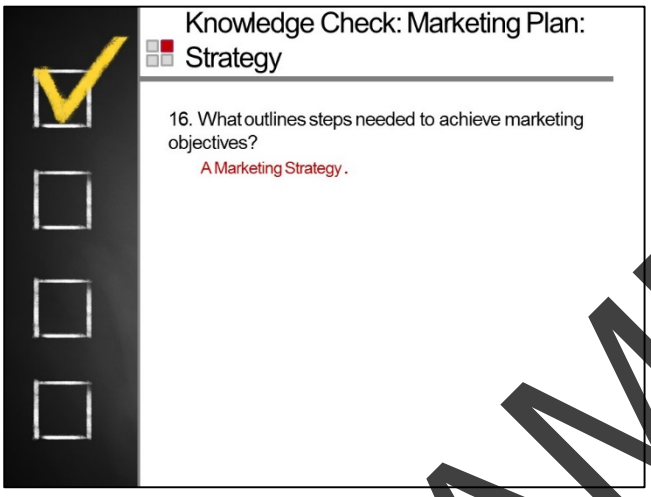

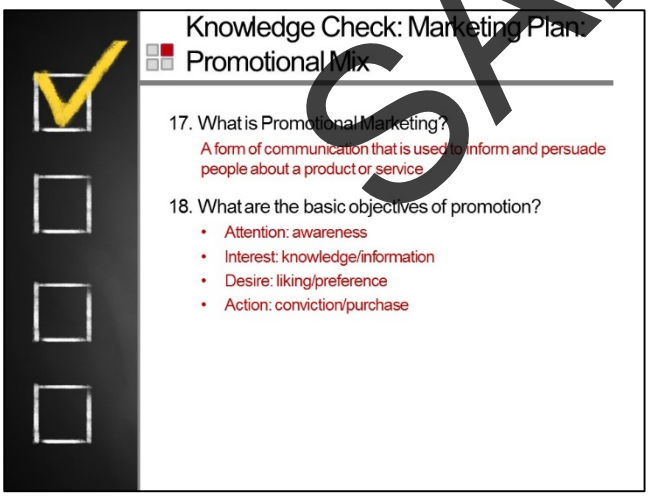

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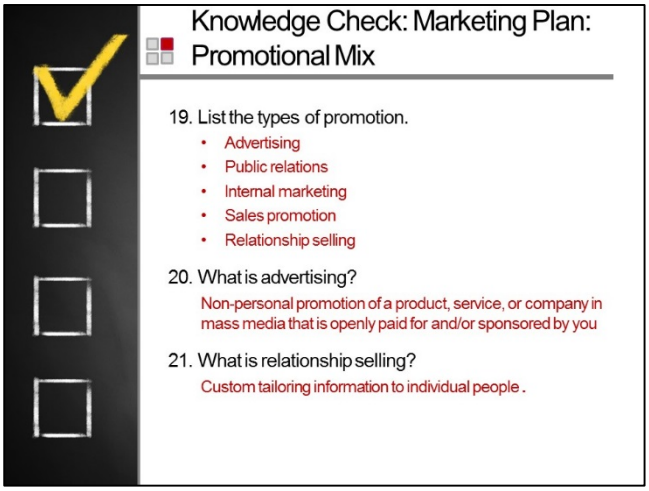

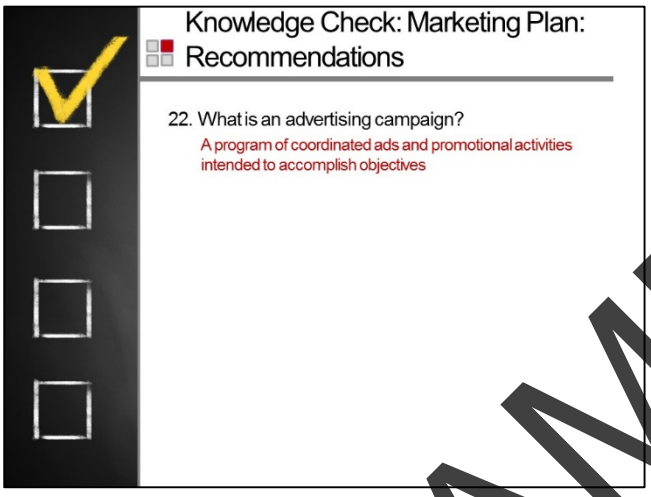

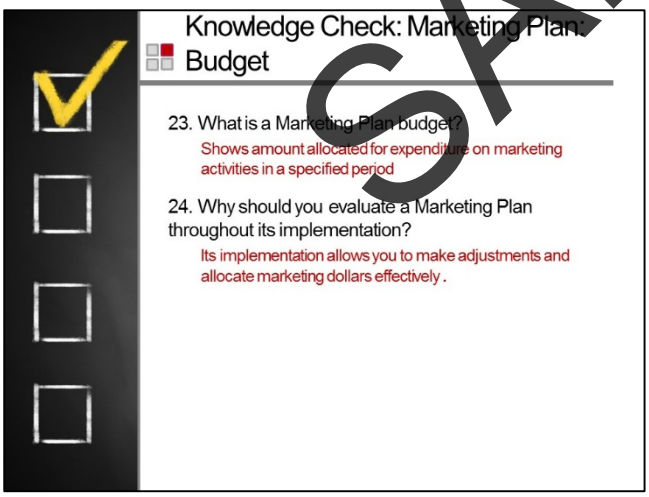

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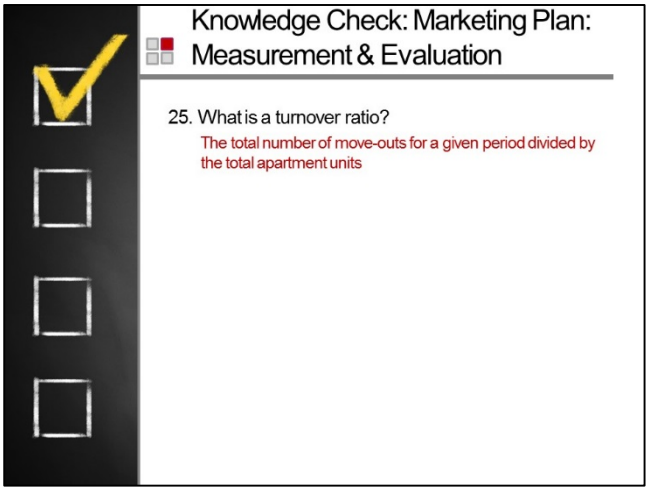

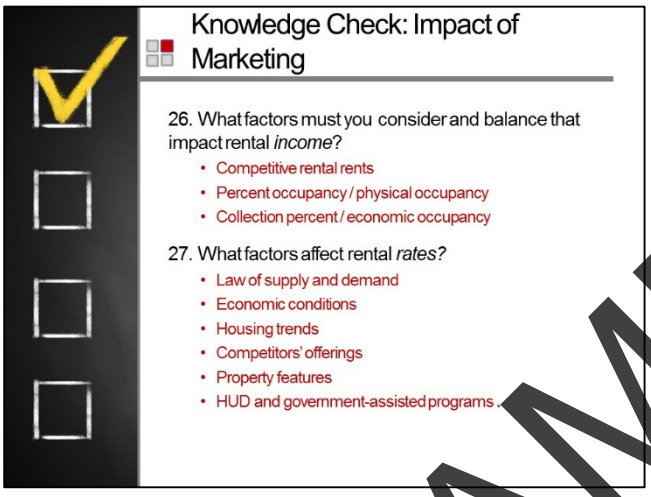

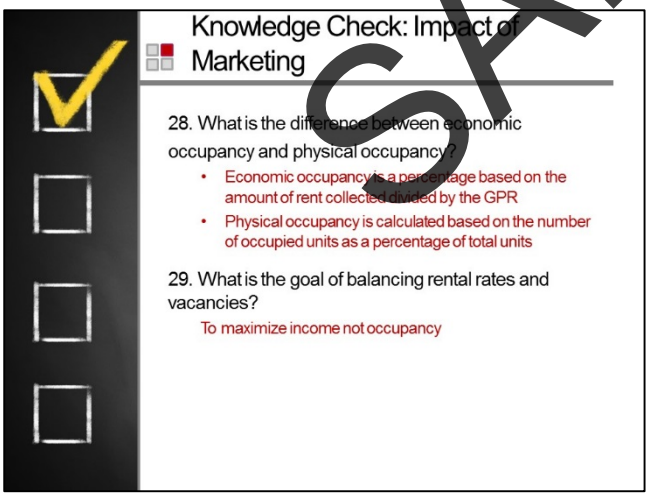

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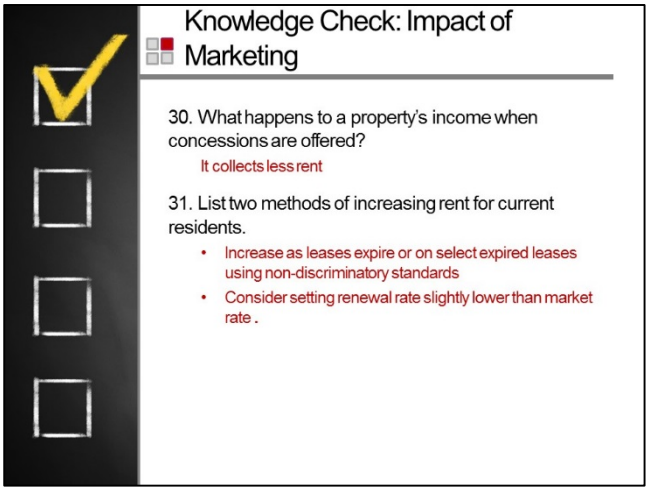

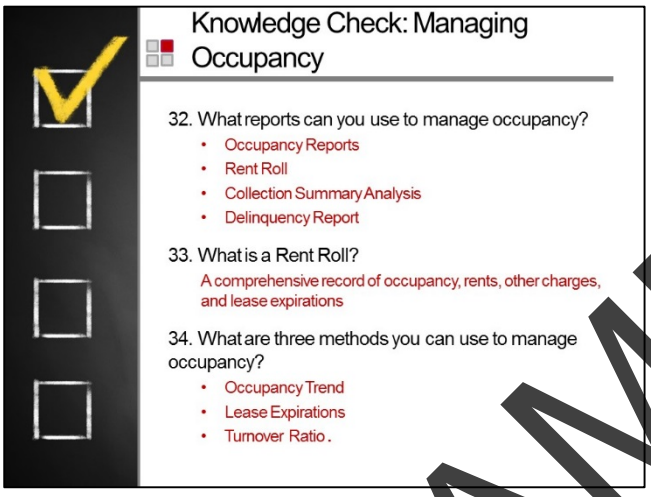

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Marketing Figures Glossary

Figure	Description	Formula
Gross Potential Rent (GPR)	The amount of rent that would be collected if a property was 100% occupied & all residents were paying market rent. All other income and expenses are measured & evaluated as a percentage of GPR.	Total Units x Average Market Rent = GPR
Vacancy, Concession, & Collection Loss (VAC)	Total value of rent loss from vacant units, concessions, collection losses, and non-revenue units. 2% of GPR is a generally acceptable.	
Effective Gross Income (EGI) or **Net Rental Income**	The amount of GPR less vacancy, concession, collection loss (VAC). Also called **Net Rental Income** or **Total Rental (TR)** income.	GPR – VAC = TRR + OI = EGI
Economic Occupancy Percentage	Collection percentage; Rent must be collected from all residents. The actual level of paying occupancy.	EGI ÷ GPR
Average Effective Rent		(rental income – concession rent) ÷ Units occupied
Effective Rent	If all leases are signed at scheduled market rent and all concessions awarded via a lease addendum.	market rent x # of months in lease – total concession awarded ÷ # of months in lease
Average Renewal Increase		avg. effective rent for renewals – avg. effective rent on previous lease = amount of increase ÷ previous lease rent
Potential Occupancy Rate	The future percentage of leased units indicates the occupancy trend and acts as a guide for management decisions concerning marketing strategies and potential expenses.	

SAMPLE

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Marketing Terms Glossary

Term	Definition
Marketing	Integrated and coordinated activities that encourage people to rent or continue renting an apartment
Marketing Mix	Controllable variables the company blends to produce the desired market response
Marketing Objectives	Identifies a specific goal and defines its successful achievement. Marketing objectives should identify desired results, be measurable, assign a time frame, be clear, and be consistent with one another.
Marketing Strategy	Outlines steps needed to achieve marketing objectives
Marketing Plan	Detailed, written account and time table of the objectives and methods to be used to achieve the property's marketing goals
Market	Current and potential residents who want to, and are qualified to, live in the apartment community
Market Segmentation	A process where the market is reduced to smaller, more defined sub-markets
Market Analysis	A formal approach using data to make rational marketing decisions

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Types of Advertising Media

Media Type	Description	Advantages	Disadvantages
Apartment publications & rental magazines	The apartment publication or rental magazine represents a highly targeted form of advertising. Often, individuals who are in the market for an apartment are aware of these publications and will seek them out.	• Quality color and photo reproduction. • Highly-targeted audience selection. • Provides formatted or creative platform for ad layout allowing you to target a specific message to your potential customer. • Long life span – "shelf life". • Are recognized by apartment shoppers as an easy to use resource. • It is easy to track effectiveness of publication ads using ad displays or by placing a tracking mechanism in the body of the ad. • Frequently includes listing in publication's highly advertised Internet Web site.	• Costs may be higher for the advertiser. • Timing of reader exposure to your ad is less predictable. • Usually requires a contractual agreement.
Online or Internet marketing	The Internet has become a common resource for individuals preparing to purchase everything from books to automobiles. According to Nielsen/Net Ratings more than three (3) million renters per month use third-party, web-based property listings for everything from apartments to vacation rentals.	• Cost effective • Can target specific types of viewers • Customer inquiries and changes to your ad can be timely. • Ads can be interactive and present a particular image based upon the use of technology, colors, and design features.	• Difficult to measure the impact of advertising though tracking devices can be implemented. • The cost to advertise can vary greatly and Internet access is required. • The Internet may not produce the number of leases that traditional print apartment advertising does

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Media Type	Description	Advantages	Disadvantages
	Because it has local and worldwide reach, has the ability to be modified immediately, and is relatively inexpensive, Internet advertising has become one of the most effective marketing tools. Online social media including Facebook, YouTube, Twitter, and LinkedIn are additional sources of contact allowing people to make connections and share information and content online. Residents talk and use of social media allows management to join the conversation and make the most of it. Such sites might showcase videos and photos, list amenities, and provide an online community for residents to share information. The online classifieds site Craigslist adds to outreach. Three (3) ways to advertise on the Internet include: • Registering your community or management company Web site with major search engines so Internet visitors can find you using specific keywords to direct the apartment shopper to your Web sites. • Placing an "ad banner" for your site on another Web	• Apartment search sites provide a wealth of relocation services and information • Prospects have no preconceived ideas of your community or location • Many sites allow the renter to apply on line and reserve apartment homes 24/7 regardless of the office hours for the property.	in all markets, although the gap continues to close. • The use of both sources has proven effective.

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Media Type	Description	Advantages	Disadvantages
	site that has a lot of traffic. Ad banners permit viewers to link to your site when they click on the banner. • Partner with an existing apartment search Web site.		
Newspapers	The newspaper can be a good form of marketing and an effective traffic generator. In some markets, it is the number one media for local advertisers in terms of where advertising dollars are spent. Newspaper advertising tends to be most effective when there are not other dominant "apartment only" publications in the market. Note: Consider the use of a tracking mechanism to determine source effectiveness. Examples of tracking mechanisms include the use of a "fake" name within the ad such as "Call Suzy for more information" or "Present this ad for additional savings."	• Newspapers reach a diverse and broad audience. • The target audience is locally and regionally based. • Newspapers deliver timely messages because they have an established, regular publishing schedule such as daily, weekly or monthly. • There is unlimited copy space in the newspaper. • Readers can be actively involved in reading the paper.	• Heavy competition due to the fact that newspapers are considered a primary medium by a variety of advertisers. • Newspaper may not be popular with all demographic groups. • It can be cost prohibitive in some markets for the type of ads that are needed to get attention among the other ads such as display ads. • Limits specific audience targeting. You pay to reach the entire newspaper audience, who may or may not be looking for an apartment. • Internet advertising has also diminished the role and effectiveness of newspaper advertising.
Direct mail	Direct mail is one of the most targeted, measurable and cost effective ways to market your property. Your marketing message is delivered directly into the hands of prospective residents. Responses are	• Allows you to target your message to a specific and primarily pre-qualified audience. • Delivers a timely message.	• It may be viewed as junk mail. • Response rate may be quite low (1-3%). • Requires thorough maintenance of all mail lists.

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	tracked and an information base of prospective residents in need of housing is generated. Direct mail entails marketing your property through letters, postcards and other types of mailers, such as special sales announcements. The four printed items to consider are the letter, the brochure or data sheet, the reply vehicle and the envelope. Direct mail is most effective at promoting the marketing message when the audience receives it at least three times. In a direct mail campaign, you sell the benefits and features of living in your apartment community and generate a specific response. To receive optimal response from a direct mail campaign, consider first the appeal of your message, based upon the needs of prospective residents, and the urgency of the call to action or response mechanism. The mailer should be distinctive and directed to a qualified, selected audience. Often, direct mail campaigns are specifically targeted to competitive apartment communities. While the appeal of reaching a	• Messages can be personalized to add reader appeal. • Readers are actively involved. • Database of leads can be maintained by tracking "return to sender" mail.	• It can be a relatively expensive medium. • May result in retaliatory effort from competitor. • Typically delivers less than a 5% return on investment.

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Media Type	Description	Advantages	Disadvantages
	primarily pre-qualified target market is strong, it must be carefully weighed against the likelihood of a retaliatory mailing to your community from the competitor.		
Visual traffic generators	Every time someone drives by your property an impression is formed. This impression is critical. Curb appeal can be used to attract potential residents by building a desire to live a certain lifestyle that the exterior of your property and apartment home emulates. Simple things that can be done to improve curb appeal: • Remove dead leaves and flowers. • Maintain the appearance of flowerbeds using mulch or by turning the soil. • Sweep entrances. • Edge walks and curbs. • Remove all trash. • Trim trees and shrubs. • Keep ID signs clean and freshly painted • Paint the exterior trim of the apartment home. • Install adequate exterior lighting. • Note: Other types of visual generators include landscaping, flags, banners, human directionals, and signage.	•	•

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Media Type	Description	Advantages	Disadvantages
Directive brochures	Your property brochures should illustrate the features and benefits of living in your apartment community. Your brochure is important because prospective residents who are serious about living in your apartment community may want more information and will read it. Your brochure also provides credibility. Electronic brochures are an excellent way to capture your electronic traffic. When communicating via e-mail, it is a significant advantage for you to be able to forward immediately an e-brochure and begin connecting your verbal and written images with actual pictures.	•	•
Radio and television	Radio and television provides flexibility and the ability to do either broad based or targeted marketing. This advertising source is usually the most expensive in absolute dollars, cost per traffic, and cost per lease. The most important and most difficult aspect of radio or television advertising is weighing the cost benefit of reach (number of listeners/viewers against frequency (how often the viewer/listener will hear the message).	• Advertising is delivered to multiple household members simultaneously. • Messages can be sent at any time during a 24-hour period. • Full selections of program types are provided to reach viewers. • Advertising can be purchased locally, regionally and nationally.	• Audience size of given programs can change based on changes in programming. • Generally requires high out-of-pocket cost to purchase multiple stations in order to reach the widest audience. • • •

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Media Type	Description	Advantages	Disadvantages
Radio	Radio is a dynamic advertising tool that reaches huge audiences of potential customers. Local stations generally develop commercials for their clients, including copy and recording. Radio continues to play an important role in advertising and consumers' lives and habits.	• Radio messages are mobile. • Allows for target selection based on geography and time of day. • Your message can run with as frequently as you choose. • Radio ad production is fairly simple for advertisers.	• Radio has no visual. • There is no hard copy for easy reference by the consumer. • Air clutter is a problem. • It is a "hit or miss" with your audience. • Radio advertising on a major market station is often cost prohibitive. • It is very difficult to track its effectiveness as a traffic generator
Television	Though often cost prohibitive, television has the highest residual value of any advertising media, because it reach the consumer with a visual and audio message. Net television advertising is extremely expensive although it provides the highest reach. Cable television may provide a viable alternative for television advertising. A typical "flight" of commercials will run with greater frequency on multiple channels. However, cable television has segmented the market to such an extent that each channel has fewer viewers. Shop and compare the rates of various network and cable options according to cost, time slot and programming and compare their	• Provides full-color advertising. • Delivers advertising that can simultaneously be seen and heard. • Allows delivery to multiple households. • Provides for relatively immediate delivery.	• Doesn't always allow viewer to take immediate physical action as a result of the advertising message. • It is often considered a background medium to which audiences are not always and continuously paying full attention. • Can be quite costly depending on when it is broadcast and what the market size is where it is being broadcast.

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Media Type	Description	Advantages	Disadvantages
	demographics with your customer profile.		
E-marketing	E-marketing is marketing by using tools on the Internet such as bulletin boards, and e-mail. E-marketing is becoming an effective way of advertising, communicating with existing residents and communicating with future customers E-mail is another way to stay in touch with residents and with prospects. It is also a way to put your best foot forward and make a positive, professional impression:	•	•
Marketing through other merchants and vendors	Marketing through local merchants and vendors, often called "outreach marketing," can provide broad based or targeted marketing and can often be accomplished at little to no cost except collateral material. Frequently this form of advertising is handled as a "swap" – you accept flyers and coupons for the merchant's service or product (i.e. dry cleaning, ethnic food, pizza to give to your residents and prospects, while the merchant distributes your flyer to customers.	•	•
Transit advertising	Transit advertising includes ads seen on buses at bus stops, subway cars and stations, on	• Long exposure to one ad • Large diverse audiences can see ads.	• Design is usually limited to the size of frames or holders.

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Media Type	Description	Advantages	Disadvantages
	trains and in or on taxis. In high density metropolitan areas, this can be an effective method to develop awareness of your community. This advertising media is generally most effective when the physical location of the community is in close proximity to the transit systems and its vehicles.	• Ads can be geographically targeted.	• Transit ads are hard to target. • You may not have mass transit in your advertising area.
Outdoor billboard advertising	Billboard advertising is typically used for one of two purposes: directive or awareness. Directive billboards can be very useful for a community with close proximity to the billboard. Billboards can be a great method to provide simple directions such as "Turn at next left" or "3 miles south on the right." Awareness billboards usually present a concept, a lifestyle, or a photo and are very difficult to track results. Rarely will a prospective resident call or come in and say "I just saw your billboard." However, close monitoring of traffic sources should allow some measurement of return on cost.	• They attract attention. • The ad has impact. • The ad reaches lots of people. • Advertising is seen every day. • Ads can be tailored to reach specific audiences. • Tends to more effective as a directional or for brand awareness than as a traffic generating source.	• Difficult to measure its effectiveness. • Can be costly based on location of the billboard.

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