

RESH Marketing, founded in 1979, is heavily involved in the sale of new homes, consulting with builder/developers from California to New York.

Hal Von Nessen has served as president of the Columbia American Advertising Federation (AAF) branch which presented him their highest award in 1990, The Silver Medal for contributions to the industry.

Von Nessen has been a member of the adjunct faculty of the University of South Carolina and Webster University of St. Louis, MO. He taught Business Administration, Marketing Theory and Practice, and Strategic Planning in Business. He has taught Creative Strategy, and Advertising in the School of Journalism at the University of South Carolina.

Von Nessen is also a principal in New Home Sales Specialists, a real estate firm specializing in sales, sales training and marketing of new homes for builders and developers.

He is involved in seminars and consulting for businesses. He has appeared at The National Association of Home Builders National Convention and presented national IRM program at the national convention. He has taught in the GRI program and is a member of the faculty of the National Association of Home Builder's Institute of Residential Marketing.

He earned a B.S. in Management and the MBA degree from the University of South Carolina. He is a member of the Institute of Residential Marketing.



**HAL VON NESSEN,  
MIRM  
President  
RESH Marketing**

Finding an ad agency is the easy part. Finding one that speaks the language of the building business is a bit more difficult. Finding the one that understands the relationship of advertising to closings may be the hardest task yet.

Production builder or family owned developer, when you need added insight and experience in the marketing of new homes and communities, we can help. And our help is affordable as well as productive. Call us. There is no charge for our initial consultation.



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# *“Goldilocks and the Three Bears”*

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## **A Budget Primer**

Over the past twenty-five years I have been asked one question more than any other when it comes to advertising. The question isn't "how?," it's, "How much?" Arriving at a figure to spend isn't difficult, but when you are afraid of spending more than is needed, the tendency becomes to spend too little. Both have a bad impact on your company. So let's answer the question, how much should you spend on marketing?

Advertising causes traffic. Traffic causes sales. Sales generates dollars. That's how it works. If you want sales maximized you have to employ effective promotional efforts. Because advertising efforts are directly tied to sales figures, with other variables tied in to change efficiencies, in order to achieve a projected level of sales, expenditures will be required up front to create the needed traffic. And, just like Goldilocks choosing the right bed, we have several alternatives from which to choose when we budget.

There are several methods of budgeting. Why not use them all, average them out and use that figure? If we had time that might be best. Each method that I'll share can be applied to different situations, but all should have some relationship to each other. And I have one sure fire method to test your final budget figure.

Most organizations allocate a fixed percentage of their projected gross sales as their budgeted amount for promotion. The percentage used varies by the sales approach employed. Those working with a listing arrangement use one figure, those selling with an in-house organization use another. Actually, the figures are similar, it's where the money is



spent that varies. The National Sales and Marketing Council provides several templates for budgets. Generally plan on spending from one half to one point on promotion.

When a specific objective comes to mind, a grand opening for example, the second budgeting method becomes appropriate. With a specific task to accomplish, it is relatively simple to list the details that need to be accomplished, add the individual costs together and establish your budget. The trick here is to ensure that you have anticipated all the specific items needed. The more defined the objective, the more suited this budgeting method becomes.

When entering a market or segment of a market for

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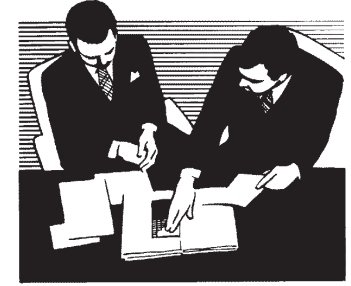
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the first time, we often find an entrenched company fully operational. Attempting to capture a piece of this market often requires budgeting based upon your competitor's expenditures just to appear as a viable alternative. This is a costly way to enter a market, but if the segment is large enough, it can result in immediate impact for your company.

Perhaps the worst form of budgeting is basing your figures on what happened last year. Remember, promotion causes sales, it should not be a result of them. If you budget based upon previous results, your attained level of sales will probably be

disappointing. At best you can look at maintaining your activity, but given the activities of your competition and the realities of a changing economic situation, even that is uncertain.



How then do we determine if these figures are appropriate for our organization? Once again, experience tells me that managers of businesses accumulate experience which gives them insight regarding appropriate activities for their companies. Builders are no different. That is what makes my final budgeting method so useful.

Once you have budgeted using one or more of the methods described here, sit back and look at the figure you have computed. If it takes your breath away, it probably is too high. More to the point, your sales figures may be flawed as well. If promotion causes sales, and it does, then an inability or unwillingness to spend the dollars will lower your sales results. The bottom line is your sales goals may be unrealistic. On the other hand if your budget seems a pleasant surprise, perhaps you have been too conservative.

Recheck the figures.

Budgeting is not meant to be an easy exercise, it is meant to be a proactive planning process to help you reach your sales goals profitably. Work at it. Just as with building, experience teaches us the best ways to do things.

When it comes to budgets, some are too soft, some are too hard, but one is just right for you and your company. Be sure to keep looking until you find the right one.

