

A PLAN FOR THE MARKETING  
OF HOUSING UNITS

by

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## A PLAN FOR THE MARKETING OF HOUSING UNITS

### INTRODUCTION

The purpose of this paper is to present a flexible plan for the marketing of housing units which may be used with certain modifications by any retail building material dealer. A dealer using the plan may sell completed housing units such as houses, remodel jobs and repair jobs, and he can control the planning, financing, and construction of the units. Details of the plan apply to the marketing of all types of housing units, but reference is confined primarily to the house, which is perhaps the most important type and requires the most detailed discussion.

Chapter I, "Presentation of the Problem," includes a summary of the historical trends in retail building material merchandising and outlines the present status of the building material business with special reference to the customer's problems when buying housing units.

Chapter II, "Suggested Plan for the Marketing of Housing Units," presents in detail the basic features of a plan which is designed to simplify the purchase of housing units.

Chapter III, "Application of the Plan," presents adaptation and modification of the plan according to the degree to which it can be adopted under varying market conditions.

Chapter IV, "Possibilities of Further Development of the Plan," includes suggestions for extending the functions of the plan. These functions include the following: offering trade-in allowances on old homes, establishing profit-sharing accounts, and other merchandising techniques which will benefit both the retailer and the consumer of housing units.

Chapter V, "Summary and Recommendations," reviews the essential features of the plan and recommends careful analysis of the particular situation to which it may be applied and intelligent use of the plan to obtain maximum results.

## CHAPTER I

### PRESENTATION OF THE PROBLEM

#### A. History of Building Material Merchandising Policies

Early American homes were built of logs, clay and stones obtained from nature's deposits of material wealth. After the appearance of the sawmill, about 1623,<sup>(3)</sup> lumber for homes was bought at local mills, and as transportation facilities improved, retail lumber yards sprang up wherever there was a demand for building materials. During this early period retail building material merchandising consisted of a passive process of filling orders for carpenters and contractors. The nation's population was growing rapidly providing a steady demand for building materials, and until recent decades the retailer had little reason to stimulate his business by advertising and otherwise improving the building material business. The element of direct substitution of goods appeared, however, in most other retailing businesses, and highly effective merchandising techniques were developed as a result of the competition which developed between these goods. The building material merchant having had little cause to improve his selling technique, until recently, is now confronted with a condition of indirect substitution, that is, the consumer is spending an increasingly greater amount for other goods and less and less for building materials. A survey by the



U. S. Census Bureau of the City of Portland, Oregon in<sup>(12)</sup> 1930, revealed that 19.37 cents of the consumer's dollar was spent for automotive materials, while only 5.47 cents were spent for lumber and other building materials; a condition which was caused, at least partially, by the automotive industry's intensive research and sales promotion.

Due to the unassembled character of his goods, the building material dealer has not had the opportunity to appeal directly to the ultimate consumer of the boards, nails, etc. he has to sell. The carpenter and contractor have been the intermediate agents between the customer and the dealer, and because they have been trained as craftsmen and not as salesmen, they have been unable to adequately present the dealer's products to the customer.

#### B. Present Status of the Building Material Business

##### 1. Problems of the Customer.

An important problem of the building material consumer is his lack of knowledge concerning the materials and their uses. He is usually unfamiliar with construction methods, planning, maintenance, methods of financing building and repair projects, and many other factors associated with assembling building materials into housing units.

Another problem is presented by the unorganized condition of the factors necessary for creating housing units.

When building a house the layman must contact five major agencies to obtain the necessary services and materials. He is ordinarily unfamiliar with any of the operations of these groups which include: (1) real estate agent, (2) financing agent, (3) house planning agent, (4) material dealer, and (5) building contractor.

The layman's first problem is to determine what size and quality house should be built according to his needs, income and savings. Next the building site must be chosen; this should be done with due consideration for all personal requirements of the persons expecting to occupy the site. A particular building site may be adequate for one party and wholly inadequate for the next, depending on the individual requirements of each for schooling, recreation, etc. After the site has been chosen definite plans for the house must be determined. The assistance of a capable house planning agent should be employed at this point to insure convenient arrangement of rooms, proper room sizes, proper placement of cabinets, furniture, etc. Plans must be drawn and the specifications of material and workmanship determined. During the construction process inspection of structural details should be carried out to insure proper use of materials and grades as outlined in the plans and specifications. Following the planning process a competent contractor should be chosen to erect the structure, and an adequate method of financing the project must be found.

It is obvious that the layman must rely wholly on the ability and integrity of each of these agencies for satisfactory results. Unless the buyer can employ a contractor who will include these services as part of the building contract, he must buy materials and services about which he knows very little, have them assembled under unorganized conditions, and upon completion of the house have no definite agency to hold responsible for the product. These problems and uncertainties of building houses are also encountered to a certain extent when remodeling and repairing are contemplated.

## 2. Problems of the Retailer.

The building material retailer is in a position somewhat similar to that which an automobile manufacturer would be in if the manufacturer sold only the unassembled parts of the cars, relying on the customer to find the means to complete the unfinished car. The automobile is a more or less standard product and can be completed by a mass-production process. The custom-built characteristic of a house prevents, to a large extent, its mass production. A house builder usually considers the desires of his clients individually. As a result of the somewhat complicated process of bringing together the necessary house building factors, the building material dealer has not found it convenient to sell ready-to-use housing units.

## CHAPTER II

### SUGGESTED PLAN FOR THE MARKETING OF HOUSING UNITS

#### A. Introduction

The following discussion is presented as a possible course of action for the building material dealer to facilitate the purchase of housing units. Objectives of the plan, merchandising policies, and functions to be performed under the plan are included. Policies to be followed under the plan should be developed from definite principles of honesty, fair play, and cooperation between the retailing organization and the customer. Policies, however, must be flexible so as to meet changing conditions.

#### B. Objectives of the Plan

The benefits of home ownership are generally conceded to exceed those of any other type of family tenure. "A family that owns its home takes a pride in it, maintains it better, gets more pleasure out of it, and has a more wholesome, healthful and happy atmosphere in which to bring up children."<sup>(8)</sup>

The home-owner is master of his dwelling. He cannot be asked to vacate, and his rent cannot be raised. He can make repairs and alterations as he sees fit, and money spent for improvements adds to the value of the property.

It is assumed that a greater number of persons will

realize these advantages of building and owning their own homes if they are offered an easy and convenient way to obtain these homes. In view of this assumption the primary purpose of this plan is to make better built-to-order housing units obtainable by a simple and convenient process.

The building material retailer will also benefit from the plan. It will give him direct contact with the people who use his materials after they have been assembled into useable products. He can develop his selling program with a better knowledge of the ultimate requirements of his goods, and will be guided to sell according to the use made of the finished product rather than sell on the merits of its individual parts.

### C. Features of the Plan

#### 1. Complete Housing Unit Service.

The outstanding feature of the plan is that all goods and services necessary for consummating housing units are made available at a single source. Instead of having to locate and engage separately the realtor, the architect, the building material dealer, the financier, and building contractor, the buyer will find all services and materials at the local building material merchants office, where a complete housing unit may be purchased under the terms of a single contract.

a. Real Estate Service. Real Estate Service embraces two functions, namely: (1) offering recommendations to the buyer regarding characteristics of the proposed building site; and (2) aiding the customer select the building site.

The buyer should receive certain benefits if he is properly advised concerning the many details which should be considered when selecting a building site. To properly carry out this function the following data regarding building site characteristics is included to serve as a basis from which to offer recommendations to the buyer:

(1) If land is bought to be improved, it should not be purchased more than three or four years before the time improvements are contemplated. Holding land for future improvement involves the payment of taxes and the expense of the risk of holding land prior to improvement. These expenses could be avoided if land was not purchased until shortly before the time improvements were made.

(2) The section in which the builder wishes to locate should be appropriate to his scale of living, and reasonably safeguarded against deterioration. (6)

(3) The location, equipment, and teaching standards of the schools in the vicinity should be satisfactory, both for present and future needs of the family. (6)

(4) Educational, religious, shopping, transportation, amusement, and recreational facilities should be adequate.

(5) Taxes should be reasonable and not apt to increase excessively.

(6) It is not desirable to live too close to an airport. Quite often airports are found in or near residential sections, and noise from incoming and outgoing planes is objectionable to nearby residents.

(7) Property services should include or provisions should be made for the following:

(a) Pavement or adequate road in front of house.

(b) Sidewalks.

(c) Sewers.

(d) Pure water supply, which should be below ground freezing level and should have adequate pressure for fire protection and general use.

(e) Gas, telephone, and electricity.

(f) Postal and delivery service.

(8) Orientation should provide adequate sunlight and protection from wind and storms.

(9) Shape and size of lot should conform to house and yard requirements.

(10) When purchasing the site the following essentials for planning the home grounds should be kept in mind:

(a) Play areas should be included in back yard.

(b) Ground should be fertile and well graded.

(c) It is desirable for trees to frame the house.

(d) Roads and walks should be few, serviceable and inconspicuous.

(e) Service and garden elements should be as well concealed as possible.

(f) Shrubs should be planted against the foundation of the house, at corners, and in angles; also at intermediate points of long straight sides.

To effectively aid the buyer select a building site, it is necessary for the dealer to cooperate with the local real estate agents. Listings of building sites are kept on file secured from the real estate agents. When a prospective buyer inquires regarding a desirable building site, the listings are made available to him, and a dealer representative accompanies him to the various sites at the buyer's convenience. When a site has been selected the buyer may purchase the site plus the anticipated improvements at a single price. In this case the dealer purchases the site at a price known to the buyer and resells it to the buyer at the same price, with all title clearing and abstract negotiations carried out and guaranteed by the dealer. This service is designed to relieve the buyer of the uncertainties



and inconveniences of purchasing the site and site improvements separately.

b. Planning Service. A housing unit which will fully serve the purpose for which it is intended must be developed with every consideration for the owner's needs and desires. A well planned home is a home so thought out that everyday activities may be carried out with the least possible irritation and monotony. (7)

Planning service is divided into the following functions: (1) Analysis of the buyer's requirements and desires regarding a proposed housing unit; (2) Offering recommendations regarding proper planning methods; (3) Preparation of plans for the housing unit drawn according to agreement between the buyer and the dealer; and (4) Preparation of proper specifications of materials and workmanship for the housing unit.

(1) Analysis of Buyer's Needs and Desires. Analysis of the buyer's needs and desires includes a study of the size and make-up of his family, a study of the activities to be carried on in the household, and a survey of the requirements of the individual members of the family.

(2) Offering House-Planning Recommendations.

After a careful analysis has been made of the buyer's requisites, he is advised regarding proper planning procedure. The following house-planning fundamentals serve as the basis

from which to offer recommendations to the buyer.

(a) Federal Housing authorities indicate that a fourth to a fifth of the monthly income may be spent on shelter, or a person may safely afford to build a home valued at two to two-and-one-half times his annual income. (5)

(b) Economically it is better to build the least expensive house in a vicinity rather than the most expensive. Housing values depend to some degree upon environment. The value of the least expensive house in a vicinity will be higher than it would be if the same house was the most expensive house in another vicinity, because of the prestige created by the other more expensive houses.

(c) Modern economic house planning essentials should include:

(c<sub>1</sub>) Standard materials, fixtures and equipment. Expense is kept at a minimum with standard materials because repairs and replacements are easily made, and the investment is safeguarded over a long period of time.

(c<sub>2</sub>) Economic grouping of fixtures. Examples of economic grouping of fixtures include planning a second floor bathroom directly above first floor bath, and grouping two or three flues into one chimney, etc.

(c<sub>3</sub>) Economic grouping of rooms. A square or rectangular house is less expensive to build than other types such as the Z, T, L, or U types. A square or

rectangular building requires less materials and labor per square foot of floor area than other building types because less outside and inside wall lengths are necessary, and roof and foundation elements are shortened and simplified.

(c<sub>4</sub>) Planning for possible expansion. Provisions should be made to facilitate the addition of rooms according to future needs.

(d) Wherever necessary and expedient, provisions should be made for general entertaining, both indoors and outdoors; convenient facilities for entering and leaving the house; individual study and hobby requirements, and physical relaxation.

(e) Entrance and entrance hall include the following essentials:

(e<sub>1</sub>) At the entrance there should be a protective covering or Loggia.

(e<sub>2</sub>) Street numbers or house numbers should be well lighted at night.

(e<sub>3</sub>) There should be a bell or knocker at the front door.

(e<sub>4</sub>) There should be a railing on the porch edge.

(e<sub>5</sub>) There should be a mail box at the front door.

(e<sub>6</sub>) Walks to the front and rear

entrance should be as short and direct as possible.

(e<sub>7</sub>) The front door should be protected from driving rains.

(e<sub>8</sub>) Access should be made possible from the entrance hall to the Living Room, Kitchen, Bath or Lavatory, Guest Room, Dining Room, Stairs, and coat closet.

(e<sub>9</sub>) There should be warm and cold air openings on opposite sides of the entrance hall; the cold air opening should be on the side toward which the door opens.

(e<sub>10</sub>) Colors should be in harmony with the other rooms of the house.

(e<sub>11</sub>) A ceiling lower than the Living Room ceiling is desirable to show relative scale and proportion.

(e<sub>12</sub>) View from the hall should be axial into other rooms.

(e<sub>13</sub>) Floor material should be capable of withstanding considerable wear.

(e<sub>14</sub>) For convenience entrance hall should not be less than five feet square.

(f) Stair and stair hall include the following:

(f<sub>1</sub>) A comfortable rise for first floor

stairs is 7"; stair run may be 10" to 11".

(f<sub>2</sub>) The rise for service stairs may be slightly more than 7" and the run slightly less than 10".

(f<sub>3</sub>) Basement stairs, if possible, should be built under first floor stairs to save space. Hand rails should be provided for safety.

(f<sub>4</sub>) Minimum head clearance for stairs should be not less than 6' 6".

(f<sub>5</sub>) Movement of furniture must be considered in designing stair hall.

(f<sub>6</sub>) Width should be not less than three feet.

(f<sub>7</sub>) Stairways are for private use and the tendency is to remove them from entrance halls.

(f<sub>8</sub>) "Dancing Steps," or wedge shaped steps, should be avoided at corners.

(f<sub>9</sub>) The stair hall should be as compact as possible.

(g) Living Room essentials include the following:

(g<sub>1</sub>) The Living Room is just what its name implies; the people who expect to occupy it must be considered.

(g<sub>2</sub>) It should face the street and garden or a controlled view.

(g<sub>3</sub>) The Living Room should have a south exposure and at least one other exposure.

(g<sub>4</sub>) It should not serve as a hallway to other rooms in the house.

(g<sub>5</sub>) If a sofa is placed before a window, the window sill height should be from 12" to 18".

(g<sub>6</sub>) The average height of a person's eye is 5', therefore horizontal window bars should be at 4' or 6' levels.

(g<sub>7</sub>) Shutters on the south and west may be made moveable to give relief from sun and give protection; shutters also give color.

(g<sub>8</sub>) Wall space should be provided for radio, books, tables, sofa, chairs, desk, and a nook for game tables, etc.

(g<sub>9</sub>) Lighting requirements include medium intensity for general illumination with more brilliant light sources for various points.

(g<sub>10</sub>) A fire place may be desirable for heating and providing a center of interest.

(h) Dining Room essentials include the following:

(h<sub>1</sub>) If there is no Dining Alcove the Dining Room should have an east exposure with south exposure if possible.

(h<sub>2</sub>) Entrances to Dining Room should be as direct as possible from Living Room and Kitchen.

(h<sub>3</sub>) Window sills should be approximately 30" above the floor. Top of windows may be placed as high as possible.

(h<sub>4</sub>) Wainscoating or dado should be approximately 30" above the floor to provide protection from chair backs.

(h<sub>5</sub>) Wall space for furniture should be provided for buffet, serving table, china closet or cabinet, pass opening, tea cart and extra chairs.

(h<sub>6</sub>) If there is a terrace door leading from the Dining Room, it is preferably situated near the door leading to the Kitchen.

(h<sub>7</sub>) If doors are desired between the Dining Room and Living Room, they may be of the French, sliding, hinged, or folding, types.

(h<sub>8</sub>) It is preferable to have a center ceiling light in the Dining Room. A floor outlet (electric) should be provided near the table (may be in the floor). A wall outlet should be placed in the dado for convenience.

(1) Kitchen essentials include the following:

(i<sub>1</sub>) An exposure providing some

sunlight during part of the day is desirable.

(1<sub>2</sub>) The storage center should be close to the service entrance. Adequate storage space for six persons includes approximately 50 square feet of shelf space and 10 linial feet of base cabinet storage. (15) Storage bins may be of the tilt, drawer, or rotating types.

(1<sub>3</sub>) The preparation center logically follows the storage center. Average convenient counter surface heights are: preparation center, 36"; mixing counter, 32"; and rolling pin surface, 33½".

(1<sub>4</sub>) The cleaning center may include a single or double sink located along a wall or across a corner.

(1<sub>5</sub>) Stove storage may be in the stove and above the stove.

(1<sub>6</sub>) The serving center adjacent to the cooking center should have a metal top for hot dishes. The door to the Dining Room should be of the double-acting type and located near the serving center.

(1<sub>7</sub>) Wall space should be provided for cook books and the like.

(1<sub>8</sub>) Vertical storage bins for pot and broom storage are desirable.

(1<sub>9</sub>) Lighting essentials include general illumination throughout with each work surface well



lighted.

(j) Desirable Bedroom features include the following:

(j<sub>1</sub>) Bedrooms should have sunshine at least part of the day.

(j<sub>2</sub>) They should be accessible from a hall and be situated near a lavatory.

(j<sub>3</sub>) They should be situated to provide privacy for the occupants.

(j<sub>4</sub>) Cross-ventilation is desirable.

(j<sub>5</sub>) For a double bed which is 4' 8" x 6' 8", the room should have at least two feet of clearance on three sides of the bed. Space must also be provided for such things as a dressing table, chest of drawers, and chairs.

(j<sub>6</sub>) Closet facilities should provide a minimum of 3' of clothes-hanger-pole length per person, and the pole should be not less than 6' above the floor.

(j<sub>7</sub>) Closets should have shelves above the poles and have clothes hook strips with approximately 10" between hooks.

(j<sub>8</sub>) Lighting essentials include general illumination with higher intensity of local lighting at certain areas. Unshaded light sources should not be tolerated.

(k) Desirable Bathroom features include the following:

(k<sub>1</sub>) The Bathroom should be sufficiently large to accomodate a 5' bathtub, or 4' square shower, a 20" toilet, 20" water closet, and perhaps a small dressing table.

(k<sub>2</sub>) Entrance to the Bathroom should be made from a hall, not directly from another room. It is not desirable to have to pass through another room to enter the Bathroom.

(k<sub>3</sub>) If laundering is done in the basement, a clothes chute may be located in the Bathroom.

(k<sub>4</sub>) Access to the Bathroom should be easy from any part of the house.

(k<sub>5</sub>) An electric outlet should be provided near the shaving mirror and side lights are desirable.

(3) Preparation of Plans. During the initial stages of planning a housing unit, preliminary sketches are made. These sketches are particularly well adapted for study and for making changes according to the desires of the buyer.

When corrections and additions are completed on the preliminary sketches, the final plans are drawn and blue prints are made. The finished working drawings should be

accurate and complete. These drawings are extremely important as they are the basic documents of the construction contract. Drawings for a house should consist of a plot plan, showing the location of the house on the lot; a wall section showing the foundation construction and the construction of the side-wall and cornice; basement plan; a first floor plan; and if any, additional floor plans, together with elevations of each side of the dwelling. Plans and elevations of the garage, if any, should be included. If stock items of millwork or cabinets are not used, detailed drawings should be provided for these items. The number of sets of working drawings made depends on the wishes of the builder and the requirements of the financing institution.

(4) Preparation of Specifications. Specifications are developed to amplify the plans and to describe fully all process of the work, the quality of the materials, and quality of workmanship to be required. An example of "Specifications of Materials and Workmanship" may take the form of the following example. (11)

MATERIALS AND WORKMANSHIP:- All materials and workmanship must be in strict conformance with the MINIMUM CONSTRUCTION REQUIREMENTS OF (city and financing institution).

EXCAVATING AND GRADING:- The contractor shall

accurately lay out the building as directed by the owner and provide all tools, equipment, stakes, lines, and guides as may be necessary.

All trees and shrubs, etc.

All back grading shall be, etc.

#### MASONRY

Details concerning:

Cement	Walls, Piers, Areas
Sand	& Footings
Gravel	Cement floors
Concrete	Concrete foundations
Forms	Fireplace
Chimney	

#### PLASTERING

Details concerning:

Scope of work  
Interior lathing  
Plaster, surfaces, etc.

#### CARPENTRY

Details concerning:

Framing and dimension lumber	Finish floors
Sheathing for outside walls	Door & window frames
Sub-flooring	Doors
Building paper	Inside finish
Roof sheathing	Cabinets
Siding	Stairways
Wood shingles for roof	Scuttle
Exterior finish and trim	Protection
Hardware	Flashing
Sheetmetal	

#### ELECTRICAL WIRING

Scope of work  
Code rules  
Fixtures (detailed)

PLUMBING

Scope of work  
Code rules  
Sewage disposal and water connections  
List of fixtures (detailed)

HEATING

Heating system

Water heating

SPECIAL SPECIFICATIONS AND REMARKS:-

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When developing dwelling specifications care should be taken to observe the following suggestions to minimize subcontracting delays and prevent misunderstandings between the dealer and buyer.  
(4)

FOOTINGS. Describe the construction of footings and the materials to be used and give the sizes, if not shown on drawings, for each class of footing for walls, piers, chimneys, etc.

FOUNDATION WALLS. Describe the foundation walls, piers, etc., giving the materials and methods of construction to be used, and describe the method of ventilation for unexcavated areas and the distance from the first floor joists to the ground level.

CELLAR FLOORS. Describe the cellar floor, its composition, including finish, thickness, reinforcement, if any, method of drainage, etc.

CHIMNEYS. State the materials to be used in the construction of the chimney; how flues, cap, fireplace, and hearth are to be built; what thimbles, cleanouts, etc.,

are to be used. If the house is of wood, describe how the frame will be formed around the masonry of the chimney.

OUTSIDE STEPS, PORCHES, TERRACES, AND WALLS. Describe the construction of any outside steps, masonry, porches, and terraces, to be included.

WALKS AND DRIVEWAYS. State what walks and driveways are included and describe their construction.

FRAMING. State what material is to be used in framing. If wood is to be used, give the kinds, grades, and sizes to be used for sills, plates, girders, joists, studs, corner posts, bracing, bridging, fire stops, rafters, ridge pole, sheathing subflooring, etc., and describe the manner of erection.

EXTERIOR WALLS. Describe the materials to be used for exterior wall finishes, stating quality and sizes, and methods of erection.

ROOF. State the kind of roofing to be used, giving the grade and the manufacturer's name, and describe the method of laying.

SHEET METAL. State what kind and weight of metal is to be used for flashing chimneys, dormers, vents, window and door heads, valleys, intersections of roofs with walls, etc., and describe the methods of installation. Describe leaders and gutters and how they are to be

connected to the drains.

INTERIOR WALLS AND CEILINGS. State the kinds of wall and ceiling finishes to be used and describe methods of finishing.

TRIM. State the kind and quality of material to be used on exterior and interior trim, such as baseboards, mouldings, etc.

WINDOWS AND DOORS. Give the style, material, quality, thickness, and sizes of windows, and exterior and interior doors and frames if not indicated on drawings.

CLOSETS. Describe the interior fittings of any closets that may be included.

BUILT-IN ACCESSORIES. Describe fully, kitchen cabinets, bookcases, medicine cabinets, and other built-in accessories, giving the sizes, kinds, and quality of materials.

FINISH FLOORS. State the kinds of material for finished floors to be installed, giving the quality, sizes, and methods of laying for each room and by whom they are to be laid.

PAINTING. State the mixture of paint materials to be used, giving the qualities and manufacturer's name, also the number of coats to be applied on the various parts of the work, and colors to be used.

FINISH HARDWARE. State the amount to be allowed for

the purchase of finish hardware, or list the different items to be used and give the manufacturers' names and catalog numbers for all items.

PLUMBING. Describe the fittings and methods of installation and state who is to make connections with public water supply and sewage systems. List all fixtures, giving the manufacturer's name and catalog numbers of each item, and describe the system of hot water supply.

HEATING. Describe the heating system, giving the names of the manufacturers and the catalog numbers of the heater and other parts of the system.

ELECTRIC WORK. State the allowance for lighting fixtures, and by whom they are to be installed, and list all outlets and switches and where they are to be located.

MISCELLANEOUS. Any other items of work not specifically covered here should be fully described.

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Two or more copies of the specifications are usually required. They are signed by both parties to the contract and one signed copy of each is retained by each party.

c. Finance Service. Under the proposed marketing plan the buyer obtains funds to purchase a housing unit by dealing with the retailer who negotiates all details concerning the loan.

Today a majority of housing units are being financed



under the Federal Housing Administration program. The Federal Housing Administration insures loans made by approved lending institutions for developing certain classes of housing units.

For units sold under the FHA insurance program, the following financing procedure may be followed:

Forms essential to consummating a loan are provided by the FHA and are obtained by the dealer from local lending institutions. These documents include (1) Credit Statement, (2) Mortgagee's Application for Insurance, (3) Mortgagor's Property Description, (4) Mortgage, and (5) Mortgage Note. All details essential to filling out these documents are carried out at the dealer's office and proper forms sent together with plans and specifications for inspection and commitment for insurance to the local FHA Insuring Office. After the documents have been returned with commitment for insurance the mortgage is recorded in the court house and the way is clear for construction to begin on the housing unit.

For non-insured loans, financing procedure will vary according to the requirements of the lending institution. The functions necessary for obtaining the loan, however, are carried out in cooperation with the lending institution through the retailer's office.

d. Construction Service. After plans and other

documents have been returned by the insuring office or lending institution, calls for bids are sent out to all subcontractors necessary for completing the housing unit. The dealer is the major contractor, but all work is done by subcontracted labor. By this method the dealer, who is familiar with all sub contracting firms, can easily negotiate the construction details and thus relieve the buyer of this responsibility which to him would be a difficult and arduous task.

e. Construction Inspection Service. During the course of construction the work is closely inspected to insure proper use of materials and proper methods of construction as outlined in the plans and specifications.

The buyer may call for special inspections at any time he feels it is necessary in order to safeguard his interests.

f. Maintenance Service. A clause in the construction contract may be included to guarantee free inspection service of the housing unit for any number of years after completion of the unit. The purpose of the service being to insure value and long life of the unit by suggesting proper measures for maintenance and repair. Inspection intervals may be decided upon by the dealer.

This form of maintenance is as important to the housing unit as lubrication and overhauling is to the automobile.

Proper management of tangible property of this type calls for a definite program of maintenance and repair.

2. One Price for All Services.

Under the terms of the contract one consideration pays for all services rendered and materials used in developing a single housing unit.

During the planning process the buyer is informed as to what amount he should logically spend for the unit according to his capacity to buy. With this sum in mind he can alter the size and quality of the unit within the limits of the amount. He knows in advance definitely what to expect for a certain sum and will not be confused by having to gather together and add the individual charges made by all the various contractors and service agencies.

3. Responsibility for All Services Held by the Dealer.

Since a single sum is paid to the retailer for all services rendered pertaining to a particular housing unit, the retailer must stand responsible for maintaining the guarantee of the product. The buyer can protest to the retailer under terms of the contract for any and all grievances concerning the housing unit. During the course of construction the retailer and buyer will develop personal interests which will promote sympathy and understanding

for each other's problems, and grievances can be easily corrected.

CHAPTER III  
APPLICATION OF THE PLAN

A. Introduction

Applying the plan to a building material retailing firm may require certain changes to be made in the firm's organization and the adoption of new functions by the personnel. A typical example of applying the plan is included in this discussion. Variations from the typical case are also presented to include contraction and expansion of the plan as it is affected by various market conditions.

B. Typical Example  
of Organization and Procedure Under the Plan

1. Location, Layout, and Equipment.

To create optimum conditions for consumer contact might necessitate establishing an office in the downtown business district. Since this action is perhaps beyond the immediate reach of the average building material retailer, business proceedings may be carried on at the present store site.

A planning room should be provided where the customer can study plans and other literature pertaining to housing units. Desks and drawing equipment should be provided for the customer to use when working out personal housing

problems. Preliminary sketches and finished plans may also be worked out here in cooperation with the dealer's planning agent. Pictures of houses and various housing unit displays should be shown and kept up to date in style and design. Planning room facilities might also include a library system for loaning plans to the customer for study at home.

An office should be provided in which the real estate and finance functions can be carried out. This office and the planning room may be combined if necessary. No other changes in layout are required.

## 2. Basis of Organization.

Functions of the plan have been analyzed sufficiently to warrant setting up relationships within the organization to most efficiently carry out these functions. In assigning duties to individuals, fundamental functions of organization should be applied, namely, specialization, responsibility and provision for check of one unit on another. (2)

It must be kept in mind that an organization plan should be a general one and its application to particular situations should take into consideration individual circumstances.

## 3. Departments.

The organization will include two major departments: The Contract Sales Department, including a planning agent and a real estate and finance agent; and the Material Sales Department, including the general manager the accountant, truck driver, and a material salesman. Employees of both departments are directly responsible to the general manager.

The Contract Sales Department deals only with sales requiring contracts. These are housing unit sales and one price covers all services included in each transaction. The Material Sales Department controls material purchases and material sales, and assures delivery of all materials for both material and contract sales.

#### 4. General Manager.

The general manager's qualifications may perhaps be best explained by listing the duties for which he must be qualified. The general manager's duties in a broad sense are to promote lasting consumer good will and to develop a sound business program. More definitely he must develop all major policies of the firm; attend to important problems arising from both external and internal relations; determine the position of the firm in the community and its relation to other organizations. He is the responsible representative of the organization regarding all sales and

purchases and should plan the functions of both departments.

#### 5. Planning Agent.

A planning agent will be employed who in his capacity as an architect at the same acts as a salesman for the firm. He helps the customer decide what will properly fill his needs, prepares preliminary sketches in cooperation with the customer, and carries out the functions described under "Planning Service" in Chapter II.

After final plans for a housing unit have been agreed upon, he refers the customer to the real estate and finance agent for his services in connection with the proposed housing unit. If an assistant draftsman is not employed the planning agent also prepares plans and specifications for the unit.

When a construction contract has been signed by both the dealer and the customer, the planning agent places cards in the mail which invite subcontractors to call at the drafting office and submit bids on various parts of the work to be done. All subcontracting details are handled by the planning agent who also inspects and supervises construction.

A person to qualify for the position of planning agent should have had considerable experience in designing and



building homes. He should also have the ability to promote confidence and good-will when dealing with customers and subcontractors.

#### 6. Finance and Real Estate Agent.

Another person will be employed to carry out the functions outlined under "Finance and Real Estate Service" in Chapter II.

If a customer's first interest is to purchase a building site, he may contact the real estate agent for his services before beginning the planning process. In this case the agent presents the marketing plan to the customer and serves as a salesman for the firm. He also cooperates with the planning agent to properly coordinate their respective functions regarding a particular housing unit.

Qualifications for this position require considerable house planning and finance experience and also the ability to promote a good-will relationship with the customer.

#### 7. Basis for Price Quotation.

An accurate estimating system is necessary to safely quote the price for which a proposed housing unit may be sold. The system should be the result of a study made on total costs of housing units in the vicinity of the particular firm. The study will provide local cost data which

can be effectively used in future estimates.

Probably the quickest and easiest estimating method is the use of the per square foot costs (floor area), which are found by dividing total house costs by the number of square feet of floor area of the unit. Experience and study of accurate cost records should improve the accuracy of this type of estimating, and it may be used for quoting approximate prices with very little figuring.

A Job Estimate form is used by the planning agent for determining the actual contract price to quote to the customer during the planning process. This form may include  
(14)  
the following items:

#### JOB ESTIMATE

Job <u>R. C. Brown</u>	Carpenter _____
Sq. Ft. of Flr. Area <u>1266</u>	Estimator _____
Quoted Price <u>\$3800.00</u>	Date _____

<u>THE MATERIAL ESTIMATE</u>		<u>Est. Cost</u>	<u>Retail</u>	<u>Actual Cost</u>
------------------------------	--	------------------	---------------	--------------------

Class	1	Dimension
"	2	Com. Bds.
"	3	Finish Lbr.
"	4	Shingles
"	5	Finish Flr's.
"	6	Mouldings
"	7	Millwork

Class 8 Metal Mat'ls.

" 9 Finish Hdw.

" 10 Built-Ins

" 11 Misc.

---

Totals

---



---

THE SUBCONTRACT ESTIMATE Est. Cost Retail Actual Cost

---

Class 12 Excavating

Concrete

Carpenter

Plumbing

Wiring

Masonry

Plaster

Painting

Floors

---

Totals Class 1 to 12	3094.00	3587.81	2905.00
		<u>2905.00</u>	
Material Sales Dept. Gross Profit		<u>682.81</u>	
Quoted Price		3800.00	
Retail value less service charge		<u>3587.81</u>	
Contract Sales Dept. Gross Profit		<u>212.19</u>	

---

When the planning agent has added the estimated cost column, he must add an amount that will include an estimated profit on materials plus a charge for all services to be rendered in connection with a particular sale. The

additional amount will vary according to the amount of services necessary to develop plans etc. The quoted selling price will then include a normal profit for materials plus a charge for service. It must be remembered that the selling price represents only an estimate and that the total actual profit may be more or less than the estimated profit depending on actual costs.

Experience and careful study of cost records will make estimating easy and give the estimator confidence to quote quickly, selling prices that will return fair profits.

The actual cost and retail price columns are filled when true costs for the job have been determined, and when the job is finished a record of the accuracy of the estimate is available for future reference. Total gross profit for the sale equals quoted price less actual costs.

#### 8. Contract Agreement and General Conditions.

The experience of the Federal Housing Administration has shown the importance of well-drawn and complete contract documents upon which it can, with confidence, issue its commitment to insure a mortgage involving new construction. It has been found that many prospective home owners permit loose and irregular contractual agreements when building their homes. Such practices usually lead to unnecessary misunderstandings, legal entanglements, and

other avoidable difficulties resulting in loss to the owner. Adequate documents are a protection to the home owner, the mortgagee and the material dealer.

The following form includes essential details to be included in a small house construction contract embracing incidental services of the marketing plan. (10)

#### CONSTRUCTION CONTRACT

THIS AGREEMENT made on this \_\_\_\_ day of \_\_\_\_, 19\_\_ by and between Holt Lbr. Co., party of the first part, and R. C. Brown, party of the second part, to-wit:

For and in consideration of the sum of \$3800, to be paid by the party of the second part, the party of the first part hereby agrees to furnish all material and all labor necessary to complete a \_\_\_\_ room residence to be located at \_\_\_\_\_ according to plans, specifications and notations agreed upon and prepared for the purpose by Holt Lbr. Co., and by this reference made a part of this contract. The plans and specifications shall be signed by both parties hereto. There is no other agreement than that set forth in this contract, and included plans, specifications, and notations.

#### GENERAL CONDITIONS

CHANGES AND SPECIAL WORK: The owner shall have the right during the progress of construction to make any

alterations, additions or omissions that he may desire. These changes shall be carried into effect by the Contractor without violating or vitiating the contract. IF SPECIAL CHANGES ARE MADE THE VALUE OF THE SAME MUST BE AGREED UPON IN WRITING BY THE OWNER AND CONTRACTOR. No omissions will be allowed or extra work included unless ordered in writing by the owner.

RELEASE OF LIENS:- The Contractor shall furnish the owner before final payment is made with a full release of liens signed by all subcontractors and material men associated in any way with the work.

OMMISSIONS:- The drawings and specifications are intended to cooperate, and anything not shown on plans or mentioned in specifications but which is necessary to make a complete job shall be furnished the same as though shown or mentioned in both.

PAYMENTS:- Payments are to be made during the progress of work as follows:

Down payment, Cash \_\_\_\_\_

\_\_\_\_\_ % of total contract, less cash down payment, when the roof is on.

\_\_\_\_\_ % of total contract when the plastering is completed.

The balance of \_\_\_\_\_ % of total contract when the building is completed and accepted.

The first party shall notify the second party in writing when the building is completed, and the owner shall have \_\_\_\_ days within which to accept it; and if objections are not made by the second party to the first party in writing within that time, detailing the objections to the construction of said building, the building shall be deemed accepted and final payment shall immediately become due and payable.

ACCEPTANCE CLAUSE:- The house shall not be occupied until accepted by the owner and the final payment made therefore. Occupancy by the owner or anyone holding under him shall constitute full and complete acceptance of the work, and the balance owing under the contract (including authorized extras), shall be immediately due and collectable. The party of the first part shall be entitled to the sum of \_\_\_\_ per day as liquidating damages if by reason of second parties occupancy until first party has been paid in full.

EXTRAS AND ALTERATIONS:- Any alterations, extras, or departures from this, the original, shall be agreed upon in writing; the price for such alterations, extras, or departures from the plans and specifications shall be stated therein and attested to by the signatures of both parties of the contract.

ARBITRATION:- In the event of any dispute relating

or pertaining to this contract, said dispute will be referred to \_\_\_\_\_ whose decision shall be final and binding to both parties of this contract.

INSURANCE:- In all instances, all labor performed on said construction shall be protected by Liability Insurance provided by the party of the first part, insurance on the building itself shall be paid for by the party of the second part.

HOLT LBR. CO. J. R. Holt  
Party of the first part

Subject to final approval  
by J. R. Holt

R. C. Brown, Husband

APPROVED J. R. Holt

Ella Brown, Wife

If the sale includes land in addition to improvements, the contract agreement will vary to conform somewhat to following form:

THIS AGREEMENT made on this \_\_\_\_ day of \_\_\_\_\_, 19\_\_  
by and between Holt Lbr. Co., party of the first  
part, and R. C. Brown, party of the second part,  
to wit:

For and in the consideration of the sum of \_\_\_\_\_,  
to be paid by the party of the second part, the party of  
the first part hereby agrees to convey free of all encum-  
brance by a good and sufficient deed the following described



real property.

Lot\_\_\_\_, Block\_\_\_\_, \_\_\_\_\_ Addition to the City of \_\_\_\_\_, County of \_\_\_\_\_, State of \_\_\_\_\_.

To be improved by the construction of a residence according to plans and specifications agreed upon and prepared for the purpose by the Holt Lbr. Co., and by this reference made a part of this agreement. The plans and specifications shall be signed by both parties hereto.

9. Subcontractors.

When both parties have signed the contract the planning agent contracts subcontractors whose activities are outlined as follows:

a. Carpenter. For a certain job the carpenter is asked to submit a bid for all carpenter labor. With his bid he must submit a list of the materials he will need for the job according to the plans and specifications. The carpenter who is awarded the carpenter labor contract is given a list of all other subcontractors for that job so he can call them when he is ready for them.

b. All Other Subcontractors: All other subcontractor's bids are made for both labor and materials. If the dealer can furnish any of the materials such as paint or cement, a bidding provision requiring the use of the contracting dealer's materials will insure quality materials, and all bidders will be bidding on an equal

material cost basis. The dealer will make profit on these items which might otherwise be purchased elsewhere by the subcontractors.

Material lists, which are submitted by the carpenter and other subcontractors, are used by the general manager to prepare a Material Control for the job.

#### 10. Material Control.

For keeping records of materials needed, ordered, and delivered for a particular job a form of material control must be kept. The form for this control is illustrated as follows: (13)

#### MATERIAL CONTROL

Total 1813.81  
 Owner R. C. Brown  
 Carpenter  
 contractor \_\_\_\_\_

#### MATERIALS

(Adjustments)

Class 1, Dimension

Ord.	Del.	Pc.	Size	Feet	Retail	Additional
—	—	Girders	—	—	—	material 10.11
—	—	"	—	—	—	
—	—	"	—	—	—	Material
—	—	Posts	—	—	—	not req. 9.01
—	—	M. Sill	—	—	—	
—	—	L. Joist	—	—	—	
—	—	Etc.	—	—	—	
Total					<u>191.69</u>	

## Class 2, Common Boards

Sub-floor	
Sheathing	
Shiplap	
Bridging	
Etc.	
Total	<u>154.66</u>

## Class 3, Finish

Cornice	
Barge	
Siding	
Corner Bds.	
Frieze	
Misc.	
Total	<u>252.00</u>

## Class 4, Finish Floors

Total	<u>89.83</u>
-------	--------------

## Class 5, Shingles and Shakes

Total	<u>73.70</u>
-------	--------------

## Class 6, Mouldings

Total	<u>62.40</u>
-------	--------------

## Class 7, Millwork

Total	<u>354.02</u>
-------	---------------

## Class 8, Metal Materials

Total	<u>54.01</u>
-------	--------------

## Class 9, Finish Hardware

Total	<u>38.71</u>
-------	--------------

(Concluded on next page)

## Class 10, Built-ins

Total	<u>22.50</u>
-------	--------------

## Class 11, Misc.

Total	<u>13.70</u>
-------	--------------

## Class 12, Subcontractors' purchases

Concrete, Contractor

Masonry, "

Plaster, "

Painter, "

Total	<u>520.00</u>
-------	---------------

## SUMMARY, CLASS 1 to 12

Class	1	Dimension	191.69	Adjustments	
"	2	Com. Bds.	154.66		
"	3	Finish Lbr.	252.01	Total Add.	10.11
"	4	Finish Floors	89.83		
"	5	Shingles & Shk's	73.70	Total not	
"	6	Mouldings	62.40	required	9.01
"	7	Millwork	354.02	Adjust to	1.10
"	8	Metal Mat'ls	54.01		
"	9	Finish Hdw.	48.77		
"	10	Built-ins	22.50		
"	11	Misc.	13.70		
Total			<u>1292.71</u>		
Adjustments			<u>1.10</u>		
			<u>1293.81</u>		
Add Class 12 Subcontractors' purchases			<u>520.00</u>		
Total contract mat. sales			<u><u>1813.81</u></u>		

Total material sales, 1813.81, is the total retail price for all materials furnished by the dealer for all subcontractors. This figure is recorded in the Contract Material Sales Account.

When a subcontractor orders materials for a job the items are written on an order ticket. The name of the job and the subcontractor's name are written on the

ticket. When the material has been delivered the items are checked off on the material control.

if an order comes in for material not stocked by the dealer, such as sand or gravel, the dealer calls a sand and gravel company and orders them to deliver sand to the job. The sand item is written on an order form by the building material dealer and the ticket is signed by the contractor who ordered the sand. When the concrete subcontractor is paid for fulfilling his contract the retail price of the material used by him is deducted from the contract price, and the subcontractor signs a release lien against the property on which he worked.

Every material item is listed on the Material Control Form so that when an item is ordered for delivery to the job, that item is checked under "Ord." (meaning ordered), and when it has been delivered the number of the order ticket is written next to the item under "Del." (meaning delivered). The number aids in checking details of the delivery by referring to the delivery ticket having that number.

#### 11. Division of Contract Sales Profits.

Profit from a housing unit sale to be credited to the Contract Sales Department is found by subtracting the true retail value of all materials and subcontracts from

the quoted price (See Job Estimate page 37). The same profit would result if the Contract Sales Department actually bought the materials for the housing unit at retail, added their service charges and sold the completed unit.

For each contract sale the retail price total as found in the Job Estimate is recorded on a ledger card. Material extras are itemized individually at retail in the account and any other cost items that may occur are added. The balance of this account is posted to the customer's personal account. The accounting procedure for distributing this profit is illustrated in the following Ledger Control.

CONTRACT LEDGER CARD		R. C. Brown Job
When actual costs have been determined retail extensions are added and the total posted here.		
	3587.81	
Authorized extras at retail are added here with other miscellaneous items.		
	00.00	
Total	3587.81	3587.81 To R. C. Brown Acct.

R. C. Brown Account		(3800.00)
		Receipts
3587.81		
212.19	To Contract Sales	100.00
	Dept. Salary Acct.	850.00
		1900.00
		950.00
3800.00		3800.00

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**Contract Sales Dept. Salary Account**

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Withdrawals and other  
dept. expenses

H. Jones      R. Jeff

Jan. 150	150
Feb. 150	150
Mar. 150	150
Etc.	

Contract Sales Dept.  
gross profits from  
Job Estimates

R. C. Brown job	212.19
B. R. James "	150.00
F. K. Hill "	73.00
Etc.	

---

At the end of the fiscal year withdrawals plus other department expenses should approximately balance profits in this account. The balance of the account may be carried on from year to year or a bonus may be given to the Contract Sales Department employees to balance a surplus and salary reductions made to balance any deficiencies.

**13. Subcontract Payments.**

In order to receive their contract payments all workers on a job must obtain from the carpenter in charge a requisition signed by the carpenter. He is authorized to sign these requisitions for payment only when he has inspected and approved work done by these men. All payments to subcontractors are made at the dealer's office or by mail upon receipt of requisitions signed by the carpenter.

The carpenter can requisition for himself an amount equal in proportion to his contract price to the amount of work done. For instance, if his contract price was

\$800 and approximately half of the carpenter work was finished, his total requisitions to date could not exceed \$400.

#### 14. Contract Sale Control Summary.

Receipts from contract sales are debited to Cash or Bank and credited to customers' receivable accounts.

Receipts from subcontractors for materials are debited to subcontractors' receivable accounts and credited to Cash or Bank.

Disbursements for subcontracts are debited to Subcontract Expense and credited to Cash.

Disbursements for materials are debited to Material Inventory and credited to Cash.

Disbursements for Contract Sales Department expenses are debited to the expense controlling account for that department and credited to Cash.

Contract material sales are credited to Contract Material Sales Account.

The method of profit distribution is illustrated on pages 49 and 50. Methods of cost and material control are illustrated by the use of the Job Estimate on pages 37 and 38, and by use of the Material Control on pages 45, 46, and 47.

For determining profit and loss for the year the



following outlined Profit and Loss form may be used. (1)

# RETURNS FROM SALES:

Contract Material Sales	XXXXXX		
Store Material Sales	<u>XXXXX</u>	XXXXXX	
Returns and Losses		<u>XXX</u>	
Net Sales			XXXXXX

# COST OF GOODS SOLD:

Inventory, Jan. 1, '41	XXXX		
Purchases	XXXX		
Returns and Allowances	<u>XXX</u>	XXXX	
Freight In	<u>XXX</u>	XXXX	
Inventory, Dec. 31, '41		<u>XXXX</u>	XXXX
Gross Profit on Sales			XXXX

# OPERATING EXPENSES:

Selling Expenses:			
Freight out	XXX		
Advertising	XXX		
Delivery Expenses	XXX		
Contract Sales Dept. Expenses	XXX		
Depreciation on Truck	<u>XX</u>	XXXX	
General Admin. Expenses:			
Office Salaries	XXX		
Office Supplies used	XX		
Postage, Telephone & Tel.	XX		
Insurance Expense	XX		
Depreciation on Equipment	<u>XXX</u>	<u>XXX</u>	XXXX XXX

# ADD OTHER INCOME:

Cash Discounts	XXX		
Interest on Notes Receivable	XX		
Other Income	<u>XX</u>		XXX XXX

# DEDUCT OTHER EXPENSE:

Loss on Bad Debts	XX		
Interest on Notes Payable	XX		
Other Expense	<u>XX</u>		XX XXX

Net Profit for the Period Ending Dec. 31, '41

XXX

## C. Applying the Plan to An

### Organization With A Limited Housing Unit Market

In small communities the returns from building material and housing unit sales may limit to perhaps three or

four the number of employees in a local building material firm. Many factors in addition to population influence the volume of housing unit sales; age of existing housing units; general economic status of the people; and industrial expansion or contraction are vital factors. Where these factors indicate that the number of employees should be limited to three or four in a local building material firm, certain variations from the typical case will be necessary when applying the marketing plan.

The general manager will continue his functions and also the duties of the finance agent. If a planning agent cannot be employed all three major services, financing, planning, and real estate must be negotiated primarily by the manager with some planning aid from the bookkeeper. The success of the latter arrangement depends upon the ability of the manager to carry out these functions. If he is not experienced with one or more of these services it may be to his advantage to acquaint himself with the fundamentals of each and extend the maximum amount of service to the customer.

In addition to his planning duties the bookkeeper will handle store material sales with the aid of the truck driver when the latter is not out on deliveries.

When limiting application of the marketing plan the use of the Material Control and Job Estimate may be continued

and contract sales controls will be fundamentally the same.

D. Applying the Plan To An  
Organization With An Unlimited Housing Unit Market

A large city provides optimum conditions for employing the housing unit marketing plan. A dealer with sufficient capital may locate his main office in the heart of the business district to maximize customer convenience. Customers can be given expert individual service covering all features relating to housing problems. Individual planning booths and many other customer conveniences may be provided and the organization may be expanded to include separate offices for each service department. Several planning agents may be employed with assistants to draw housing unit plans. A construction foreman may be employed to make all inspections and supervise construction. Several material stores may be located at strategic points throughout the city to facilitate material delivery and reduce transportation costs. Housing unit sales may also be made at each of the material stores to accommodate local customers.

## CHAPTER IV

### POSSIBILITIES FOR FURTHER DEVELOPMENT OF THE MARKETING PLAN

#### A. Introduction

A marketing plan which shows promises of creating certain social and economic benefits should be carried out to its fullest extent. The purpose of this chapter is to present certain possible additions to the basic functions of the plan which may be practical and will add to the general advantages created through their use.

The suggested additions are but a few of the many possible ramifications that might be adopted in this connection, but it is hoped that those mentioned will point the way for further research and development in the field of marketing housing units.

#### B. Cooperative Profit Sharing

To earn a profit sharing privilege a customer would cooperate with the building material dealer by providing him with prospects for contract sales. The customer's profit share would depend on two factors: (1) Amount of sales, and (2) amount of profit made on these sales. If a customer's prospect sales totaled \$1000 and profits on all prospect sales warranted a 4% cooperative dividend, the customer's profit share would equal \$40 in cash or

a larger amount in credit, depending on the dealer's practice of marking up his inventory.

### C. Exchange Selling

A provision in the sales contract may be made permitting the market value of existing housing unit to apply as part of the consideration for a new unit. Under these conditions a customer wishing to trade-in an old housing unit could do so, and the dealer would become owner of the used unit. The dealer could remodel and offer for sale units taken in in this manner, or a prospective buyer could direct the remodeling according to the latter's wishes, and contract negotiations could be carried out in accordance with the regular subcontracting procedure of the marketing plan.

Los Angeles builder who has practiced a form of housing unit exchange selling found the following home improvements necessary to insure quick profitable sales: (9)  
cleaning and pruning the yard and lawn; landscaping; repairing the roof; painting interior and exterior; installing linoleum and shades where necessary; and replacing lighting fixtures and locks where necessary. His sales increased substantially through his practice of exchange selling.

The exchange process gives the home owner added buying power when using an existing housing unit as the down payment for a new unit. It gives him the same privilege entertained by the automobile owner, and eliminates the process of engaging a real estate agent to dispose of old property when purchasing a new housing unit.

#### D. Selling Completed Housing Units

In addition to offering planning and other services, building material dealers with sufficient capital may build housing units which can be occupied or used immediately after being purchased. Many buyers will not find it convenient to wait for several months before they can occupy a dwelling.

Analysis of buying trends will provide information as to what types of housing units may be most easily sold. The construction process for these units may be carried out on the same subcontracting basis as that used for contract sales with money borrowed from local lending institutions. In this connection the ready-to-use housing units may be featured and advertised as model homes, and some may be completely furnished in cooperation with local furniture and department stores, all homes being displayed "open for inspection" prior to sale.

#### E. Promoting Subdivision Improvements

Certain dealers may find it convenient to purchase tracts of land, subdivide them, and place minimum value restrictions on proposed housing units to be developed on these tracts. This plan will enable the dealer to guarantee the neighborhood values for each subdivision, and the customer can confidently build on these sites housing units conforming to the particular restrictions.

#### F. Sponsoring A Future-Home-Owners' Club

In districts where prospects for future housing unit sales are good, the building material dealer may sponsor a Future-Home-Owners' Club. The object of the organization would be to educate its members concerning many phases of home ownership and instruct them in the art of planning and developing economical and socially adequate homes.

## CHAPTER V

### SUMMARY AND RECOMMENDATIONS

#### A. Summary

The sustained demand for building materials until recent decades made it unnecessary for the building material dealer to promote consumer education and generally stimulate the building material business.

In many other retailing fields highly effective merchandising techniques were developed because of the competition which developed between substitute goods, and the consumer began spending an increasingly greater amount for other goods and less and less for building materials.

The process of assembling housing units presents numerous obstacles to the consumer who lacks the knowledge necessary to properly utilize building materials.

The proposed marketing plan to facilitate the purchase of housing units includes real estate, planning finance, and building services.

One price includes all services and materials for each housing unit.

Responsibility for all services and materials of each housing unit sale is held by the building material dealer.

A dealer must provide additional service facilities



when adopting the marketing plan. Layout should include planning room facilities and quarters for finance and real estate agents.

Two departments carry out the functions of the marketing plan; the Contract Sales Department, which promotes sales requiring contracts; and the Material Sales Department, which controls material purchases and sales and assures delivery of all materials.

A Job Estimate is used by the planning agent to establish contract sales quotations and for recording retail extensions and actual costs of housing unit sales.

A Material Control is used to record material orders, deliveries and adjustments for contract sales.

All contract sales labor is performed by subcontractors.

Contract sales profits depend on the estimating accuracy of the estimator and upon the total number of contract sales. A housing unit sales price includes a profit on materials and a charge for services necessary for developing the unit.

When the marketing plan is applied to a limited housing unit market, functions of the plan must be reshuffled among fewer employees, but the contract sales controlling accounts remain fundamentally the same.

An unlimited housing unit market provides ideal conditions for applying the marketing plan. Services

may be extended and housing experts employed in each department. Functions may be extended to include cooperative profit sharing, exchange selling, selling completed housing units of various kinds, promoting subdivision improvements, and other functions designed to promote consumer and dealer benefits.

### B. Recommendations

A building material dealer wishing to adopt the housing unit marketing plan must have access to reliable cost records and trained personnel; without these, contract sales quotations cannot be made sufficiently accurate to proceed on a business-like basis. Very careful cost records should be kept of every housing unit sale, and fluctuations in material and labor costs checked constantly.

When plans and specifications are developed they should be complete in every detail to minimize misunderstandings, particularly with subcontractors.

Perhaps the best method of testing the feasibility of the marketing plan is to develop it gradually, accumulating accurate cost records and perfecting estimating procedure. With these factors fairly well established the planning service may be offered and small contract sales consummated. As estimating accuracy improves and various organization problems are solved, services may be extended

to include all phases of the housing unit marketing plan.

Extensive adoption of the marketing plan should promote social and economic benefits for both the dealer and building material consumer.

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