



2016

**BUSINESS &
ACTION PLAN**

FOR

REALTY EXECUTIVES

COMPANY NAME

I. EXECUTIVE SUMMARY

The plan describes the objectives and strategies for the continued development of **REALTY EXECUTIVES** _____ for the years 2016 through 2018.

BACKGROUND INFORMATION

- The Company's goal is to become the premier dominate real estate company throughout the owned franchise territory.
- **REALTY EXECUTIVES** International is an established franchisor with just under 600 offices in nearly every state in the United States plus international offices. In the United States there are currently fewer than 8,000 **EXECUTIVES** through the end of 2015. **REALTY EXECUTIVES** International just celebrated its 50th birthday during 2015. **REALTY EXECUTIVES** International was founded in 1965 by Dale Rector. This system is the original 100% commission system which revolutionized the real estate industry.

THE 100% COMMISSION SYSTEM PLUS A BLENDED COMMISSION

- **REALTY EXECUTIVES** offices use a unique system under which agents can pay the Company a per-month fee and a transaction fee upon closing each transaction. Agents keep 100% of their listing and sales commissions for themselves.
- The 100% Commission System offers a number of advantages over the traditional approach. Among the most significant benefits are: the system has great appeal for potential agents; agents have greater incentive to be productive and become unpaid recruiters; profits are not lost because of unproductive agents; and there is less dependence upon the state of the real estate market.
- The Blended Commission Schedule offers the traditional approach. Among the most significant benefits are: the blended has great appeal for potential new agents; inexperienced agents have greater security until their productivity reaches the desired level; profits are higher as the agent becomes productive; but there is a greater dependence on the overall state of the real estate market.

DESCRIPTION OF A TYPICAL **REALTY EXECUTIVES** COMPANY

- The typical **REALTY EXECUTIVES** Company has two sets of clients: (1) the agents/**EXECUTIVES** who, through their flat fees and transaction fees, or conventional

commission split provide the company with its revenues, and (2) real estate clients, who provide agents with their income.

- **REALTY EXECUTIVES** offices provide real estate clients with a full range of residential, rental, and commercial real estate sales services.
- The Company will use a mix of advertising, press releases, networking, direct mail, lead generation, email campaigns and collateral materials to attract agents and real estate clients.
- This Company's goal is to generate approximately \$_____ in profits on total income of \$_____ during the next twelve months.
- Profits are projected to equal approximately _____% of total income.

BUSINESS SUMMARY

The Company's income comes from two basic sources:

1. 100% Commission Structure provides revenue through management fees, desk fees and transaction fees.

Management Fee is a flat monthly fee that is charged toward offsetting monthly operating expenses.

Management Fee \$ _____

Desk Fees:	a. Private Office	\$ _____
	b. Semi-private Office	\$ _____
	c. Private Desk	\$ _____
	d. Shared Desk	\$ _____

Transaction Fees \$ _____

2. Blended Commission Schedule provides revenue through traditional commission splits. See attached schedule.

MARKETING

- The Company's target markets can be divided into two groups: Highly motivated individuals and highly productive individuals. The Company reaches its prospects through a careful mix of several marketing activities, including personal contact, advertising, direct selling, publicity, and direct mail.
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FINANCIAL ISSUES

- Revenues and profits for the next three years of operations are projected to be:

<u>Year</u>	<u>Revenue</u>	<u>Profit</u>	<u>% of Revenue</u>
2016	\$ _____	\$ _____	_____ %
2017	\$ _____	\$ _____	_____ %
2018	\$ _____	\$ _____	_____ %

- The largest expenses for the next three years will be:

Expense item	Amount	% of Total Income
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

II. BACKGROUND INFORMATION**A. MARKET POTENTIAL**

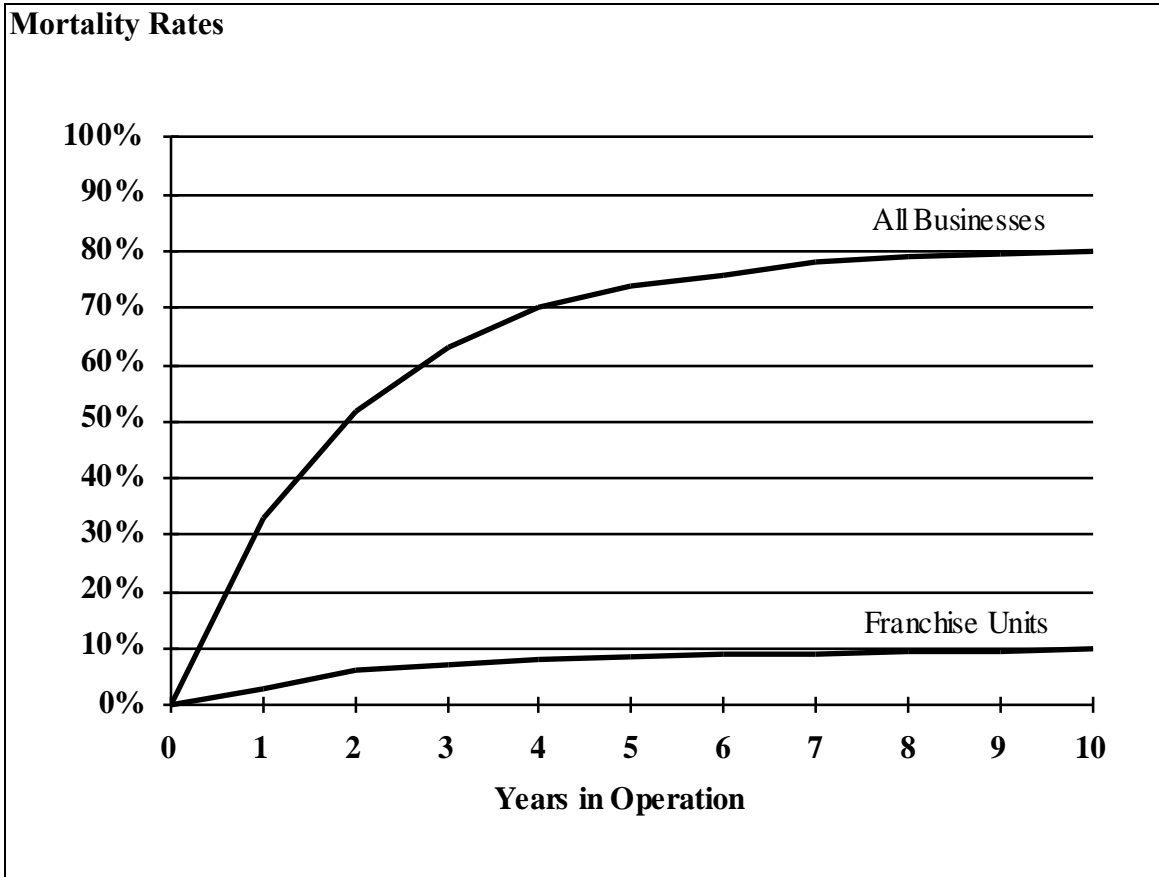
The Local Association of Realtors reports that it has approximately _____ active members and that approximately _____ individual real estate offices operating throughout the franchise territory. It is the Company's goal to hire _____ **EXECUTIVES** to achieve _____ % market share.

B. BENEFITS OF FRANCHISE AFFILIATION

The U.S. Department of Commerce reports that sales by franchised businesses account for approximately one third of all retail sales and 13% of the Gross National Product.

Part of franchising success has been due to the benefits of the support provided by franchisors to their franchisees. This support has helped franchisees counter their individual management shortcomings and has provided them with product development and marketing resources that could be unattainable under the budget of a single, independent business. This support has helped to give franchised businesses an impressive ability to survive and prosper.

These advantages have helped franchise-affiliated businesses prosper where independent businesses often fail. The following graph represents a comparison of the overall mortality rates of franchised businesses versus retail businesses in general. Statistics are provided by the U.S. Department of Commerce.



My five greatest challenges and opportunities:

Greatest Challenges

1. _____
2. _____
3. _____
4. _____
5. _____

Greatest Opportunities

1. _____
2. _____
3. _____
4. _____
5. _____

C. THE COMPANY

The Company is owned and operated by _____ an experienced, successful, and highly-respected real estate broker. The Company goal is a productivity rate of _____ transactions per **EXECUTIVE** per year which is more than _____ the local average for the real estate industry. The Company's goal is to continue to recruit and train individuals who desire to exceed the current **EXECUTIVES** production levels.

1. Recruiting Goals for:

- a. 2016 _____
- b. 2017 _____
- c. 2018 _____

2. Production per EXECUTIVE per year in sides closed

- a. 2016 _____
- b. 2017 _____
- c. 2018 _____

III. THE 100% COMMISSION SYSTEM**A. OVERVIEW**

The keystone of **REALTY EXECUTIVES'** success has been its unique 100% Commission system, a system which the company developed in the 1960s and has refined ever since. **REALTY EXECUTIVES** franchises operate very differently from the majority of real estate firms. Most firms split sales and listing commissions with agents and carry the cost of office overhead. **REALTY EXECUTIVES** franchisees charge agents for overhead and the rights to operate from the office (which provides the profit component) and allows agents to keep 100% of their commissions.

B. BENEFITS OF THE SYSTEM**1. Appeal to Realtors**

Not surprisingly, the 100% Commission system has great appeal to mature real estate agents. The added financial benefits give **REALTY EXECUTIVES** offices a strong competitive advantage in recruiting, making it relatively easy to attract agents and

allowing **REALTY EXECUTIVES** to be more selective in the people it adds to its organization. In addition the blended commission schedule provides security for an agent if they are unable to handle the 100% concept initially.

2. Incentive for Agents

Under the 100% Concept **EXECUTIVES** have more to gain from each sale and more to lose from lack of sales; they are motivated to make more sales. While the income of the Company is not directly dependent upon the volume of real estate sales made by its salespeople, such success does increase the Company's appeal to real estate clients, thus making it even more appealing to potential salespeople.

3. No "Dead Weight"

One of the most significant factors that drain profits from most real estate companies is the overhead expense involved in supporting the efforts of unproductive agents who do not produce commissions sufficient to cover the cost of their presence in the office. Since most **REALTY EXECUTIVES** agents pay regardless of their productivity, there is less danger of unproductive agents draining profits.

4. Decreased Dependence on the State of the Real Estate Market

The revenues and profits of the Company are largely dependent upon the number of agents working from the office, not solely on the volume of real estate sales made. For this reason, **REALTY EXECUTIVES** offices are far less dependent upon the state of the real estate market than are their competitors. In slower markets, the company's revenues will remain predictable and steady as long as agents remain in the office. Since the Company offers a better opportunity for agents than its competitors, the main threat of agents leaving the company will be those who leave the area or the industry entirely.

IV. DESCRIPTION OF THE TYPICAL FRANCHISEE

A. SERVICES PROVIDED

A **REALTY EXECUTIVES** franchise really has two sets of customers: real estate agents, who provide the actual revenues of the business, and real estate clients, who provide the agents with their income.

1. 100% Commission EXECUTIVES

The operation of a **REALTY EXECUTIVES** office is somewhat different from that of a typical real estate firm. **REALTY EXECUTIVES** franchisees' income comes from the agents in the office rather than directly from home sellers and home buyers. The agents pay the office monthly fees for the use of the facilities and affiliation with the **REALTY EXECUTIVES** brand name. Agents also pay fees for using the Realty Executives International Business Management Services, transactions they create and for additional services such as copies, long distance phone calls, voice mail, and other services necessary for real estate sales.

In exchange for these fees, the company provides complete office support, including desk and telephone, receptionist and secretarial services, and the use of office equipment.

The Blended Commission System

The blended commission system allows those Executives who are uncomfortable paying a fixed fee monthly when the market may not support consistent revenue monthly, have the option of being on a blended commission system. The commission split is shared between the Company and Executive in various combinations. Depending on the split level, some or all of the Business Management Services may be subsidized by the Broker. In Appendix B examples are provided showing potential revenue for the Company.

2. Real Estate Clients

Services provided to real estate clients are provided by the real estate agent for listing, rental, and sale of residential, commercial, and investment properties. The agents pay for their advertising, supplies, signs, and any special services for the real estate client. **REALTY EXECUTIVES** agents can also take advantage of the system's extensive referral network to assist clients in relocating to and from other areas.

B. FACILITIES

The Company's goal is to operate from _____ square feet of office space.

C. STAFFING

The Company's goal is to hire an average of approximately ____ additional **EXECUTIVES** per year, who operate as independent contractors, maintain one full time manager and receptionist.

D. MARKETING

The Company uses a variety of marketing approaches to reach their audience.

1. Advertising and Lead Generation

Advertising may include at various times print display advertising, classified newspaper advertising, radio, TV, mailings, Internet sites, lead generation and outdoor advertising.

2. Press Releases

Press releases announcing the addition of new agents, sales awards, and other events are sent regularly to local publications to maintain a high profile.

3. Networking

Networking is perhaps the most important of all marketing activities for a real estate agent. Agents maintain strong public profiles through membership in civic organizations. These activities generate listings and referrals from people with whom the agents have contacts. The specific areas of focus are _____.

4. Direct Mail

Direct Mail pieces are sent periodically to highly targeted groups of potential real estate agents. Rather than take a scattershot, mass marketing approach, offices send mailings to smaller groups of carefully selected prospects. This allows the Company to personally follow up all mailings sent, increasing the effectiveness of the campaign and reinforcing the Company's image of personal attention and professionalism.

5. Collateral Materials

A variety of high-impact, professionally-designed marketing pieces are available from **REALTY EXECUTIVES** in marketing to potential agents and customers. The pieces can be used in a variety of ways, including leave-behinds after meetings and inserts in direct mail pieces.

6. Internet

The Internet is an integral part of the **REALTY EXECUTIVES** agent's marketing for buyers and sellers. The company's website address is: _____. Each **EXECUTIVE** is encouraged to have a personal website to further their business development plan. The Company will strive to have 100% of its **EXECUTIVES** with personal websites by _____.

7. Email Marketing

The Company and its Executives will secure email addresses to maintain continued contact with their sphere of influence and potential customers and leads.

8. Community Supported Events/Sponsorships

Some of those Events/Sponsorships to be considered are: Homes for the Heart: Golf Tournaments; Rotary; Little League; Toys for Tots; Men and Women in Uniform.

9. Realty Executives International Programs and Systems

Programs and systems designed to attract individuals to property and retain their information as a lead. Leads are contacted quickly with Executives information imbedded in the contact.

E. FINANCIAL**Budget:**

The Company realizes that to be fiscally sound it must operate from a budget. The budget outline represents the Company's current financial information and realizes that this information changes constantly. It is the desire of the Company to tightly monitor its revenue and expenses weekly and ensure the controls that are in place are adhered to within reason. See **APPENDIX A**

Revenue options:100% Commission

- A Management Fee per 100% Executive may range from \$295 to \$495 per month
- Desk Fees are based on the square footage desired by the Executive as a percentage of the total square footage of the office
- Transaction Fee range is between \$295 to \$495 per month

The Blended Commission Schedule

The blended commission system split begins at 50% of the gross commission being retained up to 90% of the gross commission by the Executive. Graduating to the next commission level is determined by the amount of Company Dollar retained by the Company on an Executives production. A minimum annual commission of _____ is expected from the Executive no matter what level of split the Executive is placed. See

APPENDIX B**Executive Head Count:**

See APPENDIX C

V. OTHER BUSINESS DEVELOPMENT OPPORTUNITIES**A. SOURCES OF INCOME**

Below is a list of business opportunities that over time could deliver additional sources of income.

1. Mortgage
2. Title
3. Home Inspection
4. Home repair

APPENDIX A - Sample Blank Budget

APPENDIX B - Commission Schedules with examples of revenue to the Company

APPENDIX C - Cash flow analysis

APPENDIX A

Below is a Chart of Accounts reflecting this company's monthly expenses to date.

Financial Information

Total Income \$ _____ **100%**

Operating Expenses:**Overhead**

Accounting Services \$ _____ %

Legal Services \$ _____ %

Telephone, Office \$ _____ %

Insurance \$ _____ %

Loans \$ _____ %

Utilities \$ _____ %

Maintenance \$ _____ %

Equipment \$ _____ %

Office supplies \$ _____ %

Postage \$ _____ %

Dues \$ _____ %

Support Staff \$ _____ %

Computer Services \$ _____ %

Bank Charges \$ _____ %

Interest \$ _____ %

Royalties and Ad Fees \$ _____ %

Rent \$ _____ %

Payroll \$ _____ %

Telephone, Cell \$ _____ %

Other Operating Expenses \$ _____ %

Advertising/Sales Promotion

Institutional Advertising \$ _____ %

Direct Mail \$ _____ %

Printing \$ _____ %

MLS Fees \$ _____ %

Recruiting Supplies \$ _____ %

Internet \$ _____ %

Management

Salary, Management \$ _____ %

Automobile \$ _____ %

Life/Medical Insurance \$ _____ %

Entertainment \$ _____ %

Conventions \$ _____ %

Profit

Investment \$ _____ %

Savings \$ _____ %

Retained Earnings \$ _____ %

Total Operating Expenses \$ _____ 100%**Net Income after Profit \$ _____ %**

Note: All expenses for a company may not be included in the chart above. If other expenses are needed for your office, please include them in the example above.

APPENDIX BSample of an Executive on the 100% Commission Schedule:

Management Fee \$395 per month

Desk Fee \$ -0- Working out their home

Transaction Fee of \$495

Annual revenue to Company based on 15 transactions per year.

• Management Fee	\$4,740
• Desk Fee	\$ -0-
• Transaction Fee	<u>\$7,425</u>
• Total Company Revenue	\$12,165

Sample of an Executive on the Blended Commission Schedule:50/50 split

\$160,000 sales price at 3% per side equals \$4,800 gross commission to the firm

The company retains \$2,400 per transaction. If the Executive closes 5 transactions in a year the Company retains \$12,000.

60/40 split

\$160,000 sales price at 3% per side equals \$4,800 gross commission to the firm

The company retains \$1,920 per transaction. If the Executive closes 7 transactions in a year the Company retains \$13,440.

70/30 split

\$160,000 sales price at 3% per side equals \$4,800 gross commission to the firm

The company retains \$1,440 per transaction. If the Executive closes 9 transactions in a year the Company retains \$12,960.

80/20 split

\$160,000 sales price at 3% per side equals \$4,800 gross commission to the firm

The company retains \$960 per transaction. If the Executive closes 14 transactions in a year the Company retains \$13,440.

90/10 split

\$160,000 sales price at 3% per side equals \$4,800 gross commission to the firm

The company retains \$480 per transaction. If the Executive closes 25 transactions in a year the Company retains \$12,000.

APPENDIX C

After filling in the budget, determine what is needed in revenue to cover your monthly expenses including profit. Now calculate your annual operating cost. If you determine that the annual income to the company per agent is comparable to the numbers in the **APPENDIX B** sample, then divide that number into the estimated annual budget and you will have an approximation of the number of agents needed to generate the annual revenue for the company. Please review the example below:

EXAMPLE

What if you calculate the annual expense including profit, the monthly number was determined to be \$18,000 per month or \$216,000 annual budget. And what if the average agent generates to the company \$12,500 per year, then the number of agents to meet the 2016 Action Plan would be calculated as: $\$216,000 \div \$12,500 = 18$ agents, when you round up the number.

The number of agents needed will either increase or decrease depending on the actual Annual Expense and the projected income average per agent.

Note: Agent is an Executive
