

Business Plan for:

**Residential Realty, Inc.**

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Memphis, TN 88998

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Business Plan Copy Number \_\_\_\_\_

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## **Executive Summary**

Residential Realty, Inc., was formed to provide a professional real estate service to buyers and sellers of residential real estate in the Greater Metropolitan Memphis area. Tom and Randy Jones are the founders of the company.

Residential Realty, Inc., opened its doors for operation January 1, 1993. The office is located in the DiamondBack Corridor, to provide services to the higher income sections of Metropolitan Memphis.

Residential Realty, Inc., is part of the Worldwide International System of independently-owned offices. The company is proud of its association with Worldwide International.

In two recent surveys of homeowners, buyers and sellers of residential real estate and potential sales associates preferred to do business with a Worldwide office. Worldwide continuously ranked higher than any other real estate organization.

The Joneses chose to become a part of this organization because of the high success ratio of the Worldwide System.

## **Statement of Purpose**

For many years Tom and Randy Jones have been involved in the real estate market as investors. The primary reason for establishing Residential Realty, Inc., was to develop a profitable business enterprise from which other investments may be developed.

Each of the business investments is planned to have a future acquisition value at the end of three years. The Joneses plan to review the investments at the end of three years, and evaluate whether to continue to nurture the investment or to offer it for acquisition.

While so doing, the company will always continue to strengthen its position in the target market area by providing superior customer service to clients and to sales associates.

The objective of our extensive recruiting process is to hire at least 25 sales associates by January 1995. At present, we have hired 13 sales associates, and we expect to reach our intended goal ahead of schedule.

## **Management**

Our management team consists of experienced managers whose backgrounds consist of more than 50 years of combined marketing, real estate, and sales experience.

Tom Jones has several years' experience as a successful entrepreneur in the real estate industry. Prior to operating his own business, he developed a solid background in the same field with other well-known agencies in Tennessee.

Randy Jones has extensive experience as a corporate vice-president in the cellular phone industry for Southern Bell Telephone Co.

Our sales manager and designated broker is Bill Thomas. He brings to our team 25 years of successful real estate experience in sales and as an investor.

### **Marketing**

The fundamental thrust of our marketing strategy consists of recruiting the very best personnel available, many of whom live within our targeted market area. We intend to reach six primary market segments in the affluent areas of Memphis.

Our company can be characterized as an aggressive marketing company that is very serious about the quality of service we provide to our clientele. We intend to continue our advances in the marketplace by following this plan of action.

### **Finance**

In two years we will have achieved our initial goals, and our investment will be generating profits from which other opportunities will arise for further investment in the real estate market.

Gross revenue projected for the first 12 months of operation (January 1, 1994, through January 1, 1995), without external funding, is expected to be \$234,000. Gross margin (company dollars) for the same period of time is projected to be \$124,500. Annual growth is projected to be 10 percent per year through 1996.

### **Present Situation**

#### **Market Environment**

The real estate marketplace is undergoing rapid changes in the Memphis metropolitan area. Due to the strengthening of the economy in the Memphis area, more homebuyers today are looking to purchase homes. These changes in attitudes of homebuyers are a tremendous boost to real estate firms.

We are poised to take advantage of these changes, and expect to become a recognized name and profitable entity in the Memphis real estate market.

Current prices of residential homes in Metropolitan Memphis are increasing, and revenue to real estate companies is also increasing. With the average home price up 6 percent during the past two years, prices have increased from an average of \$76,500 to \$80,851. We are seeing the marketplace turn around, as the value of homes begins to increase.

We chose to locate our office in the area of most revenue potential. Our targeted market area, the DiamondBack corridor, shows stability and growth. The average selling price for homes in our area for the past 15 months is \$187,400. The average price is considerably higher than the rest of the Metropolitan Memphis area. (Please refer to the Market Analysis Section for a more comprehensive analysis.)

The present situation of our organization is very exciting. We have a beautiful 4500-square-foot office, centered in the DiamondBack corridor of Memphis. This location will enable our sales associates to work in an area that will allow them to make more money in a shorter period of time.

#### **Management**

Our management is in place and each manager has his or her specific responsibilities outlined. (Please refer to the Management Section.)

## Objectives

The primary objectives of our organization are to:

1. Become a profitable enterprise to allow us the freedom of taking advantage of other real estate investment opportunities as they become available.
2. Recruit and hire self-motivated, success-oriented, and hardworking sales agents.
3. Maintain an office of at least 25 sales agents who meet the previous requirements.
4. Develop a solid, corporate identity in our specified targeted market area.
5. Become one of the Top Ten Regional Worldwide offices by our fourth year of operation, or before.
6. Realize a positive return on investment within the first 12 months of operation.

## Rationale

We believe the above-mentioned objectives are obtainable because of the professionalism of our managers and sales associates. Our management team is highly skilled in the critical areas that are required to develop a successful real estate office. Each comes from an environment where he or she experienced managing large organizations, rapid growth, development of quality control, and building a strong, client-centered team of sales professionals.

## Financial Objectives

Item	(1/1/95)	
	Year One	Year Five
Gross revenue	\$234,000	\$356,000
Gross margin (company dollars)	124,500	189,000

## Broker Objectives

We have set the following objectives for our broker to accomplish. The broker will be responsible for:

1. Recruiting and maintaining a level of at least 25 sales associates.
2. Retaining successful sales professionals.
3. Motivating the sales associates to produce quality listings.
4. Developing checks and balances to evaluate the productivity of the sales associates.
5. Ensuring the highest possible level of penetration into our targeted market by number of listings and closings.
6. Maintaining the highest possible profile within appropriate real estate organizations and associations.
7. Ensuring the highest possible quality of service to our clients.

## **Management**

### **How We Started**

Residential Realty, Inc., was founded in early 1993 by Tom and Randy Jones. The Joneses invested a great deal of time and energy looking for a business development opportunity in Tennessee. Since they came from service industries, they concentrated their investigations in this sector. They came to believe that a niche existed for a real estate company with an extraordinarily high commitment to customer service.

The legal form of Residential Realty, Inc., is a Subchapter S Corporation, incorporated in the State of Tennessee.

The founders have been issued 100 percent of the original stock issue. Tom Jones holds 50 percent of the stock and Randy holds 50 percent.

### **Management Team**

Three people make up the development staff:

Tom Jones, President  
Randy Jones, Vice-President and Marketing Director  
Bill Thomas, Vice-President of Sales and Designated Broker

The founders and key managers of Residential Realty, Inc., have combined experiences exceeding 15 years in the real estate industry, and combined experiences exceeding 50 years in general business management.

The strength of the Residential Realty management team stems from the combined expertise in management, real estate, and sales areas. Those years of experience and successful operations in other companies will produce outstanding results.

The leadership qualities and characteristics of our management team have resulted in broad and flexible goal setting to meet the ever-changing demands of the quickly moving marketplace requiring our services. This is evident when the team responds to situations requiring new and innovative capabilities.

### **Responsibilities**

#### *Tom Jones, President*

Management of working capital, including receivables, inventory, cash and marketable securities; financial forecasting, including capital budget, cash budget, pro forma financial statements, external financing requirements, financial condition requirements, and facilitating staff services.

#### *Randy Jones, Vice-President, and Marketing Director*

Manage market planning, advertising, public relations, sales promotions, identify new markets, develop marketing strategies, and direct market research and analysis.

*Bill Thomas—Vice-President of Sales and Designated Broker*

Manage field sales organization, territories and quotas; manage sales activities, including customer support service; develop and maintain a high industry profile, and be signatory to all company contracts.

**Outside Support**

An outside team of highly qualified business and industry professionals will assist our management team to make productive decisions and take the most effective actions to generate the greatest possible profits for our enterprise. However, they will not be responsible for final management decisions.

Legal—Jack Anderson, Attorney  
Accounting—Emily Smith, Certified Public Accountant  
Management Consulting—Trico Business Solutions, Inc.  
Quality Control—Worldwide Real Estate Corp.

**Management Team**

Following their participation in the Tennessee real estate market, the Joneses turned their attention to the Memphis market. They have purchased three dozen separate real estate properties in Tennessee for investment purposes, and they plan to pursue other real estate investments in the Tennessee market.

*Tom Jones*

After several years of learning the real estate business, Tom opened his own agency in Chattanooga, Tenn. He developed the company into a successful enterprise, and in 1989 sold the agency to Banner and Banner, Ltd.

Tom's successful sales and promotion experience covers the spectrum of all types of real estate properties, including residential, commercial, and industrial. He has also participated in the promotion of the oil and gas industry.

*Randy Jones*

Randy's career path has been a distinguished one in sales and communication as a corporate vice-president and executive. He was the vice-president of the Fortune 100 Company, Southern Bell Telephone Co. Prior to Southern Bell he was with ATT&R, one of the world's best known International Telecommunications companies.

Randy has developed successful sales and marketing campaigns for these companies that have produced outstanding results. He was awarded the prestigious Malcolm Smith sales award while at ATT&R.

*Bill Thomas*

Bill has been successfully involved in the Tennessee real estate industry for 25 years. He is the designated broker to Residential Realty, Inc., and oversees the development of the entire sales force.

Bill is a graduate of the Realty Institute, and has received the GRI designation for his real estate educational training. He is also a member of several industry associations and committees.

### **Outside Support**

#### *Finance and Accounting—Emily Smith, CPA*

Emily holds professional designations as Certified Public Accountant in both Tennessee and Kentucky. She is a member of the American Institute of Certified Public Accountants and the Tennessee Society of Certified Public Accountants.

Her original contribution to Residential Realty, Inc., was in the incorporation and original setup of the company and its accounting procedures. Her ongoing contribution is in the role of accounting services and as a tax and financial consultant.

#### *Legal—Jack Anderson, Attorney*

Mr. Anderson is a graduate of the Harvard School of Finance & Commerce, The University of Tennessee School of Law, and Stanford University School of Law.

Jack was admitted to the Tennessee State Bar in 1978. His areas of preferred practice are estate planning, real estate, and business law. He has extensive experience as an instructor and lecturer at the college and university level, as well as for a variety of businesses, industry organizations, and community groups.

Jack is a member of the American, Tennessee, Jackson County, and Memphis Bar Associations.

His original contribution to Residential Realty, Inc., was in the incorporation of the company. His ongoing role is in all matters of business law, as they arise, concerning the company.

#### *Management Consulting—Trico Business Solutions, Inc.*

Trico Business Solutions, Inc., is a professional management consulting firm located in Memphis, Tenn. Its diverse client base includes businesses in manufacturing, wholesale, retail, and service industries. The senior management team of Trico consists of executives with more than 40 years of combined management, marketing, and sales experience. --

Joseph A. Thomas, MBA (Finance), is a graduate of Fairleigh Dickinson University. He has 15 years' experience in accounting and upper management. He has been vice-president of finance and general manager in large manufacturing and distribution corporations. Joe is also an instructor for business and human relations courses at Memphis College.

Brian J. Hanson, BA (Marketing), is a graduate of Western International University. Brian has been a top sales representative and regional sales manager in large service and distribution companies. He is also a licensed REALTOR® in Tennessee.

Brian has appeared as a guest on several radio and television talk shows regarding business plan development and marketing strategies.

#### *Quality Control—Worldwide Regional Headquarters*

A team of professional managers with direct, hands-on experience within the real estate industry is always available to assist Residential Realty, Inc. These professionals are constantly in touch with our senior managers to assist and make suggestions for the overall benefit of our business in the areas of sales and marketing support and training.

Functional Organization Chart of  
Residential Realty, Inc., as of January 1, 1994

<b>President</b> Tom Jones Financial, Administrative, Long Range Planning	<b>Vice-President/Marketing Director</b> Randy Jones Marketing, Advertising, Public Relations
<b>Designated Broker/Sales Manager</b> Bill Thomas Sales Associate Training	<b>Outside Support</b> <b>Finance/Accounting</b> Emily Smith, CPA
<b>Sales Associates</b> M. Wicks G. Steppon C. Stevens R. Rich H. Pachoe D. Rutan L. Walker L. Benson L. Holtman G. Wright P. Sharrock M. Ashby K. Krieger C. Morrison C. Watson S. Roach M. Cook	<b>Legal</b> Jack Anderson, Attorney  <b>Management Consultants</b> Trico Business Solutions  <b>Secretarial</b> S. Haymond  <b>Quality Control / Operations</b> Worldwide Regional Headqtrs.

### **Service Description**

At Residential Realty, Inc., our principal service consists of selling residential real estate in a targeted market area. Our target market is located in the DiamondBack corridor of Memphis. This particular area covers from 10th Street to Amazon Road, and from Washington Drive to Stenson Road. (Please refer to the Market Analysis Section.)

Residential Realty, Inc., is a full service residential sales agency. The development of three other services is already in progress. These additional services will allow us to satisfy several different needs of our clients. These services are:

1. Property Management,
2. Commercial Real Estate Sales, and
3. Business Brokerage Services.

### **Useful Purpose and Benefits**

Our services provide our clients with an international network of buyers and sellers through the Worldwide International System, as well as the local multiple listing service (MLS). Because of our capabilities to network with other brokers, we will sell homes faster than our clients could if they tried to market their home without the assistance of a licensed real estate agent.



In addition, our customers will list their homes with our agency because of our aggressive and highly-skilled professionals. We will continuously have an above-average sales force to generate and close residential listings.

The owners and management team of Residential Realty, Inc., are committed to success in the real estate market. Our high level of commitment will enable the company to attract top professionals as sales associates and clients looking to buy and sell residential real estate.

### **Benefits of Belonging to the Worldwide System**

As part of the Worldwide System, Residential Realty, Inc., is able to offer detailed services that help make the sales and purchases of residential homes much easier for our clients. Residential Realty, Inc., is a full-service real estate office. The following categories of services help make up this dynamic format of customer service.

#### *Residential Real Estate Sales*

Residential real estate is the foundation of the Worldwide and Residential Realty, Inc., systems. While continuing to strengthen its position in the residential real estate market, Worldwide Real Estate Corp. has also renewed its commitment to additional services, which allows Residential Realty, Inc., to become more influential with our clients.

#### *Broker-to-Broker Referrals*

Broker-to-broker referrals continue to be one of the hallmarks of the Worldwide System. In an increasingly mobile society, the referral opportunities available to Residential Realty, Inc., and other Worldwide brokers are a lucrative income source. And with approximately 12,000 offices worldwide, referral capabilities are a valuable benefit to our buyers and sellers.

#### *Worldwide Military Program*

The Worldwide Military Program has been in operation since 1982. This system was developed in cooperation with U.S. Military officials. The military program features substantial savings to military transferees on fees required to purchase a home, plus a variety of other specialized services. The Worldwide System is officially endorsed by the military to provide this service.

#### *Corporate Real Estate Services Department*

The corporate Real Estate Services Department at Worldwide conducts a national corporate calling program and administers real estate services to corporate clients. Through this program, corporate clients have access to services such as:

1. Home purchase assistance,
2. Home search assistance,
3. Early sales program assistance,
4. Mortgage and insurance assistance, and
5. Household goods transportation assistance.

Residential Realty, Inc., will utilize the vast library of knowledge provided to us as a Worldwide franchise owner. As our sales associates use the successful tools also provided by Worldwide, our firm will generate more revenues in a relatively short period of time.

#### *Sales Support Materials*

The sales materials used by our sales associates are developed by the Worldwide organization. Our sales materials reflect the enormous success of the Worldwide network. These materials are easy to understand and follow. Their purpose is to assist our sales associates when giving presentations to clients. We feel that our sales materials will help our agents list and sell more properties.

#### *Key Benefits of all Services*

The combination of all services provided by Worldwide enabled the Joneses to make an intelligent decision of which franchise to purchase. To illustrate this point even further, a national survey and a local Metropolitan Memphis survey was performed by The Thomlinson Group, a leading survey research organization. The results of the surveys clearly indicate why Worldwide enjoys the rating of "Number One" in the world. (Please refer to the Market Analysis Section.)

### **Market Analysis**

#### **Market Definition**

Key points in defining the market segment for our service are our geographical location and the life-style of our targeted customers. Currently, the market distribution is shared by several participants due to overlapping segments of the targeted market.

We will show where our targeted markets are in the Memphis area and provide figures for the number of homes presently listed, as well as the number of homes that have sold during the past 15 months.

For our market analysis, we will provide facts and figures from the following areas listed in the Multiple Listing Service (MLS) for the Memphis area:

1. MURRAY (Area 105 on the map);
2. DIAMONDBACK MOUNTAIN (Area 104);
3. LAMBSON VALLEY (Below the Memphis Mountain Preserve) (Area 106);
4. WASHINGTON DRIVE TO SOUTHERN AVENUE (Area 103);
5. AMAZON ROAD TO 10TH STREET, AND STENSON ROAD TO 20TH STREET (Area 406);
6. DIAMONDBACK ROAD TO THOMASSON DRIVE (Area 410).

Market research (as of December 15, 1992) indicates that there are currently 987 to 1,003 active listings in these areas. This is our targeted market area, and gives our office a tremendous boost, because all the homes listed are in medium- to upper-income areas.

Like most of the southern region of the United States, this market segment has been unstable in the past few years. However, the trend is swinging upward for the number of listings and number of sold homes, particularly in our target area.

During the past 15 months, our area has produced approximately 1,009 sales of middle- to upper-income homes. The approximate average selling price for these homes in all the combined areas of our target market is \$187,400. The average selling price in the Metropolitan Memphis area is \$80,851.

Based on the real estate market performance over the past 24 months, the average selling price in the Memphis area has increased almost 6 percent. The trend is expected to continue for the next five years as our market begins to rebound from a slow period from 1987 to 1990.

Figures from the Tennessee Regional Multiple Listing Service show that 1,908 buyers and sellers connected in December 1992. That is the highest figure recorded in the five years the organization has kept monthly statistics.

In November 1990, the average home sale price increased \$2,500 more than posted increases in October 1990. Homes are moving quickly in Memphis. The Tennessee Regional MLS figures show that nearly half of all homes sold in December 1992 had been on the market for 60 days or less (*The Memphis Business Journal*, December 29, 1992).

The following list illustrates what the average selling prices are for our specific areas during the past 15 months.

Area	Average Selling Price
106	\$ 87,000
105	215,000
103	120,000
410	108,000
104	407,000

The overall target market for the DiamondBack Corridor is presently generating about \$217 million. It is projected to be \$266 million by the end of 1996. (This is based on a 4 percent increase of sales over the next five years.) (Tennessee Regional Multiple Listing Service.)

The major competitors in our market are:

- Red Canyon
- Jack Holmes and Associates
- Realty People
- Connors
- Other Worldwide offices

### Strengths

1. In terms of our service strengths, we will recruit sales associates who live within our target market to gain even greater influence. It is very important for sales associates to live in the area where they will generate most of their leads and, consequently, their sales.

2. The physical location of our office is a definite strength. We are located in the heart of our target market at 10th Street and DiamondBack in Memphis. This is only a few minutes from four of the most influential and high-income residential areas of the immediate area.

3. In the corporate arena, Residential Realty, Inc., is supported by Worldwide System. Our market strengths are the recognized symbols of quality, success, and professionalism. These several advantages have already been outlined in the Service Description Section.

## Opportunities

The upside potential for a real estate agency like Residential Realty, Inc., backed by the Number One real estate organization in the world is tremendous.

Based on existing conditions, we are poised to take full advantage of the current market in Memphis. As we follow the detailed educational process provided by Worldwide Real Estate Corp., there really is no way for our firm to fail.

We will succeed in becoming one of the major competitors in the Memphis real estate market, because of our management team, the superior service that we provide, the powerful training provided by Worldwide, and our focused market segment, located a few miles from our office.

## National and Local Survey Results

The following surveys, conducted by The Thomlinson Group (referred to in the Service Description Section), offer further positive references for our decision of owning and operating a Worldwide franchise.

The national survey included 1,500 telephone interviews with a random sample of homeowners from across the United States, and was conducted during August 5-9, 1993. No coaching or preferences were provided by the survey company to persuade the homeowners to state any specific answers.

The local survey included 300 telephone interviews, and was conducted during August 15-19, 1993.

### National Survey

QUESTION: Which company would you say is the company you would want to join if you were going to work in real estate?

WORLDWIDE	33 %
Connors	6
E.S.S.A.	3
Bigger Homes	2
Maximum	2
Presidential	2

QUESTION: Supposing you were going to sell your home, which one of the following types of agencies would you most likely select to list your home?

An agency associated with a national organization	58%
An agency not associated with a national organization	16
An agency owned and operated by a national organization	14
Does not matter/Would not use a real estate agency	12

QUESTION: Which real estate company would you say can do the most to help someone like you sell a home?

WORLDWIDE	22 %
Connors	4
E.S.S.A.	2
Maximum	2
Bigger Homes	1
Presidential	1

### Metropolitan Memphis Survey

QUESTION: Which real estate sales organization would you most likely use to sell your home?

WORLDWIDE	13 %
Realty People	7
Red Canyon	3
Connors	3
E.S.S.A.	2
Realty Professionals	2
Jack Holmes	1
South USA	1
Southern Bell	1

QUESTION: Which company would you want to join if you were going to work in real estate?

WORLDWIDE	15 %
Realty People	7
Connors	4
Red Canyon	3
E.S.S.A.	2
Bigger Homes	1
Help Us Sell	1
Jack Holmes	1

QUESTION: Which one of the following types of agencies would you most likely select to list your home?

An agency associated with a national organization, but which is independently owned and operated by local business people	55%
An agency owned and operated by a national organization	21
An agency not associated with a national organization	11
The type of agency doesn't matter/Would not use a real estate agency/Don't know	14

### Customers

Our customer service philosophy is unique. In a philosophic sense, Residential Realty, Inc., has three distinct customer groups: *sellers*, *buyers*, and *agents*.

Sellers of real property are our *first* customers. Listers of properties (sellers) pay commissions from the sale of their property and are the direct clients of the real estate brokers. We will never lose our focus that clients who have retained Residential Realty, Inc., to list and sell their properties are our first obligation.

Our second real customer is the buyer of residential real estate. We will provide superior personal service to buyers.

Our *third* real customer is the licensed real estate sales *agent*. It is the agent's job to provide a professional service to both sellers and buyers, specifically in this order. Therefore, it is the direct responsibility of Residential Realty, Inc., to provide service to our sales agents.

**Typical Customer**

We have identified the most typical buyer for our office. The purpose of the following information is to illustrate the age, income level, and emotional biases of our targeted clientele base. This information is also intended to assist our sales associates in understanding who our typical clients are:

*Corporate Executive*

Title:	President, VP Finance, VP Manufacturing, Office Manager, Advertising Manager, etc.
Power:	Permitter, decision-maker, influencer, initiator
Viewpoint:	Big picture, financial, personal
Emotional Influences:	Status, power, nice neighborhood, low crime area
Practical Influences:	Saving money, efficiency
Education:	Ph.D., MBA, college graduate
Limitations:	Geographical, purchasing approval from spouse

*Housewife*

Age:	35-55
Household Income:	\$50,000 +
Sex:	Female
Family:	Full nest
Geographic:	Suburban
Occupation:	White-collar family
Emotional Influences:	Comfort, safe surroundings, close to schools, church, and shopping

*Young Professionals*

Age:	25-45
Income:	Medium to high
Sex:	Male or female
Family:	Bachelor or married
Geographic:	Suburban
Occupation:	White-collar
Emotional Influences:	Status, power, close to work

*Young Married Couples*

Age:	35-45
Income:	Medium to high
Sex:	Male or female
Family:	Married, with or without children
Geographic:	Suburban
Occupation:	White-collar
Emotional Influences:	Comfort; safe surroundings; close to schools, church, and shopping

*Wealthy Rural Families*

Age:	35-55
Income:	High
Sex:	Male or female
Family:	Full nest
Geographic:	Rural
Occupation:	White-collar
Emotional Influences:	Status; power; close to work; comfort; safe surroundings; close to schools, church, and shopping

*Older Couple*

Age:	55-70
Income:	High or fixed
Sex:	Male or female
Family:	Empty nest
Geographic:	Suburban
Occupation:	White-collar or retired
Emotional Influences:	Comfort, safe surroundings, close to church and shopping

**Selling Agent**

*Recruiting Guidelines*

The typical selling agent that we will constantly recruit will fall under the following categories:

- Middle Management personnel, earning approximately \$60,000 a year.
- Retired persons in search of a second career.
- Persons who have a burning desire to earn a good living.
- Spouses who can contribute an above-average income to a family unit as a second income.

During the recruiting process and once the sales associate is hired, we will emphasize three key areas that are important attributes for all of our sales associates to maintain. They are

- Commitment to individual success and to the success of Residential Realty, Inc.
- Attitude and direction
- Knowledge and skills

#### *Recruiting Goals*

As part of our ongoing recruiting process, we have established recruiting goals to project our profit potential. These goals are based on the following important parameters:

1. What our monthly expenses are to keep the doors open.
2. The number of sales each month needed to meet the budget.
3. The amount of profit we should be earning each month on our investment in the company.
4. Minimum number of salespeople needed.
5. The average number of sales per sales associate per month.

### **Marketing and Advertising Strategies**

Residential Realty, Inc., is committed to an extensive promotional campaign. This must be done aggressively and on a wide scale. To accomplish our initial sales goals, we require an extremely effective promotional campaign to accomplish two primary objectives:

1. Attract quality sales personnel that have a burning desire to be successful, and
2. Attract sellers and buyers that we will represent as their broker.

Residential Realty, Inc., plans to advertise in trade magazines and newspapers in the Memphis area. *Memphis Executive* is one publication that our ads have been placed in for recruiting quality female sales associates.

*The Memphis Times* has a wide distribution network that allows us to advertise for sales associates as well as to list properties.

*The Memphis Guide* is one of the more influential magazines for newcomers to the Memphis area. This publication gives us some very good exposure to potential home buyers.

*Unique Homes* is distributed nationally. We will be advertising homes that list for \$500,000 and above in this publication.

Due to the high Jewish population in our target area, we will be advertising for sales associates and listing homes in two prominent Jewish publications: *Jewish News* and *Jewish Living in Memphis*.

*Old Times* is a tabloid newspaper, which covers a diverse psychographic audience. We will use this publication for recruiting.

*On the DiamondBack Corridor* is a business tabloid read by persons who work in the area, and may wish to move or relocate to the area. We will advertise in this publication for home sales.



We will also take advantage of the promotional opportunities provided by our memberships in both the Memphis and the Chattanooga Chambers of Commerce.

Advertising will be done independently and cooperatively with Worldwide of The Southern Region, Inc. A fixed amount of sales revenues will go toward the national Worldwide advertising campaign. The amount will be a minimum of \$230 and a maximum of \$690 per sale. These figures are a part of the agreement between Residential Realty, Inc., and Worldwide Inc.

### **Media Strategy**

It is the practice of Residential Realty, Inc., to position the company in a compatible editorial environment consistent with communication objectives. We have selected primary publications with specific and tactical market penetration.

### **Promotion**

In addition to standard local advertising practices, we will gain considerable recognition through the national advertising campaign from Worldwide Real Estate Corp. Worldwide ranks in the top 100 advertisers and enjoys an awareness factor of 90 percent with the American public. It is the only real estate organization to do so.

This is very important to our recruiting process, as well as to the buyers and sellers who may consider working with Residential Realty, Inc. People naturally want to be associated with successful organizations.

As a benefit of membership in the Worldwide System, we have available to us the services of the professional public relations firm, Jorgan & Haas, which has undertaken a promotional campaign on our behalf. Jorgan & Haas is located in Manhattan, N.Y.

### **Incentives**

As an extra incentive for customers and recruits to remember Residential Realty's name, we plan to distribute coffee mugs, t-shirts, and other advertising specialties with the company logo. This will be an ongoing program to promote the company, when appropriate and where it is identified as beneficial.

### **Corporate Capabilities Brochure**

*Objective:* To portray Residential Realty, Inc., as a leader in the Memphis real estate market.  
*Recommended Contents:* Utilize the powerful messages already created by Worldwide that have been proven successful. We will develop three separate brochures initially: one to use for recruiting, one to be used to promote sales, and another to promote referrals within the Worldwide Network.

### **Investment in Advertising and Promotion**

For the first 12 months of operations, advertising and promotion is budgeted at approximately \$12,000. On an ongoing basis, we feel that we can budget our advertising investment as 10 percent of revenues to Residential Realty, Inc.

## Financial Projections

### Assumptions, Definitions, and Notes

#### Revenues

1. **Gross Revenues**—Three percent has been used to determine the amount per side (a side may either be a listing or sale of a home) to be applied against the selling price of homes. The following has been used in the time periods indicated:

	<b>Avg. Sale Price per Home</b>	<b>Gross Revenue per Side</b>
January 1993-December 1993	\$100,000	\$3,000
January 1994-December 1994	120,000	3,600
January 1995-December 1995	140,000	4,200
January 1996-December 1996	150,000	4,500

The increase in the average sale price per home is a result of having a greater number of experienced and knowledgeable sales associates on staff.

Annual gross revenue is projected to increase by 25 percent for year three and 10 percent for years four and five.

#### Cost of Services

1. **Agent Commission**—Sales associates are paid on a commission only basis. The average commission rates used were as follows:

	<b>Avg. Comm. Rate</b>
January 1993-December 1993	50%
January 1994-March 1994	55
April 1994-December 1995	60

The average commission rate was applied against the net of gross revenues less World-wide service fees and cooperative advertising costs.

2. **Worldwide Service Fee**—Six percent of monthly gross revenue is paid to Worldwide of The Southern Region, Inc., as a service fee per the franchise agreement.
3. **Cooperative Advertising**—Two percent of monthly gross revenue is also paid to Worldwide of The Southern Region, Inc., for advertising media per the franchise agreement, with the following limitation:

On an aggregate monthly basis, the amount to Worldwide of The Southern Region, Inc., must be at least \$230 but must not exceed \$690.

#### General and Administrative Expenses

1. **Advertising**—For year one advertising expenditures are estimated to be 15 percent of company dollars. This amount will be needed to gain immediate market recognition. Advertising amounts for years two through five have been reduced to approximately 11 percent of company dollars.
2. **Rent**—Has been recorded per the actual signed lease, including rental sales tax. The lease is a gross lease.

3. *Wages, Clerical*—One clerical support staff member has been hired for 1994. Another support staff member will be added at the beginning of 1995. No additional support staff will be needed through 1996.
4. *Wages, Broker, and Brokers Commission*—Base wages to be paid to one broker as a monthly fixed salary. The Broker will also receive as commission 5 percent of all company dollars.
5. *Wages, Officers*—Officers will not receive wages until loan to officers has been fully repaid. Wages are anticipated to begin January 1995.
6. *All Other Expenses*—Have been recorded on estimated usage for each category for all years. Anticipated inflation of 6 percent has been included.

#### *Assets*

1. *Cash*—Reflects limited amount of cash on hand at any balance sheet date. Positive generation of cash is to be applied against loan payable officer until fully repaid and then distributed to stockholders.
2. *Fixed Assets*—Projected purchase of all furniture and fixtures and office equipment for years 1993 through 1996 is recorded in January of each year. Depreciation will be calculated per Modified Accelerated Cost Recovery System (MACRS).
3. *Franchise Fee*—The actual cost to purchase a Worldwide franchise has been recorded. Straight-line amortization will be used systematically over a ten-year period.
4. *Rent Deposit*—Actual rent deposit required by landlord upon execution of the rental lease has been recorded.

#### *Liabilities*

1. *Accounts Payable*—Represents balances due vendors for items such as supplies, telephone, legal and accounting, travel, and entertainment.
2. *Accrued Liabilities*—Include unpaid Federal, State, FICA, FUTA, and SUI, withholding taxes payable, as well as other miscellaneous items not recorded through accounts payable.

### **The Financials**

#### *Authors' Note*

*As suggested earlier, the financial presentation portion of the business plan needs to be well prepared. If assistance is needed, contact a reputable accounting or other business firm that will be able to provide accurate, reasonable and meaningful information.*

*As a general guide, the financial section may include the following data:*

- *Notes, definitions, and assumptions used in preparing the financial data*
- *Profit and loss forecasts: years one and two by month, years three through five by year*
- *Balance sheet forecasts: years one and two by quarter, years three through five by year*
- *Cash Flow forecasts: years one and two by quarter, years three through five by year*