

Do You Know Where You Are Going...  
And How to Get There?

**REAL ESTATE**

---

**CONFRONTS**

---

**GOAL SETTING VS. BUSINESS PLANNING**

---

**Stefan Swanepoel  
& Allen Wright**

# Real Estate confronts Goal Setting vs. Business Planning

*Stefan J. M. Swanepoel and Allen Wright*

## Contributors

Dr. Martin Oliver and Anita Beukman



Published by  
**RealSure, Inc.**

OTHER PUBLICATIONS in the “Real Estate confronts” series:

<i>Real Estate confronts Reality</i>	(1997)
<i>Real Estate confronts Technology</i>	(1999)
<i>Real Estate confronts the e-Consumer</i>	(2000)
<i>Real Estate confronts the Banks</i>	(2002)
<i>Real Estate confronts Profitability</i>	(2003)
<i>Real Estate confronts Customer Acquisition</i>	(2004)
<i>Real Estate confronts the Future</i>	(2004)
<i>Real Estate confronts Bundled Services</i>	(2005)

COPYRIGHT© 2005 by RealSure, Inc.

All rights reserved. Printed in the United States of America. Except as permitted under the United States Copyright Act of 1976, no part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of the publisher.

ISBN 0-9777634-4-7

\$ 29.95 USA

\$ 42.95 CAN

£ 20.95 UK

#### DISCLAIMER

While great care and research was undertaken to provide accurate and current information, the suggestions, comments, general principles and conclusions contained in this publication are the opinions of the authors and respective contributors. The authors, contributors and publishers disclaim any responsibility for any liability, loss or risk that may be claimed or incurred as a consequence, directly or indirectly. References to any company, products or services do not constitute or imply endorsement or recommendation and neither is any reference or absence of reference intend to harm, place at a disadvantage or in any other way affect any company or person. The authors and contributors in many cases may have an interest in, be employed by, or consult for companies listed in this publication. Information contained in this publication should not be a substitute for common sense, thorough research and competent advice. Readers are urged to consult proper counsel or other authority regarding any points of law, finance, technology and business before proceeding and all conclusions expressed herein are subject to local, state and federal laws and regulations.

PUBLISHED BY  
RealSure Publishing  
P O Box 7259  
Laguna Niguel  
CA 92607

# Table of Contents

	<b>PREFACE</b>	<b>5</b>
<b>SECTION 1</b>	<b>BUSINESS PLANNING: WHAT AND WHY?</b>	<b>6</b>
1.0	What is it?	
1.1	The Business Plan Itself	
1.2	Goal Setting vs. Business Planning	
1.3	Why Not to Plan	
1.4	Why to Plan	
1.5	The Benefits of Planning	
<b>SECTION 2</b>	<b>BUSINESS PLANNING: HOW TO?</b>	<b>12</b>
2.1	Industry and Competitive Analysis	
2.2	The Focus of the Business	
2.3	Setting Objectives	
2.4	The Action Plan	
2.5	Concept to Calculations	
<b>SECTION 3</b>	<b>BUSINESS PLANNING: THE NUMBERS</b>	<b>18</b>
3.1	Managing the Calculators	
3.2	Revenue	
3.3	Expenses	
3.4	Understanding the Numbers	
3.5	The Tools Available	
	<b>CONCLUSION</b>	<b>24</b>

# Preface

In today's competitive and complex marketplace, an entrepreneur's success is far from guaranteed. Some businesses seem to succeed in spite of themselves, especially when customer demand for their products or services is great. In this situation, the mistakes made by many start-ups and growing businesses are simply forgiven by the marketplace. But don't be misled by inspiring stories of successful start-ups covered in the media; about 70 percent close after two to five years in operation. It's no mystery that one of the essential keys of launching, operating, and growing a successful company is sound business planning.

This whitepaper has as a goal to help you better understand the business planning process, the steps, the benefits and the execution. Like chess, business planning has various pre-determined steps. It requires thought, the evaluation of options, identification of hurdles, organization of priorities, the creation of strategies and the decisiveness of execution.

Playing chess without a plan is foolish. Working in real estate sales without a plan is also foolish. Planning helps with the coordination of actions, activities and next steps. Planning saves money, time, effort and causes the best result. The outcome of a well thought out, well-conceptualized real estate business plan can create long-term progressive positive advancement regardless of the business climate or real estate market.

Remember as you go through the steps of business planning for the first time or the tenth time, it is important to see yourself not only as the Architect of your own business, but as a Pioneer, seeking the right path to some new and distant frontier.

Here's to the success of your well planned career.

**Stefan and Allen**

December 2005

# Business Planning What and Why?

section



## 1.0 What is it?

There are two parts to this relatively simple question. First, what is a business plan? Second, what is business planning?

In basic terms a business plan is a calculated set of instructions to guide a business towards a desired outcome. Now to make this a little more understandable, a business plan is your road map to success. Business planning is the use of a business plan to make better business decisions.

Your business planning activities should include: An assessment of your current situation; A definition of your business focus and strategic intent; A clear vision of what results you want to achieve by objectives; A list of action steps that you will utilize to achieve your goals; and An understanding of why you need regular analysis and occasional revisions of your game plan.

One of the top reasons for failure in business is the lack of planning. Every business requires constant analysis and planning. If your business is succeeding know why. If it is not, find out why. Examine your company's strengths and weaknesses. Review your company vision and focus, then set your objectives and determine the results you want to see. Perform a reality check and adjust accordingly.

Great plans fail because people hesitate, lose focus or interest, or just plain forget. Keep your eyes on the long term objective as well as on the immediate priorities. In chess it is not good positions that win games, but good moves.

## 1.1. The Business Plan Itself

Business plans come in a variety of forms and levels of sophistication from basic paper bound workbooks to interactive web-based applications. All business plans have one absolute: calculations, and two basic similarities, revenue and expenses. Factors affecting aforesaid are: methodologies of calculation, types of expenses, business development, accountability, tracking and comparison.

A necessity in any business plan is making accurate projections and calculations designed to yield results. Compare this to only being involved in goal-setting which is as unpredictable as making the statement; “I want to earn a million dollars!” If you want to earn a “million dollars” a good business plan will require you to define what you will need to do to achieve that goal.

### 1.2. Goal Setting vs. Business Planning

A goal is a desire without a road map on how to fulfill that desire. Let’s say you have a goal to lose 40 pounds. If all you do is set that goal, you are in essence “Wishing”. If you write down that goal and tape it to your bathroom mirror you are still “Wishing”, although you should be commended for at least putting it in writing. A plan for losing the weight however, would involve looking at your diet and calculating how much less you need to eat to lose the weight.

A more in-depth plan would also include items such as the amount of time in which you want to lose the weight, a change in diet, a daily list of allowed foods, an exercise routine designed to meet your desired results and finally a way to track your progress and make appropriate changes.

Now you have something worthy of putting on your bathroom mirror, a plan to achieve your goal.

### 1.3. Why Not to Plan

Anyone can figure out why not to do something. It’s too cold, I’m too busy, I’m tired, or it will just take too long to complete. All of us want spectacular results; the problem is that getting spectacular results requires effort. We see other people doing what we wish we could do and then we fall back into either criticizing them for their success or being envious of how lucky they are. If we listen carefully to their stories, we will see that they are probably no better off than we were. All they did was follow the step-by-step process that helped them arrive at the destination they desired.

*“Goals are where you want to go, the destination. A business plan is the map of how you want to go to get there.”*

**Cathy C. Russell**

*Broker/Owner Cathy Russell Team Real Estate*

Most real estate agents are not just a “Salesperson”, but in actuality a “Business”. As a small business owner you must have a clear understanding of the revenue generating and expense aspects of your business. All small business owners have three topics to consider when building the business:

- Source of revenue
- Cost to generate revenue
- Overhead expenses

Specifically, as a real estate agent you should understand how much revenue you need to generate to cover your expenses and meet your personal income goals. In addition, as you mature in your career your sources of business will change. As these changes take place your marketing strategies need to also change.

Reasons to avoid planning often include:

- Planning doesn’t apply to me or my market
- I don’t need planning, I’m different
- Planning is too difficult
- My manager/broker doesn’t require planning
- Planning is too time consuming
- I am not good with numbers/calculations
- I don’t have the time

These are all excuses – and really not valid at all. With the advent of the personal computer and the Internet, business planning has really become very simple. Automatic Wizards can walk you through the process, programs can do all the calculations, and the Internet can provide you weekly reminders.

Like anything worthwhile, however, there is a level of commitment that is required. But then again, doesn’t everything worthwhile require a commitment? Especially if you have selected real estate as your career, then your career is worthwhile. Your career therefore requires a plan.

#### **1.4. Why to Plan?**

The number one reason to plan is probably centered around the word “SUCCESS”. One person put it this way: “If I am going to go to all the trouble to get up every morning and work day in and day out, I might as well become a success at it!”

According to William Clark, Former Executive Director of FastTrac, the statistics for startups speak in favor of sound documented planning. The company’s eleven-session business planning program developed by the Ewing Marion Kauffman Foundation for Entrepreneurial Leadership, provides some compelling results. The program requires

participants to develop a comprehensive plan that addresses all the areas listed above. To date, more than 60,000 entrepreneurs in the United States have completed FastTrac. Research shows 88% of these graduates are still in business two years later and 74% are still in business and turning a profit five years later. This is a far better result than overall startup business statistics, which show three out of four businesses closed within three years.

#### 1.4.1. The Need to Understand Costs

Every business needs to have an understanding of the costs associated with conducting business. Most agents can relate to the direct expenses associated with closing a transaction, however it is the overhead costs that ultimately cause the problems. Overhead is defined as the cost associated with just existing in this industry; your fixed daily/weekly/monthly/yearly business expenses.

A comprehensive understanding of the monetary aspects of any business will decrease the likelihood of making unprofitable decisions. Certainly there are situations where making the deal comes before making profit; for example, selling a key property in your farming area, or selling a property that raises your profile in a market area, or selling a property that could generate momentum which influences other sales.

Gaining a comprehensive financial understanding of your business is not a weekend planning session or a workshop, it is a lifetime process. Often agents author a business plan and believe that the plan will work perfectly for the rest of their career. This is an oversight, however. Business planning is an evolution and requires an ongoing examination of the changes that occur in your business and a constant tweaking and adjusting of the activities to keep you on track towards your goal.

#### 1.4.2. The Need to Focus

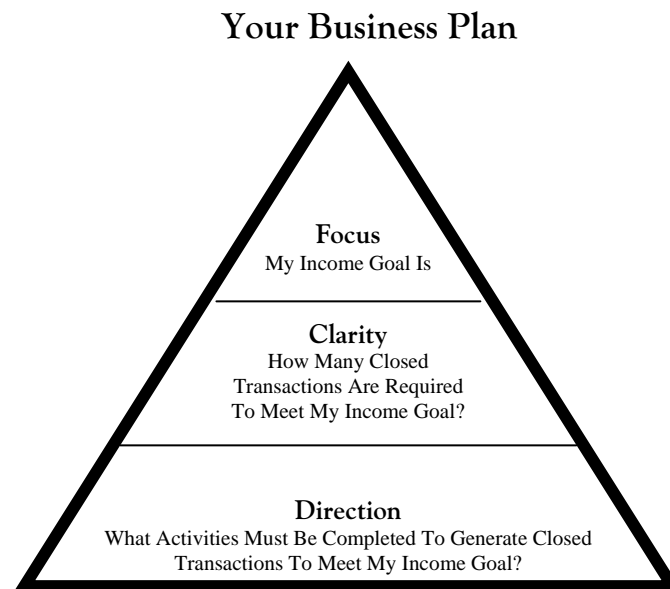
Focus is the ability to center your attention on one specific issue or item at any given time. Any sales business requires a high level of focus on those activities that generate revenue. Defining these activities is a key component of a business plan. After the initial step of calculating the number of transactions required to meet a particular income level, the next step is to map out the sources that will generate the required business revenue.

*“Goal setting tells you what you want. Business planning shows you how to get it!  
A good business plan goes with you everywhere and is dynamic!”*

**Sandra Nickel**  
Sandra Nickel, REALTORS

Think how you will obtain a certain level of closed listings and buyers. Where will these customers come from? Open Houses, Internet, Sphere of Influence, Referrals, Past Clients, Sign Calls, Just Listed or Sold Cards? Once you have determined what your sources of business will be then consider what you must do to obtain business from each of these sources. An agent, for example, holds open houses to generate leads from prospective buyers in addition to trying to sell the property. If it takes the agent three open houses to get six leads and it takes twenty-four leads to generate one transaction, how many open houses must the agent hold to get four closed transactions from their open house efforts? (And you never thought you would need to use that high school algebra!). The answer is 48. More importantly, now that you know you need to hold 48 open houses in one year - will you?

Determining what works best for you or is what most suitable in your area is important to your success in this industry. This is where a business plan is most effective. Use your plan to track the number of activities that result in appointments and the kind of activities that result in transactions. Develop effective patterns of activity. Simply put, determine which activities are most effective for you. Then focus on the activities that generate the most return on your investment of time and money. It's not so much a choice of which activities you need to do, so much as it is that you actually do them. Almost everything, whether it be cold calling, open houses, farming, referrals, email campaigns, or just plain neighborhood walking, works.



View your business as a pyramid. The ultimate goal is your desired income and profitability, which is your focus. To generate income requires closed transactions, which must be clarified. And finally, to generate the closed transactions that are required to produce your desired income requires activities, which is your direction.

### 1.4.3. The Need for Profitability

According to Walter Sanford, Owner of Sanford Systems, “Profitability is a major problem in a North American real estate agent's business. It seems we have lots of superstars with big grosses and no nets. Everywhere we go we see panels of agents talking about amazing systems and teams that produce amazing results and amazing amounts of buyers and sellers. One problem! They're only taking average amounts of income. The work-to-reward ratio in real estate is high! Why? We get too busy to pay attention to simple business strategies.”

You are not in real estate sales purely for the love of the job. Whether primary or secondary motivator, you're in it for the money and your likelihood for profitability is greatly enhanced when you know how you are going to achieve it. Better business decisions combined with a better understanding of those activities will yield transactions with more profit.

### 1.5. The Benefits of Planning

There is an ever-present entrepreneurial imperative to look beyond today and think strategically about the impact of how change, trends and new technologies on the horizon, how customer needs and expectations are changing, what it will take to outrun competitors, which promising market opportunities ought to be aggressively pursued, and all the other external and internal factors that drive what the company needs to be doing to prepare for the future. The sum total of all the soundly reasoned conclusions about the winds of change must be detailed and encompassed in the company's strategy and the business plan will then set direction.

Major benefits include:

- Provides clear and well conceived direction and a path to obtain your goals.
- Forces you to structure and organize the company and becomes a beacon for managers to guide resource allocation.
- Allows you to analyze your progress and adjust your path.
- Serves as a communication tool with your team to keep everyone on the same page.
- Enables you to stay ahead of the competition, especially those that do not plan.

*“If you're going to make a cross country trip you need a road map. If you want to be a success in any business you will need a business plan.”*

***Eva E. Keagle***  
*ERA Colonial Real Estate*

# Business Planning How To?

section



## 2.1. Industry and Competitive Analysis

Before you can start to create your Business Plan you need to review your business to avoid making costly mistakes in terms of strategies and tactics made in the past. As a business you are an economic entity within a greater business environment and it is therefore essential that you also take note of what is happening in the marketplace, e.g. trends, opportunities and challenges in the marketplace. Without analyzing the market trends, you will not be able to adjust your strategies in timely fashion.

An industry and competitive analysis is a review of your larger business environment, the market conditions, the market trends and the challenges and opportunities in the Real Estate Industry. Analyzing the industry will include a review of

### 2.1.1. The Market Size and the Market Growth Rate

- What are the prospects for above average profitability?
- What are the number of buyers and sellers in the market?
- How is the Real Estate industry being influenced by natural or economic events like Katrina, or oil prices?
- How will these events influence the prices of homes?
- Will these events influence home loans and the affordability of homes?

### 2.1.2. The Scope of Competition/Rivals

- Which company's agents are in the strongest/weakest position in the market?
- What are the strategic moves they are likely to make next?
- Find out who your immediate competitors are – the real estate businesses which are the same size as yours, operate in the same area and the same market.
- Learn the strengths and challenges of immediate competitors.
- What is their focus?
- Uncover their strategy e.g. niche marketing and selling to a distinctive group like echo-boomers or immigrants.
- What services are they offering to customers?
- What kind of image and reputation are projected in the market?
- How does the quality of their associates compare with yours?

- What geographic market do they serve?
- What are the number of listings and number of sales?
- What are the listings taken versus listing sold?
- What is the amount of expired listings, time on market and price reduction?

### **2.1.3. The Pace of Technology Changes and e-Commerce**

- There are an increased amount and a wide variety of new technology devices on the market. How will these devices influence business in Real Estate?
- How will the growing use of e-commerce influence the competitive landscape?

### **2.1.4. The Societal, Political, Regulatory and Citizenship Considerations**

- Government policies and regulatory requirements restrict companies in their formulation of strategy.
- Ethical considerations, societal expectations and standards of good community citizenship also have an influence strategy formulation.

### **2.1.5. The Economic Situation**

- What does the bigger economic environment look like?
- What are the interest rates?
- What is the economic forecast for the interest rates?

### **2.1.6. Geographical Changes**

- What geographical changes are transpiring?
- Which areas are being developed, modernized or being stricken with natural disasters?

### **2.1.7. Demographic Changes**

- What are the changes in the demographics?
- Who are the primary clients e.g. Echo-boomers, Generation X, Baby-Boomers, Immigrants, Single people?

### **2.1.8. Local Area Conditions**

- What is the amount of homes on the market?
- What is the sum total of homes sold in the past year?
- What is the ratio of homes sold to homes listed?
- What is the ratio of new homes listed and sold to re-sales listed and sold?

- What is the price ranges of homes?
- What is the average time on the market for various price ranges?

## 2.2. Analysis of your Business

Evaluate the performance of your company strategy. The first thing to pin down is the company's competitive approach. Is the company concentrating on serving a broad spectrum of customers or a niche market? In other words, identify your best markets for business. What are your company strategies regarding marketing, human resources and information technology? Have you made any strategic moves? For instance, have you stepped-up your advertising, entered into a new geographic area or merged with another competitor? Analyze your company's financial performance and whether your company achieved its financial objectives and is an above-average industry performer.

### 2.2.1. Business in the Past Year

- Study whether the revenue increased, grew slower, faster or about the same pace as the market, thus resulting in a rising, eroding or stable market share.
- Whether the company's profit margins are increasing or decreasing and how well the margins compare to rival firms' margins?.
- What was the number of listings versus the number that sold?
- Average time on the market for your listings?
- Ratio of sales to list price?
- Where and how did you get leads? Has the method been successful?
- Open houses and floor time contacts. Does it work for you? Do you need to focus on other methods?
- How successful was your marketing? Do you need to refocus on a specific target market?

### 2.2.2. Business Strengths and Challenges

Sizing up a company's resource strengths and weaknesses (challenges) and its external opportunities and threats, commonly known as SWOT analysis, provides a good overview whether a business is fundamentally healthy or unhealthy. The SWOT analysis is grounded in the basic principle that strategy-making efforts must aim at producing a good fit between a company's resource capability and its external situation.

*“Having a system with which to think through your business is the important aspect of business planning.*

**Carla Cross**

*Author and President: Carla Cross Seminars, Inc.*

Conducting a SWOT analysis:

- **S - Strengths.** A strength is something a company is good at doing or a characteristic that gives it enhanced competitiveness. This could be strong e-commerce technologies, practices and expertise; unique advertising and promotional talents; brand-name image or company reputation; talented, motivated and energetic employees; astute entrepreneurship; market share leadership; consistently good customer service or exceptional customer service.
- **W - Weaknesses (Challenges).** A challenge is something a company lacks or does poorly in comparison with others or a condition that puts it at a disadvantage. For instance; having no clear strategic direction; obsolete technology and practices; falling behind rivals in putting e-commerce capabilities and technologies; a weak balance sheet - too much debt; weak brand image or reputation.
- **O - Opportunities.** Market opportunity is a big factor shaping a company's strategy. This could be defined as serving additional customer groups or expanding into new geographical markets; using Internet and e-commerce capabilities to cut costs and offer additional sets of services to customers; openings to exploit new emerging technologies; openings to take market share away from rivals.
- **T- Threats.** Certain factors in a company's external environment pose threats to its profitability and competitive well-being. Threats can stem from new competitors in the market and increasing intensity of competition; rise in interest rates and fuel prices; slowdown in market growth; new state regulations; a shift in buyers or sellers needs.

### 2.3. The Focus of the Business

Following the analysis of economical environment, the industry, rivals, target markets and your business, it is necessary to tie the loose ends into a strategy for your business. Rethink and drop the business and activities that are not profitable; change to different target markets if necessary or offer different services to your clients. Start with creating a Vision and Mission for your business in order to craft out a path for you to make better business decisions and serve customers/clients better. The purpose of the statement is to communicate:

- The specific business you are in
- The geographical target markets you serve
- The services you provide
- The specific groups of people you provide service to

- Your business ideals

These statements convey your company at best and how you see your business in real estate. Statements should be well-defined, restrictive and written in present tense.

## 2.4. Setting Objectives

Through the Vision and Mission Statement you have determined and defined your desired results. It is important to create objectives for your preferred market:

### 2.4.1. Develop Financial Objectives in Terms of a Budget

- Revenue Objectives
- Expenses
- Balance Sheet

### 2.4.2. Derive Sales Objectives from your Financial Objectives

- Prospecting
- Listing Appointments
- Listings Taken
- Listings Sold
- Buyers Closed

### 2.4.3. Set Marketing Objectives

- Determine the budget for marketing
- The channels for marketing and advertising
- The “how” of the marketing in the above channels

### 2.4.4. Set Professional Development Objectives to support The Business

- Determine the areas of knowledge deficiency
- Offer courses to staff members

*“I have found that by having a plan, and diligently following it, I have consistently exceeded my goals each and every year!”*

**Laura Worthington**

*Realty Executives of Nevada - over 3700 career transactions!*

## **2.5. The Action Plan**

Your objectives must fit your big-picture goals and need to be broken down into everyday actions, which will have a time constraint, will be monitored and measured, and will be attainable. Plot your activities to results, be realistic in terms of the time certain actions will take; for example the time to find buyers, work with them and close the deal. Ensure that your earned income and business expenses are logged in and keep to what you have planned.

## **2.6. Concept to Calculations**

The time has come to now convert goals, and concepts into action plans, and specific targets. This requires calculations, many calculations, ongoing calculations and above all, to keep yourself accountable to the numbers.

# Business Planning

# The Numbers

section



## 3.1. Managing the Calculations

It is difficult to make good business discussion based on a plan that only provides goals and/or targets such as GCI (Gross Commission Income).

To map out your journey, focus on individual tasks, and adjust your monthly activities based on successes and failures, you need to drill down into the detail – and the detail means numbers. Lots of numbers. Numbers that in real estate would include: Average price of homes, Commission rates, Commission splits, Net Income, Marketing Costs, Overhead per transaction, Transactional Fees, etc.

A good real estate plan will deal with each of these components separately, allow you to calculate initial projections, and then allow you to make changes, monitor, adapt and track.

## 3.2. Revenue

The terms “Revenue” and “Income” are frequently confused. This is further complicated by the fact that the industry itself refers to “Gross Commission Income” (GCI) when they actually are referring to Revenue. In layman’s terms Income is Revenue less Expenses, or alternatively Revenue is Gross Earnings before Expense and Taxes.

So the first number in Real Estate is how to increase your revenue. The answer is relatively simple, and produces the second number and that is with more “Closed Transactions”.

## 3.3. Expenses

Expenses are frequently the primary reason agents fail or leave the industry. Expenses often continue to rise and when not controlled effectively will spiral out of control and become the death knell for a potentially successful real estate agent or business.

Basically there are two types of expenses you need to monitor: fixed and variable. In real estate *fixed* equates to your overhead costs, and *variable* is your transactional costs.

### 3.3.1. The Tricky Profit Killer: Overhead

Overhead is defined as those expenses you would incur just to exist in the real estate industry. Examples would include desk fees, licenses, E&O insurance, signs, automobile, lockboxes, MLS access, etc. Overhead is frequently referred to as the “silent killer” in real estate, as many agents do not include these costs when calculating their budget or weighing a concession request.

A good real estate business plan would include into the overhead figure any advertising for personal marketing such as newsletters, farm mailings, general advertising, client meetings, websites etc. The reason that personal marketing is included in overhead is that because as a general rule, regardless of how many transactions you close, an agent still needs to do something to keep their name in front of their sphere of influence, past clients and other potential customers.

Another overhead expense also frequently neglected is the cost associated with terminated transactions. Every listing may not sell for whatever reason, irrespective of the time or costs you may have invested. Terminated transactions therefore represent a cost of doing business and should be incorporated as an overhead.

### 3.3.2. Every Deal Costs Something: Transaction Expenses

Transaction expenses are more complicated to calculate and track as they are by definition variable. Transaction expenses, or direct expenses, are those expenses an agent incurs when closing a transaction. Think about a typical listing:

- Do you send out “Just Listed” Cards and “Just Sold” Cards?
- Do you place newspaper ads?
- Do you create virtual tours?
- Do you have any direct MLS fees such as listing fees or refresh fees?
- Do you provide buyers a closing or move-in gift?
- Have you ever needed to buy a refrigerator just to get the deal to close?
- Do you pay your assistant a bonus per closed listing?

*“Unless you have a business plan allocating time, costs and budgets it is very difficult to achieve your goals.”*

**Bob Yoder**

*The Davis Yoder Realty Group*

The list is endless and can sometimes account for nearly half the money you will spend on a transaction. We strongly suggest you take a quiet hour and brainstorm, list and then price out all the expenses you incur. This exercise is in itself an eye-opening experience for most agents.

### 3.4. Understanding the Numbers

After determining your revenue and expenses you can now begin to process the numbers by applying a variety of interesting calculations and formulas that can result in an endless list of answers, ratios, percentages and limit costs.

These include:

- What are my costs per transaction?
- Am I more profitable with buyers or sellers?
- Do I need an assistant?
- How many additional transactions must I close to afford an assistant?
- Which of my marketing activities is the most cost effective?
- How does my profit per transaction compare to top agents/other agents?

### 3.5. The Tools Available

Although there is a good selection of Business Planning books, workbooks and coaching programs in the real estate industry that deal with this important topic, strangely enough there is a very limited number of electronic real estate business planning solutions available to agents. As with most of our research reports we seek out the best options available for agents and in this chapter we have decided to include:

- Microsoft Excel
- QuickBooks
- CreateAPlan

In examining the different products we considered aspects such as how easy it is for an agent to install, setup, understand, and operate a business plan, the cost of time invested, and in the final analysis the usefulness of the output and results.

*“Our life today is a testimonial to business and financial planning. We have just celebrated our second anniversary of living in our dream home in Playa del Carmen on the Caribbean coast of Mexico!”*

**Missy Vanderbilt**  
RE/MAX Associates of Dallas

### 3.5.1. Microsoft Excel

Excel, in and of itself is not a business planning tool but is often the first tool agents decide to use to structure a business plan.



An “Expert Level” user will be able to create various columns, sections and formulas that could calculate various key numbers. In most cases the Transaction expenses will have to be hand calculated on a separate worksheet and then pulled in. Using a feature called “Iteration” Excel can also make a certain number of calculations before the system frequently stops. This medium is however not ideal for real estate business plans as the large number of variables in real estate transactions, such as Sliding Commission Scales, Transactional Expenses, etc. make it extreme hard and complex. If you are not an “Expert Level” Excel user you may have to have someone to do the programming for you – budget for a few hours. You already have Excel if you purchased the “Microsoft Office Suite”, otherwise you will need to purchase this separately (\$200). Total costs for this option would range between \$200 - \$500 for a non-industry specific solution in which the plan will only be as good as the extent of the formulas and business logic programming you undertake.

### 3.5.2. QuickBooks

Included within QuickBooks is a budgeting tool. QuickBooks Premier Edition has a business plan writing feature based on the results from their budgeting tool. The budgeting tool is relatively basic but will at least auto-populate all the accounts. The user is required to insert dollar values for each month. The most advanced feature is the ability to increase a row by a percentage amount. QuickBooks does not calculate information such as required number of transactions, overhead per transaction or even direct transaction expenses and as this was not originally designed for real estate there is obviously no section to track sources of business or activities required to meet your goal.



The final result from the budget produced by QuickBooks was very limiting. There is a comparison of plan vs. actual which was easy to read, but focused entirely on the monetary aspects of the business. Since the number of transactions is not entered, any calculation about transaction costs must be calculated separately. Also expenses associated directly with transactions had to be manually manipulated each time revenue budget numbers were changed. For example if you determined that you needed an extra \$10,000 in income the user will need to manually adjust for the expenses associated with that income. The cost of QuickBooks Pro 2006 is \$199.95.

### 3.5.3 CreateAPlan

CreateAPlan is the only real estate specific business planning software we could find. Although it has not influenced our inclusion of this product in this whitepaper, nor our comments about the product, it should be noted that both authors are associated with RealtyU<sup>®</sup>, the parent company of CreateAPlan, Inc.



CreateAPlan is a web-based application specifically designed to create business plans for real estate agents and brokers. Not only is the plan electronic the application itself is accessed via the Internet using a User ID and Password. There is a Wizard that walks users through the initial data entry process step-by-step and even provides the ability to add new fields. In addition to the audio Help, written Help is available on each page. It takes approximately 30 minutes to go through the Wizard, which covers Commission Structure, Our Goals, Transaction Expenses, Personal Marketing Expenses and Overhead. Once completed the user has a well constructed real estate specific business plan providing the number of required transaction needed to close, a five-year projection on revenue and expenses, and a calculation of the overhead per transaction.

In addition to the Plan Summary is a Business Development section that enables the user to plan where their transactions will come from and designs a high level To-Do list for what must be accomplished in order to meet the user's income goal. The Business Development section has an Activity Tracker and Log that we found most helpful. The Activity Log emails a Worksheet each week that is customized from the Business Development section. With the worksheet we could log the activities and appointments we had during the week. What was produced was information about what Activities generated the most Appointments and Transactions.

Weekly e-mail reminders keep agents on track for the entire year at no additional expense.

CreateAPlan has an Expenses and Income log that is a great substitute for those in the industry that still use a "shoebox" as their preferred accounting method. The Expense and Transaction logs were easy to use and required no setup or accounting knowledge. The expense log could be viewed and printed by Date Range, Quarter, or Entire Year and is broken into three categories, Business Overhead, Personal Marketing and Other.

Entering data into the Transaction Log is simple and to the point. The log is divided between Listings and Buyers and requires basic information about each transaction. Beyond the usual items such as Average Days-on-Market and Totals of Commission and Volume this log produces some very useful information; Average List vs. Sale Price, Average Transaction Expenses, Number of Terminated Transactions, and a calculation called Net-Effective

Commission Rate which is a number reflecting what you really charged a listing after discounts and concessions.

A very beneficial feature of CreateAPlan is the ability to use the application throughout the year and make adjustments to the original plan. An Adjustment flow through each part of the business plan, adjust your activities and refocuses our attention on the required activities needed to meet the re-stated income goal. Plan vs. Actual reports enables agents to view where they stand compared to goals at any point in time.

The total annual cost for CreateAPlan is \$119, and provides the most comprehensive, real-estate-specific and easy-to-use business planning tool. The weekly tracking capability makes this product incredibly unique and by far the best buy available.

*“Your business plan must be in writing, be measurable, and have accountability. If you don’t know where you’re going, you certainly won’t get there.”*

**Sharon Simms**  
*RE/MAX Metro. St. Petersburg, Florida*

# Business Planning Conclusion

Business planning is often the last thing real estate professionals want to do.

Yes, it can be daunting, complicated and sometime a painful process. However, there is little value attached to your dreams if they only stay in your head.

For a real estate business plan to be successful, daily actions need to echo the written word, which in turn need to echo the dream or vision underpinning the plan.

Now that we have provided you the beginning of a roadmap to create your plan, remember to share it with your team...whether you're a one-person operation, a midsize company or a mega-company, your real estate business plan requires complete buy-in, ongoing dedication, constant focus and persistent follow through.

Last, but not least, you must hold yourself, your team or your company accountable. Break each target into smaller, more measurable pieces and monitor the results regularly. A plan that can't be measured or isn't measured almost always fails. Create small steps and measurable wins~celebrate them with the team and recharge for your next goal.

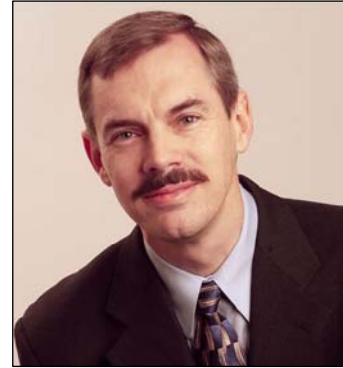
Decide beforehand what measure of loss is acceptable and what isn't. If you find in the future that goals are unrealistic, adjust them, but keep this practice infrequent and logical.

Remember, the best rewards are always difficult to accomplish, yet ultimately achievable.

# About the Authors

## Stefan J.M. Swanepoel

Stefan is widely recognized as the leading visionary on trends and change in the real estate industry. He has penned 11 books and whitepapers including the 1998 Amazon.com bestseller, *Real Estate confronts Reality* and the latest sequel *Real Estate confronts the Future* (2004). He has received numerous awards including; Businessman of the Year (*Jaycees*), Best Idea in Real Estate (*Great Ideas Conference*), has been ranked as one of the Top 20 Most Influential People in the Real Estate Industry (*Today's REALTOR®*) and was listed one of the Top 15 Technology Trainers in the US (*The Real Estate CyberSpace Society*). His academic accomplishments include a bachelors in science, a masters in business economics, diplomas in arbitration, mergers and acquisitions, real estate, computer science and marketing. Today Stefan serves as Chairman and CEO of The RealtyU® Group, Inc. The RealtyU® Group has numerous investments in the real estate education and real estate training arena, and with 245 campuses, 18 websites and online educational services and over 337,000 agents trained in 2005, the RealtyU® Group of companies educates approximately one out of every four Realtors® every year.



## Allen Wright

Graduating with a BS in Accounting, Allen Wright's first employment was writing technical manuals and conducting training for a banking-software company. Never having left the arena of technical training programs, he formed his own company in 1996 while pursuing his MBA. Mr. Wright's focus has remained on helping real estate agents move their business to the next level through a core understanding of their industry and effectively applying automation. An avid reader and self-proclaimed "News-Junkie" Mr. Wright injects life and current events into his many speaking engagements. Beyond Business Planning seminars he is often engaged in development and adaptations of current and new real estate technologies for agents and brokers alike.



*In Real Estate, as in Life, Some People are More  
Successful than Others.*

*We all have Different Skill Sets and Personalities.*

*Learn the Differences  
and  
What Works Best in Real Estate.*

**Coming Spring 2006**

**REAL ESTATE**

---

**CONFRONTS**

---

**REAL ESTATE DNA**

*To Suggest Future Topics email [Anita@RealSure.com](mailto:Anita@RealSure.com)*

---

**Published by RealSure, Inc.**