

Grant Draft Proposal

For

XYZ, Inc.

Prepared by



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Organization Information

XYZ, Inc.

Founded: 2000

Main Purpose: Service Miami and Broward County with Real Estate Brokerage services

Industry: Real Estate

Number of Employees: 5

Yearly Gross Revenues: \$302,000

Situation Description

Background:

XYZ, Inc. was founded in 2000 as a Florida realtor broker focused on the Broward County and Greater Miami-Dade County markets. For the past 6 years, the company has served these communities needing real estate broker services with personalized service at a moderate price. Buyers and sellers of real estate in these communities came to XYZ, Inc. for their excellent personalized service with great results at a moderate price. XYZ, Inc. has survived, using this business model, by having highly dedicated realtors on staff having a professional environment. Realtors staffed by XYZ, Inc. were attracted to working under the XYZ, Inc. Realtor license due to the following benefits:

Competitive Commissions – Commissions were paid at a rate of 70%, making it lower than average for the market place.

Consistent Qualified Leads Assistance – XYZ, Inc. provided free pre-qualified leads.

Professional Environment – Realtors have the confidence that their territory was governed properly, respect for all staff was eminent, help was always available, office was always clean and kept to highest modern standards.

Centralized Location – The office is centrally located to be able to services the two Florida county markets.

Client Satisfaction Reputation – XYZ, Inc. has maintained a 94% customer retention rate, with 80% of its business being sustained and grown through client referrals as a result of high client satisfaction.

Client Retention Rate – XYZ, Inc. has maintained one of the highest client retention rates in its market.

Product Pricing – Client paid a rate of 3% commission, making the service priced in the market average for its level of service.

Recent changes in the marketplace forced XYZ, Inc. to change its above business structure. These changes come from entry of new competitors, consumer demands for lower prices, demand for sales in the marketplace dropping, and demand for sales reps income to be sustained. As a result, these aspects have affected the current business model negatively. XYZ, Inc.'s largest problem is loosing sales reps to companies paying a higher commission. This has cost XYZ, Inc. to drop its gross sales by 60%, leaving them in a difficult situation. Therefore, XYZ, Inc. has come up with a plan to regain more than its previous sales reps and turn its business around.

In order to adapt to the market place a total investment cost of \$1,475,507 over the course of 2 years, \$505,579 amount in first year and \$969,928 amount in second year. This investment is expected to Gross \$688,243 amount in the first year and \$2,771,520 amount in the second year with a total net return of \$1,984,256 or 135% ROI over 2 years. The break even point is in 9 months.

Problem/Market Change/Need:

Recent aggressive entry of new Realtor Brokers in the marketplace and the high seller and buyer activity demanding lower pricing with quicker results, caused great cut-throat competition to occur with more focus on Realtors to get paid more by having high volume sales. The demand for real estate sales decreased and realtors demand to sustain its level of income increased, resulting in qualified staff leaving XYZ, Inc. and other similar Brokers to go to higher paying companies with consistent high volume of leads. This causes XYZ, Inc. to adapt to the change in the marketplace and change its business model. The company must move from an average commission pay of 70% and great support to a high commission pay of 90%, easy transition for leads, and high service. This transition will require XYZ, Inc. to move to a business model that has a large number of realtors working for them, where their investment in supporting the sales reps via high pay and providing qualified leads will be needed to influence sales reps to sell under the XYZ, Inc. license. Therefore, a new strategy with new costs is needed to support this new business model. Some items include additional expenses in staffed recruiters, marketing for leads, and technology for service support.

Work Plan/Specific Activities

New Goal:

In the course of the next year, XYZ, Inc. plans on building the structure to support volume sales reps earning \$100K plus/year, and employ a total of 177 this year. In order to achieve this goal, the current business model needs to change, where investments need to be made in areas and actives such as technology, marketing, recruiting.

New Business Model and Plan:

XYZ, Inc. will change from a company that employs 4 sales reps paying 70% commissions and making the rep responsible for the majority cost to support a \$100K+ income to a company employing 177 sales reps paid 90% commission earning \$100K+ income with full sales support for 6 months.

XYZ, Inc. plans on recruiting many sales reps earning \$100K+ from the larger companies currently paying a high commission rate of 90% and providing no additional sales support. Currently there are over 35,000 sales reps in this market. These reps are currently paying their own insurance, their own marketing, their own use of office supplies and telecommunications with the other companies. These expenses and responsibilities add to about \$10,000 in costs on their own and take 40% of their time:

GAPS IDENTIFIED

Competition Offers:	Competition Excludes (Gaps):
High 90% commission	Qualify their own leads
Work for a brand name company	Invest in their marketing materials
Office Space for conferences	Invest in their own lead acquisition
Discounted marketing materials	Pay for telecommunications
Pay as you go office equipment	Set up their own start up business
	Pay for their own insurance

XYZ, Inc. plans on offering these sales reps the same 90% pay, saving them the time and money in acquiring qualified leads, paying for 6 months of insurance, paying for limited telecommunications, and paying for the typical office equipment use. In exchange for this offer, XYZ, Inc. expects that they commit to staying with the company for 2 years minimum with a \$3000 early termination fee. The process for their transition from current company to XYZ, Inc. will require no money or time from the sales rep. Within 1 week from the signing of the contract, the sales rep will have a brand new image (e.g. business cards, resume, listing on the web, voicemail, email, fax#, etc), and his first qualified client handed to him. This allows enough time for the sales rep to change his status with his existing company and inform his clients of the new transition.

A survey of 10 sales reps was made with this offer asking if they would transition to test the plan. The results showed that 100% stated they would transition, where 1 actually already did.

This plan will both a) increase costs (in marketing, recruiting, and technology) and b) Reduce Gross Margins from 30% to 10%.

Business Model Transition Diagram

Current Business Model		New Business Model	
Item	Actual	Expected	Change
Total Income	4	177	173 more
Generators: Sales Reps (Realtors)			
Average Income Per Realtor	\$126,000 yearly	\$126,000 yearly	Less work for rep
Cost of Acquiring Realtor	\$0	\$4,000	\$4k more
Method of Realtor Acquisition	Non-active and were referred	Pay for through recruiters	Now Paid
Cost to support Sales Rep	\$4,000 yearly	\$3,000 2 years	\$5K Savings
Contract Duration	None	2 years	2 year contract
Sales support:	Leads self generated Office Space	Leads Provided Office Space	Client acquisition

	Office Equipment Non-Paid Insurance	Office Equipment Paid Insurance (6 months)	savings in Time and \$
Sales Rep Pay	70% Commission	90% Commission	20% Raise
XYZ, Inc. Total	\$33,800 per rep per year \$135,000 total per year	\$9,000 first year per rep \$12,000 per rep second year \$21,000 per contract \$1,593,000 total per 177 per year	Larger volume

Sample Activities to Support New Model: See Addendum for full costs

Activity	Impact	Investment
Hire Recruiters:	4 sustained recruiters will hire 20 reps a month	\$36,000
Recruit sales reps	177 sustained sales reps in total (0.5% market penetration) will generate \$688K in revenue	\$164,357
Generate Leads	10,620 leads in 1 year (support reps with 10 leads per month)	\$197,406
Brand Marketing	Brand the company via digital and traditional media to retain sales reps, attract clients, and reduce lead costs	Included in lead costs
Purchase Technology	The purchase of Lead management tools, client relations tools, security software and other technology will ensure smooth back office operations	\$13,000
Purchase office equipment	The purchase of Copiers, faxes, and other cost controlling systems will ensure cost control and professional working environment	\$14,000
Upgrade Telecommunications	The purchase of new Phone systems, Computer network, fax system will enable mobility for sales reps, allows XYZ, Inc. to expand its regions, and provide smooth operations.	\$16,959

Impact of Activities

Overall impact of activities:

XYZ, Inc. real-estate will turn its business around and have the capacity to not need future assistance. The company will provide employment for 181 total new people which increases employment rate, increase government revenue by \$1.4 million from taxes to continue to support governmental activities.

Individual Impact per activity:

Activity	Impact First Year
Hired Recruiters	Result in 177 sustained sales reps generating \$688K 1 st year
Marketing Investment	10,620 leads generated supporting 177 sales reps
Brand Marketing	Brand will establish presence, retain sales reps, and attract

	clients
Purchased Technology	Will enable smooth back office support and operations
Upgraded Office Equipment	The purchase of Copiers, faxes, and other cost controlling systems will ensure cost control and professional working environment
Upgraded Telecommunications	The purchase of new Phone systems, Computer network, fax system will enable mobility for sales reps, allows XYZ, Inc. to expand its regions, and provide smooth operations.

Funding Allocation & Sources

Total funding requirements for the first year total \$505,579. The first \$27,000 has already been invested by XYZ, Inc. in purchased technology, office equipment, and electronic equipment. There will be a remaining \$478,579 costs throughout the year will be allocated according to the distribution table.

Funding Distribution Table: *See Addendum for details*

	Amount	Distribution
Total Fund Needs	\$505,579	100%
XYZ, Inc.	\$107,816	21%
Grant	\$175,000	35%
Self Funded - sales	\$222,763	44%

XYZ, Inc. will provide funding for Operating expenses (\$20K), telecommunications (\$17K), Office supplies (\$11K), electronic equipment (\$8K), office furniture (\$6K), office space (\$32K), insurance (\$1K), and technology (\$13K). The total funds from XYZ, Inc. sum up to be \$108K.

XYZ, Inc. seeks assistance from the grant to help fund the cost to acquire the first 4 recruiters (\$15K), the first 9 months pay of recruiters (\$120K), and the first 6 months of marketing support for sales reps (40K). Total fund assistance from the grant is \$175K.

XYZ, Inc. seeks that \$222,763 will be funded from the sales generated by the new business model (sales reps acquired).

Future Funding

XYZ, Inc. expects that the company new business model should break even in 9 months and see a profit in the first year. Therefore, the company should be self sustained and not need additional funding sources.

Evaluation

The business model and its respective activities will be evaluated in the following manner:

Each activity will have measures to meet, in the event that company falls short on these goals, the main goal is to break even in the first year.

Goal 1) Number of sustained sales reps acquired: 177 in 1st year, 23 1st quarter, 81 by 2nd quarter, 134 by 3rd quarter, and 177 by end of year.

Goal 2) Total revenue acquired: \$3,695 in first quarter, \$73,181 in 2nd quarter, \$228, 479 in 3rd quarter, \$382,887

Goal 3) Total sustained recruiters: 4 through out the year averaging 5 recruits each per month.

Goal 4) Break Even Point: Break even to be completed in the 9th Month

Goal 5) Company Nets Total of \$209K in the first year.

Budget

See addendum