THE FIVE FUNDAMENTAL MODELS (ELBO)

Keller INK

1	**Economic Model**	To achieve the amount of **net income** you desire …
	What's left over for you	

2	**Lead Generation Model**	You will need to **generate** X number of **leads** …
	Where your money comes from	

3	**Budget Model**	**Spend** X amount of **money** in specific areas to support these efforts …
	Where your money goes	

4	**Organizational Model**	**Hire** X number of **people** to service it all, and …
	When and who to hire	

5	**Expansion Model**	**Apply** your systematized business model in additional locations.
	When to expand	

THE ECONOMIC MODEL

$1,000,000 **NET INCOME (40%)**

+ $750,000 **OPERATING EXPENSES (30%)**

+ $750,000 **COST OF SALE (30%)**

= $2,500,000 **TOTAL GCI**

÷ $7,150 **AVERAGE COMMISSION AMOUNT**

= 350 **TOTAL UNITS SOLD**

SELL SIDE

✖ 50 **% SELLERS LISTINGS SOLD**

= 175 **TOTAL SELLER LISTINGS SOLD**

÷ 70 **% SOLD CONVERSION RATE**

= 250 **TOTAL SELLER LISTINGS NEEDED**

÷ 75 **% APPOINTMENT CONVERSION RATE**

= 333 *TOTAL SELLER APPOINTMENTS NEEDED*

7/ WEEK ◄· · **28/ MONTH** ◄· · · ·

BUY SIDE

✖ 50 **% BUYERS LISTINGS SOLD**

= 175 **TOTAL BUYERS LISTINGS SOLD**

÷ 70 **% SOLD CONVERSION RATE**

= 250 **TOTAL BUYERS LISTINGS NEEDED**

÷ 70 **% APPOINTMENT CONVERSION RATE**

= 357 *TOTAL BUYER APPOINTMENTS NEEDED*

· · · ·► **30/ MONTH** · · ·► **7/ WEEK**

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ELEMENTS OF THE ECONOMIC MODEL

30 / 30 / 40

Gross Closed Income (GCI)
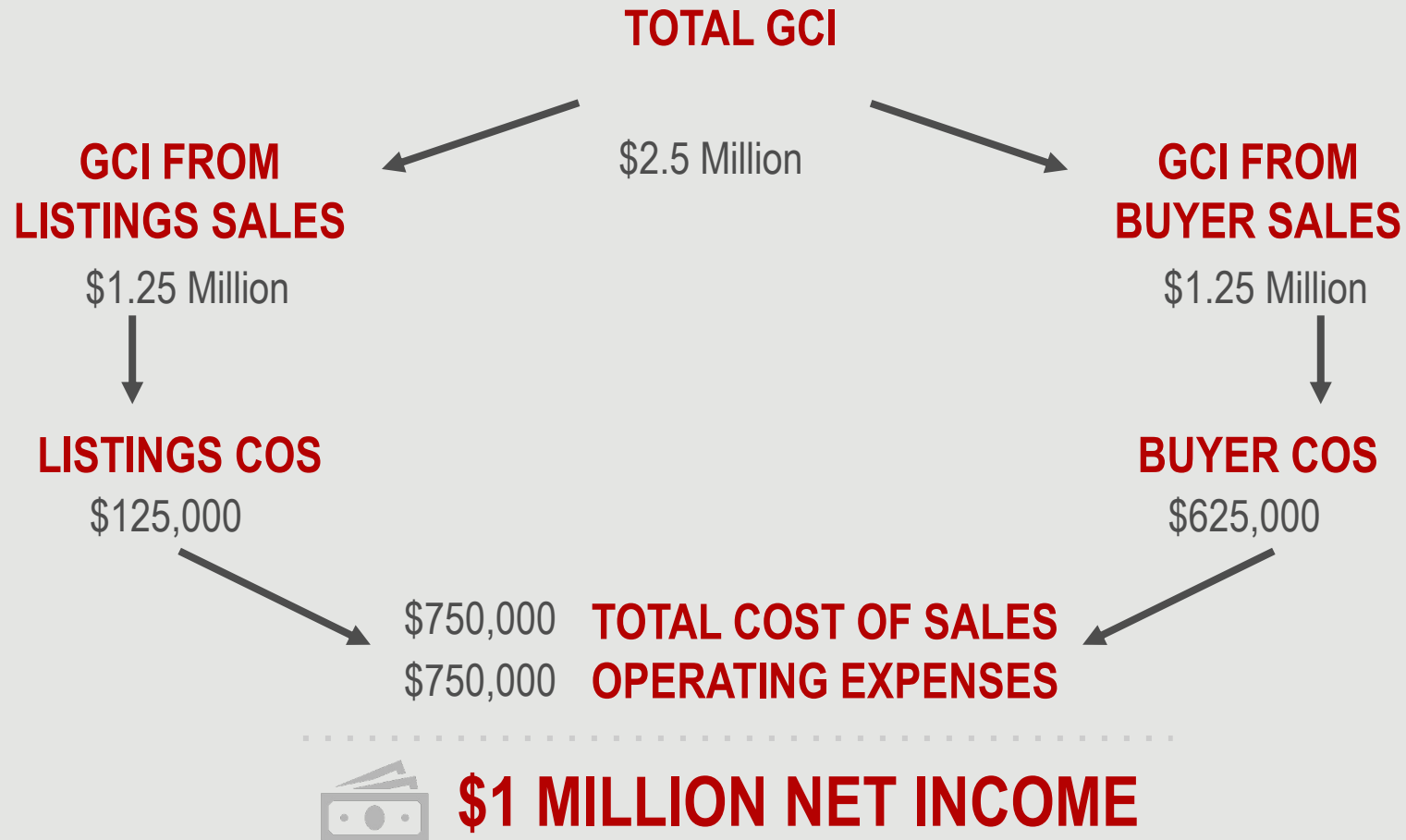
— Operating Expenses (30%)

— Cost of Sales (COS) (30%)

= Net Income (40%)

CASH FLOW OF THE ECONOMIC MODEL

Keller INK

TOTAL GCI

$2.5 Million

GCI FROM LISTINGS SALES

$1.25 Million

GCI FROM BUYER SALES

$1.25 Million

LISTINGS COS

$125,000

BUYER COS

$625,000

$750,000 **TOTAL COST OF SALES**

$750,000 **OPERATING EXPENSES**

$1 MILLION NET INCOME

MREA P. 178
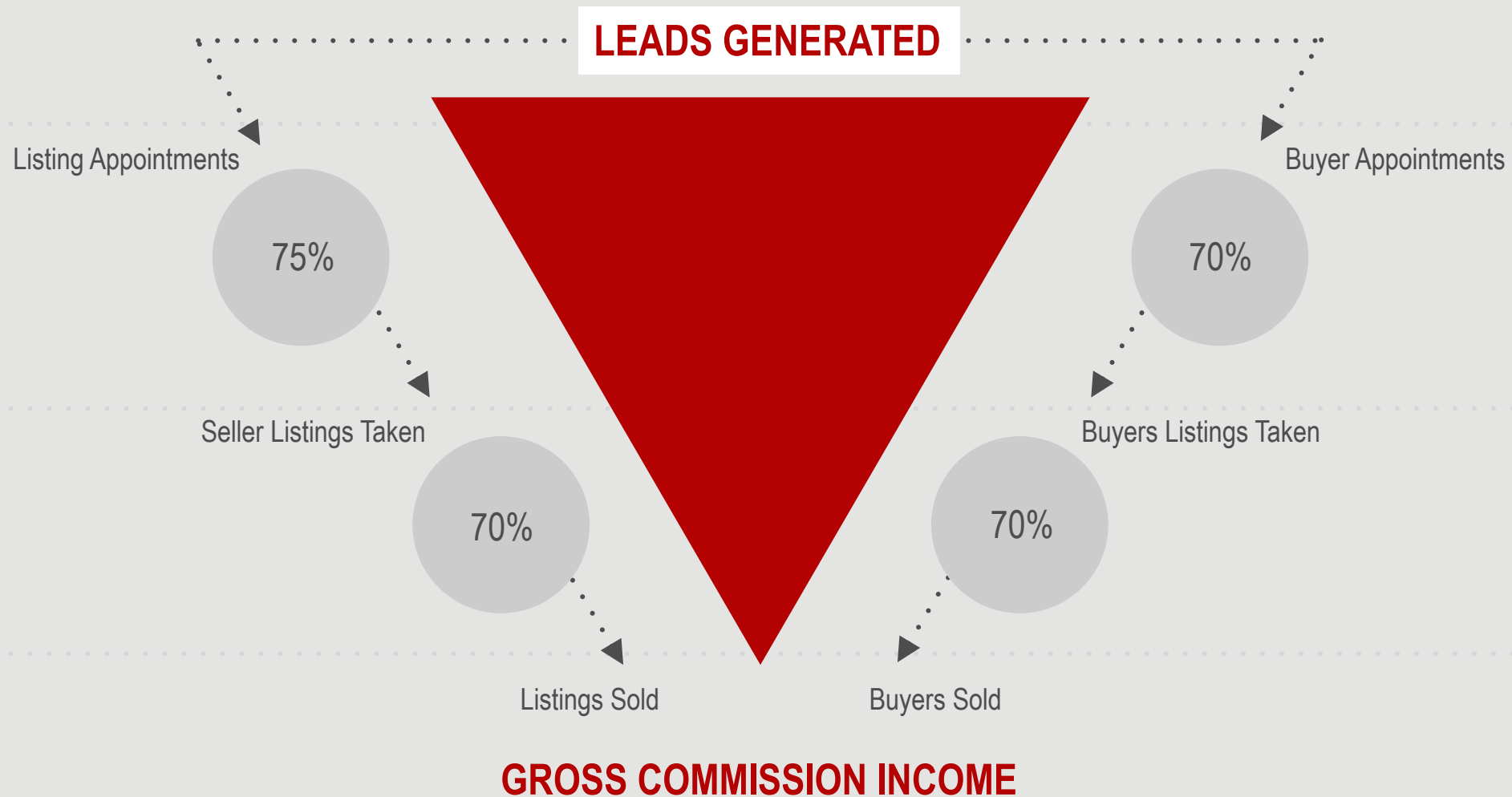
TWO TOOLS IN ONE

BUDGET

- Planning Tool
- Created Annually
- Projects Expected Returns and Cash Flow
- "Restrain the Gain"

P&L

- Management Tool
- Review Bi-weekly
- Shows Actuals vs. Projections
- "Adjust to Win"

1. Invest, Don't Spend
2. Practice Accountability, Not Accounting

THE MREA BUDGET TERMS

1 **Cost of Sales**
Cost of acquiring revenue

2 **Gross Profit**
Revenue left over after Cost of Sales

3 **Operating Expenses**
Costs of running business whether or not a transaction occurs

4 **Net Income**
Pretax income after Cost of Sales and Operating Expenses

Keller INK

COS AND OPERATING EXPENSE PERCENTAGES

COST OF SALES	MREA	
	$$$	% OF GCI
Listing Specialist(s)	$125,000	5%
Buyer Specialist(s)	$625,000	25%
Other COS	minimal	
TOTAL COS	$750,000	30%

OPERATING EXPENSES	MREA	
	$$$	% OF GCI
Compensation	$360,000	14.4%
Lead Generation	$225,000	9%
Occupancy	$25,000	1%
Education and Coaching	$62,500	2.5%
Supplies/Office Expenses	$25,000	1%
Communication and Tech	$25,000	1%
Auto	$15,000	.6%
Equipment	$7,500	.3%
Insurance	$5,000	.2%
TOTAL OPERATING EXPENSES	$750,000	30%

MREA P. 157

BUDGET BENCHMARKS BY GCI

AVERAGES							BEST PRACTICES	
GCI	**$150,000**	**$340,000**	**$640,000**	**$970,000**	**$1,600,000**	**$3,400,000**	**$1,000,000**	**$2,500,000**
COS	$19,500 13%	$88,400 26%	$211,200 33%	$368,000 38%	$624,000 39%	$1,530,000 45%	$250,000 25%	$750,000 30%
GROSS PROFIT	$130,500 87%	$251,600 74%	$428,800 67%	$601,400 62%	$976,000 61%	$1,870,000 55%	$750,000.00 75%	$1,750,000 70%
EXPENSES	$57,000 38%	$122,400 36%	$236,800 37%	$329,800 34%	$560,000 35%	$1,122,000 33%	$360,000.00 36%	$750,000 30%
NET INCOME	$73,500 49%	$129,200 38%	$192,000 30%	$281,300 29%	$416,000 26%	$748,000 22%	$390,000.00 39%	$1,000,000 40%

OPERATING EXPENSES CATEGORIES BY GCI

AVERAGES								BEST PRACTICES	
GCI		**$150,000**	**$340,000**	**$640,000**	**$970,000**	**$1,600,000**	**$3,400,000**	**$1,000,000**	**$2,500,000**
Compensation	Salaries/Benefits	$8,370 5.6%	$33,218 9.8%	$90,304 14.1%	$108,446 11.2%	$223,840 14.0%	$496,400 14.6%	$191,000 19.10%	$347,500 13.9%
	Professional Services	$3,270 2.2%	$4,454 1.3%	$6,016 0.9%	$6,887 0.7%	$9,600 0.6%	$17,680 0.5%	$7,000 0.70%	$12,500 0.5%
	TOTAL	$11,640 7.8%	$37,672 11.1%	$96,320 15.1%	$115,333 11.9%	$233,440 14.6%	$514,080 15.1%	$198,000 20%	$360,000 14.4%
Lead Generation	Listing Management	$5,055 3.4%	$10,608 3.1%	$16,832 2.6%	$29,294 3.0%	$47,040 2.9%	$112,200 3.3%	$23,000 2.30%	$62,500 2.5%
	General Prospecting & Marketing	$11,760 7.8%	$24,242 7.1%	$49,984 7.8%	$87,882 9.1%	$133,120 8.3%	$219,980 6.5%	$50,000 5%	$162,500 6.5%
	TOTAL	$16,815 11.2%	$34,816 10.2%	$66,816 10.4%	$117,079 12.1%	$180,160 11.3%	$331,840 9.8%	$73,000 7.30%	$225,000 9.0%
Occupancy		$4,275 2.9%	$6,290 1.9%	$10,304 1.6%	$12,610 1.3%	$25,920 1.6%	$77,860 2.3%	$20,000 2%	$25,000 1.0%
Education and Coaching		$7,500 5.0%	$18,020 5.3%	$29,504 4.6%	$36,860 3.8%	$53,760 3.4%	$78,540 2.3%	$23,000 2.30%	$62,500 2.5%
Supplies/Office Expenses		$4,110 2.7%	$7,446 2.2%	$10,944 1.7%	$12,707 1.3%	$19,520 1.2%	$40,460 1.2%	$10,000 1%	$25,000 1.0%
Communication and Technology		$5,535 3.7%	$8,942 2.6%	$13,248 2.1%	$17,169 1.8%	$21,920 1.4%	$32,640 1.0%	$16,000 1.60%	$25,000 1.0%
Automobile		$4,440 3.0%	$5,984 1.8%	$8,000 1.3%	$10,379 1.1%	$12,800 0.8%	$19,380 0.6%	$10,000 1%	$15,000 0.6%
Equipment/Furnishings		$915 0.6%	$1,190 0.4%	$1,664 0.3%	$2,619 0.3%	$5,280 0.3%	$12,240 0.4%	$5,000 0.50%	$7,500 0.3%
Insurance		$2,415 1.6%	$2,482 0.7%	$3,008 0.5%	$4,559 0.5%	$5,120 0.3%	$7,140 0.2%	$5,000 0.50%	$5,000 0.2%