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State Farm Insurance Agency

Harrisburg, PA

2019

Small Business Management Plan 2018-2019

Phi Beta Lambda

Penn State University York Campus

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EXECUTIVE SUMMARY

The Zach Weinstein State Farm Agency will provide much of the community's insurance needs while encompassing a professional and comfortable feel. A trained and caring team will provide personalized customer service while following guidelines and doing what is best for policyholders. Goals will be set in order to remain profitable and competitive within the market. The essential elements for growth that will constantly be kept in mind are product expertise, knowledge of client needs, and establishing trust in the agency. The products offered by this agency include but are not limited to:

Insurance products offered:

- Automobile Insurance
- Homeowners Insurance
- Renters Insurance
- Life Insurance (Whole, Term, Univs.)
- Health Insurance
- Personal Articles Policy (PAP)
- Personal Liability Umbrella Policy (PLUP)

Bank products offered:

- Checking/Savings Account
- Money Market Account
- Credit Cards
- Certificate Deposit (CD)
- Individual Retirement Account (IRA)

COMPANY DESCRIPTION

LEGAL FORM OF BUSINESS

This State Farm franchise will be running as a sole proprietorship with one agent (owner), one sales representative, and a receptionist to start. This business acts as a subsidiary of State Farm Corporation and collects premium on their behalf and all profits are passed back down to the agent.

EFFECTIVE DATE OF BUSINESS

The official start-up date of this business will be January 1, 2020. The hours of operation (as listed above) will be: Mon.- Fri. 9-5, Tues., Thurs. 9-7, Sat. 9-12, and Sun. by appointments only. The following are State Farm's observed (paid) holidays: Memorial Day, Fourth of July, Labor Day, Thanksgiving Day, and Christmas Day.

COMPANY MISSION AND VISION

The mission is to focus on each customer's individual needs to provide products that will help minimize their everyday risk and assist them in recognizing their dreams. The agency will provide the customer with outstanding service through a friendly and knowledgeable team. Trust, integrity and loyalty will be the foundation of the agency, as well as adapting to the ever-changing economy to benefit both the policyholder and State Farm alike.

As a State Farm Agent, the vision of the team is to be the customer's first and best choice in the products and services we provide. State Farm Bank separates this organization from others in the industry by making deposit products and loans available to customers. The agency will focus on the customer's needs and develop the trust and integrity that State Farm has established. One way of establishing this rapport is through community outreach and involvement, upholding that "Good Neighbor" relationship.

COMPANY GOVERNANCE

As stated above, this State Farm franchise will be running as a sole proprietorship with one agent (owner), one sales representative, and a receptionist to start. This business acts as a subsidiary of

State Farm Corporation and collects premium on their behalf, and all profits are passed back down to the agent. This business will be located in downtown Harrisburg, Pennsylvania.

IMMEDIATE DEVELOPMENT GOALS

Auto Goals and Strategies

The yearly objective is to write 35 raw new/reinstated autos per month or 420 annually. Specific Auto growth targets are Raw New, Motorcycles, Commercial Vehicles, and Youthful Operators.

- Use internet leads to gain additional warm leads. Team members will alternate leads or whoever is available will work the lead immediately. This consists of calling immediately, mailing and emailing an accurate quote (mail and email a bogus quote if not enough information is received), and continuing to call and mail postcards once a week for 4 weeks until a “No” is told. Then the quote will be pended for 6 to 12 months. This pended quote will be recorded in Outlook calendar as well as ABS.
- Facebook advertisement and running referral rewards by mentioning Facebook during the quoting process.

Fire Goals and Strategy

The yearly objective is to write 17 raw new/reinstated fire policies per month or 207 annually. Specific targets are Homeowners, Renters, PAP, PLUP, and commercial business.

- All contact with customers, whether on the phone or in person, is a potential sale. The team will be trained in pivoting and product knowledge for each of the products offered.
- Service Specialists will run lists of high valued dwellings without plups. Plup letters will be sent, making the customer aware of the additional exposures they have, and phone calls will be made by the team.
- Local rental complexes and developments will be frequented with welcome bags which include calendars, business cards, bogus/example quote and State Farm literature.

- Lists of single line auto will be run and an IFR letter will be sent monthly with all auto renewals. This will invite the policyholder to explore the package/multi-line discounts offered. All lists will be divided and given to the team to schedule appointments.
- Networking through local business such as mortgage companies, local realtors, title companies, etc... Once again, referrals are the most cost-effective way of marketing.

Life Goals and Strategy

The yearly goal is to write/issue 8 policies per month with \$50,000 premium and average premium volume of \$525 per case. Specific targets are Whole Life, Term Life, and Universal Life, ROP.

- All contact with customers, whether on the phone or in person, is a potential sale based on needs at the time. Certain needs would include marriage, divorce, pregnancy, etc.

Health Goals and Strategy

The yearly goal is to write/issue 48 policies with \$700.00 premium. Specific targets are Long Term Care, Medical Supp., Disability, etc.

- Lists of the older clientele will be produced. An approved Long-Term care letters will be sent to the individuals. The list will be divided equally among team members.
- Every person who is purchasing a new home and obtaining homeowners insurance will be explained the advantages of Mortgage Disability which would be included in the triangle of protection discussion.
- During each vehicle refinance, disability income will be explained and added to loan/refinance. Each team member will be trained to pivot this product.
- Hospital income will be targeted towards the parents and the young adults. Within the monthly presentations of steer clear the importance of hospital income and life insurance will be presented and stressed to act at a young age.
- Quarterly lists of eligible individuals that are turning 65 will be given a phone call and mailed an informative letter regarding Medical Supplements.

- Pivoting during the fact-finding process and writing of new auto, business, and health insurance will be discussed. It is important to identify those without health insurance and present the options that are available to them.

SF Bank Goals and Strategy

The yearly goal is to book 2 loans and 4 deposit products accounts per month or 72 annually. Specific targets are deposit products, loan products, credit cards.

- Ask all customers that have replaced and/or recently added a vehicle about lien information and the percentage rate that they currently have. Explain the advantages of banking with State Farm, looking at better interest rates, and the inclusion of debt cancellation coverage with all vehicle loans.
- Update the bank board in the office weekly. Make it noticeable as clients enter the office.
- Outline the ease and convenience of having insurance, bank, loan, and health all at one spot and knowing who they are talking to every time.
- Lists of current autos that show a lien holder will be posted. A letter asking to verify information will be sent. Follow-up calls will be made if the client has not contacted the team member. During the verification of the correct information pivoting will be done to compare interest rate and educate the customer about our bank products.
- CD postcards will be mailed to the older clientele on the book.
- Upon opening an SFPP account, the customer will be informed of the advantages of getting 1% back and by using this to pay their premium receiving 2% back with the State Farm Rewards Visa.
- All young adults will be offered a credit card and informed that the agency is here to assist them in establishing good credit at a young age.
- State Farm approved copies of current bank rates will be given to each client daily and will initiate conversation about all bank products.

Mutual Fund Goals and Strategy

The yearly goal is to book 24 accounts annually with an average account size of \$2500.00. Specific targets are number and size of accounts.

- Ask all state-to-state transfers about rolling over their accounts from their previous job.
- During IFR's and the fact-finding process identify those customers who have a need for retirement planning and rollovers.
- Run monthly lists of address changes on the book. Typically, this will signify a change in job, and a rollover or a discussion about retirement will be present.
- Direct mail targeting mid-20- to mid-40-year olds explaining Roth IRA's, educational IRA's, and mutual funds.
- All products pitched will be recorded as a follow-up in ABS by each team member. The follow up systems in "My Activities" will be used daily to maximize call back efficiency and success.

INDUSTRY ANALYSIS

DESCRIPTION OF INDUSTRY

According to the Insurance Information Institute, the U.S. Bureau of Economic Analysis gives insurance carriers and related fields credit for contributing \$507.7 billion of total U.S gross domestic product in 2016. Furthermore, below displays a breakdown of the insurance premiums and their respective costs within the U.S. This information supports the importance of the insurance industry on both a global and local level.



Current trends within the industry include multi-lining, up to and including financial services, and providing 24-hour customer service including mobile application accessibility. Since the industry is moving towards internet-based systems, ensuring that the business has access to these portals in order to proper tap into further lead generation is crucial.

SWOT ANALYSIS

Strengths	Weaknesses
<ul style="list-style-type: none"> • Highly motivated with a positive attitude • Strong community connections • Strong support system consisting of the team-work mindset within the agency • Having a diverse team will help relate to all demographics 	<ul style="list-style-type: none"> • Finding team members that share the same high expectations for the future of the agency
Opportunities	Threats/Competitor Analysis
<ul style="list-style-type: none"> • Help simplify the lives of all clients by providing the coverage they need • Gaining new leads though current customers and expanding beyond the community • Molding and shaping the book of business through multi-lining and generating quality long-lasting business through relationship building and leadership 	<ul style="list-style-type: none"> • Geico, Progressive, Nationwide, Erie, Allstate, Merrill Lynch, and other insurance brokers/financial institutions • Economy will be an area that could be a threat to the agency but with a team that is fully engaged in the business and analyzing, updating and increasing marketing dollars where most effective, will maintain and grow business through an overall economy that does not show growth • Increasing internet competition, as the internet is one of the most cost effective and reliable means of advertisement

TARGET MARKET

MARKET DEMOGRAPHICS

Dauphin, Lebanon, and Lancaster counties have grown substantially in recent years. In terms of the economy of Dauphin county, its backbone is in Public Administration, Transportation and Warehousing, and Utilities, which drive the median household income over that of the entire

United States at \$60,331. In the county, the population was dispersed by the following demographics: 22.3% were under the age of 18, 8.3% from 18 to 24, 25.9% from 25 to 44, 20.8% from 45 to 59, and 15.7% are 65 years or older. This makes the median age approximately 40 years old. The most recent survey also indicated that the largest group of households in this county make an income between \$75k to \$100k range, equating to about 16,261 households (64.9%).

It is also worth mentioning the largest percentage of non-English speaking members there are within Dauphin County. With almost 12% (5,756 people) speaking another language, it will be crucial to hire multicultural team members to help bridge the gaps in communication.

As for future growth, the youthful generations are essential to having a healthy base of business. By utilizing social media sources such as Facebook, Twitter, Instagram, and LinkedIn, the agency will be able to effectively communicate with the youth. Unlike traditional marketing, cold-calling from the phone book and being lucky to land 10% of people, social media allows for easy broadcasting of product or service globally while attracting the largest group of youth and young adults. The following chart depicts the demographics described above.

<u>Demographic Analysis</u>	<u>Community</u>	<u>Competitor</u>	<u>Market Area</u>
Population	49,192	37,149	469,998
Population Trends	+8%	+5.2%	+1.12%
Number of Households	25,057	15,302	184,782
Home Ownership Rate	36.2%	57.9%	59.13%
Median Housing Cost	\$82,100	\$160,200	\$147,233
Median Income	\$35,300	\$42,792	\$50,918
Language Other Than English	11.7%	8.9%	13.62%
<u>Market Factors</u>			
Market Penetration	18.3	19%	14.7%

Table 1

Data collected from 2016 census on Datausa.io and the United States Census Bureau (keywords: Dauphin County, Harrisburg, Lebanon

COMPETITION

Competition is not just a threat to overall revenue of a company; competition can be in the form of marketing, branding, and customer service/satisfaction. As an owner of a State Farm Agency I must be aware of my competitors and their strengths and weaknesses in order effectively manage and implement various marketing, administrative, and service techniques to overcome the opposition. A list of these competitors are as follows:

- Erie Insurance
- All State Insurance
- Donegal Insurance
- Geico Insurance (Berkshire Hathaway)
- Progressive Insurance

Another potential competitor of the business/industry could be a new company(s) entering the industry with fresh marketing ideas or well-established strategies and procedures to correct a common error of existing insurance companies. However, one major tool the newly established companies would not possess is branding power that has been earned by the industry leaders.

MARKETING PLAN AND SALES STRATEGY

MESSAGE

The branding reputation of a company or organization has a drastic effect on its influence within the industry. As stated in the above heading, opening a new agency under the umbrella of State Farm provides and affiliates the branding reputation that comes with the agency with the new business and in turn attracts an abundance of clientele over its competitors. Everything from the

alliteration used in radio advertisements (Sheryl's She Shed) to the comical television commercials (Trash Talking a Pothole) make State Farm a catchy yet memorable insurance agency. Entering into the market with the brand that State Farm has created will set one aside from others attempting to compete for business.

DELIVERY METHODS

Finding out where the agency's sales and leads are coming from is essential to tailoring and maximizing the marketing budget. This is a good indicator on how involved the agency is with the community. Some strategies for building community relations are:

- Sponsor local sporting events and fundraisers.
- Meet local businesses in the area and offer services to them.
- With the growing popularity of internet-based communication and marketing, daily posts will be made on the company Facebook and LinkedIn pages to share insurance facts, questions to think about, and any new general policy changes or availabilities.

Along with community outreach, the business will take advantage of other marketing sources such as telemarketing through book of business lists, billboards in the surrounding area, direct mailers sent to potential customers, and social media to not only network but reach more of the younger generations eligible for insurance.

SALES PROCEDURES AND METHODS

Marketing will be vital to the agency's success. Analyzing where business is produced and recognizing the marketing that is the most effective will be a major part of the business. How the potential customer heard about the agency will be tracked with every opportunity. Here are some Specific Market Strategies:

- Each team member that is in contact with new business will be asked to record where the business heard about the agency. This will be the first indicator on what areas of marketing are successful. Adjusting marketing funds accordingly will generate more business for the agency.
- Subscribing to internet website lead aggregators such as Insureme.com and Netquote.com.
- Consistently updating the agency Facebook page and micro site on google, Yahoo and other search engines.
- Work in a Facebook promotion twice a year to encourage growth virtually by offering a ten-dollar gift card to those who invite the agency as a friend and mention the Facebook promotion upon getting a quote.
- Calling and mailing the quotes that are pended from the previous 6 months to invite the customer to take another look at the agency just before their renewal.
- Call nights from 5:00 to 7:00 pm. This will generate a high answer rate and the opportunity to inform and invite the customer to explore State Farm.
- At least one billboard every quarter.
- Order PAVE leads – 1500 per month on a 3-touch bundle.
- Thank-you cards will be sent to all new business.
- Local advertising in newspapers, community flyers, local schools, colleges, churches, and area restaurants.
- A referral program will be in place for every customer that lists three friends or family who will receive a ten-dollar gift card.

OPERATIONS

OFFICE FACILITY

- The interior of the office will be designed around the next generation agency. There will be state-of-the-art computers and comfortable seating, and the office will be decorated with warm colors and décor. Upon entering the lobby, State Farm approved literature and brochures will be available. A small refrigerator of refreshments (sodas, water, etc.) as well as a coffeemaker with assorted teas and hot chocolate will be provided to all policyholders.
- Families being the core of the company, the agency will have a children's room/area set aside for entertainment. This really eases time constraints on the customer and allows them to have more flexibility.
- If the customer is unable to come into the office, the agent will be more than flexible to meet at an agreed location with the policyholder(s) to ensure all can ask questions and better understand their coverages.

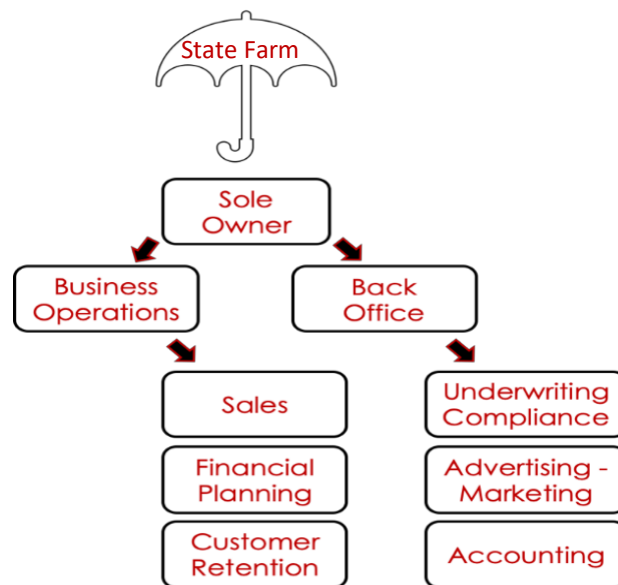
TECHNOLOGICAL USE

As the technology industry continues to thrive, many industries are adopting these resources to expand upon the techniques and services currently available to them. State Farm has adopted a brand-new data server that tracks customer trends, 24/7 claims, potential customer interests, and much more. The company has also invested in a new mobile application that allows for online claim filling, banking, overview of policies, and agent contact information readily available at customers' fingertips. This flexibility improves customer service and creates what the insurance world refers to as "stickiness," which is the increased potential of a customer choosing or remaining loyal to a company due to countless benefits or services.

MANAGEMENT AND ORGANIZATION

ORGANIZATION CHART

As shown on the chart, the new agency will be under the “umbrella” of State Farm as a sole proprietor franchise owned by Zach Weinstein. Further down displays a breakdown of two section of the business more formally known as front office and back office operations and their subcategories.



RECRUITING PLAN

The agency will be run with two full-time sales specialists, one full-time sales assistant/service specialist, and rotate through a college intern to concentrate on telemarketing. The agency will have several means of finding qualified individuals to fulfill each vital role:

- Website-based job search engines (Careerbuilder.com, Indeed.com, Simplyhired.com)
- Staffing agencies (recruiters)
- Local headhunters specializing in insurance hires (staff that is already licensed)
- Advertising in local magazines/newspapers

- Speaking with local college professors about potential young business majors with a focus in insurance

By year four, an additional sales specialist will be recruited to generate additional sales to increase growth of the agency. All staff will be required to be licensed within three months of hire in Property/Casualty and Life/Health.

AGENCY TEAM MEMBER COMPENSATION

Compensation will work as follows:

Annual Base Salary:

- \$23,000 for bank certification
- \$24,000 bank and P&C License
- \$25,000 for bank, P&C, and L&H
- \$26,000 for bank, P&C, L&H, and series 6 and 63 License
- \$28,000 for bank, P&C, L&H, series 6 and 63, and mortgage license

PERSONAL PRODUCTION GOALS

Commission will be paid on a monthly basis. 100% of commission will be paid only if all goals are met across the board. The previous month's excess of goal can be rolled forward to cover the current month if goals were not reached. Likewise, the following month's excess of goal can be rolled back in that product line.

The monthly goal for each Sales Specialist is as follows:

- 15 auto, 7 fire, 4 life, 1 health, 1 bank deposit product, and 1 bank loan submission.

Commission Structure:

- Auto - \$10.00 per raw new auto up to 24 autos. Upon hitting 25, double commission will be paid to all autos produced thereafter, as well as double will be paid to the original produced.
- Fire - \$10.00 per application
- Life – 15% of annual premium (Whole Life 20% of annual premium)
- Health – 15% of annual premium
- Bank - \$25.00 for deposit products and credit cards
- Bank Loans - \$100.00 per loan and \$5.00 for each declined/unaccepted loan submission

As a Team Goal each month, when 50 total autos are reached an extra \$5.00 per application will be given across the entire board, excluding completed IFR's.

Service Specialists and the College Intern will be responsible for scheduling and a total of 60 IFR's per month or 3 per day.

- IFR - \$2.00 per meeting conducted
- Each product pivoted to, appointment set, and successfully completed by the agent or another Sales Specialist, the Service Specialist will receive 50% of the commission on each product sold for the pivot.

TEAM MEMBER TRAINING PLAN

Training plays a crucial role in the success of this agency. Staff will be trained through weekly meetings and throughout the course of the week. Each weekly meeting will include a topic of interest or product. This will involve discussion pertaining to said product and what is known about the product line. This will ensure each team member has a clear understanding or refresher of what it does for the consumer and how to pivot to it from other products. The team will be sent to the

AFO as training seminars are available. They will be asked to utilize ABS training modules, and literature from all product lines will be available for them to take home and do self-study.

Studying materials will be provided for the licensing of P&C and L&H. Upon passing grade for each test, reimbursement will be given for the passing test cost and the web-based program that helped achieve the pre-licensing.

MANANAGING TEAM MEMBER PERFORMANCE PLAN

Team goals will be specified and have the requirements outlined in handbooks. As referenced above, the individual goals will need to be met in each line to earn 100% of the commission associated with that line. To measure the success of the team, a white board tracking monthly progress will be posted within the office where it will be visible to staff throughout the day. Each team member will be assigned a color and will record, under the appropriate product line, the customer and the marketing mean that created the sale. This will create a competitive atmosphere among the team and hold each accountable for his/her sales within the month. A separate smaller board will be present in the same area showing monthly numbers for the year. This will help show trends from month to month and capture a picture of where the agency is in relation to the yearly goal. A promotions board will be utilized to track the monthly/quarterly promotion within the office.

At the beginning of each week the team meeting will be held in the room where the boards are present. During the meeting the boards can be referred to for areas of improvement, and successes can be celebrated. Each team member will have a clear understanding of his/her current position and week-end goal.

Quarterly charts will be given to each team member tracking their sales to date and what they are on track to earn by year's end.

TEAM COMMUNICATION

The mission and vision of the agency will be printed and framed to remind the team and show customers our intent and the path for the future. A continual monitoring of the progress towards both the mission and the vision of the agency will take place during individual reviews.

Team Meetings

Weekly meetings will be conducted every Monday morning from 8-9 am. The focus of these meetings will be to review the past week's goals as well as to get an idea from each team member what is working well and discuss areas of improvement. The team's progress on upcoming weekly and monthly goals will be discussed as well. This time will also be used to make the team aware of any upcoming changes and motivations.

COMMUNICATING WITH TEAM MEMBERS

Building trust and integrity into this agency is very important. Reaching out to the community will establish a solid foundation for the company name and what the agency stands for.

- Each team member will be encouraged to get involved with the community, making them aware that greater involvement leads to bigger promotion of the agency and sales.
- Team members will be asked to actively pursue friends and relatives to become policyholders.
- All team members will be asked to promote the business on Facebook and LinkedIn.

LONG-TERM DEVELOPMENT

GOALS

1-3 Year Plan

- Conduct 450 IFR's
- Increase Sales Incrementally Yearly (3%, 2.5%, 2%)
- Minimize Lapse/Cancellation (Less than 18%)
- Increase Multi-lining Through Generated Lists by 1.5% each Year
- Referrals

4-5 Year Plan:

- Conduct 300 IFR's
- Establish Multi-lining in 40% of Book by year
- Minimize lapse/cancellation (Less than 12%)
- Increase Sales Incrementally Yearly (1.5%, 1%)
- Referrals

RISK AND POTENTIAL ADVERSE RESULTS

Development Risk – Low

Products/services offered through the office have already been developed and distributed by the agency, being State Farm.

Financing Risk - Low/Moderate

All new franchise agents are expected to acquire approximately \$75,000 through personal finance or business loans. The business will be fueled through \$15,000 of the owners' equity and \$60,000 from the State Farm Bank business loan.

Marketing Risk - Low/Moderate

The company will be promoting both its insurance products and financial services to its customers and target market through the discussed marketing tools. The only risk would be competitors with equally appealing marketing techniques.

Management Risk - Moderate/High

The experience of the business owner may not size up to others in the industry, however qualification/licenses to sell products will be obtained and impeccable communication skills will be implemented towards team members.

Exit Risk - Low

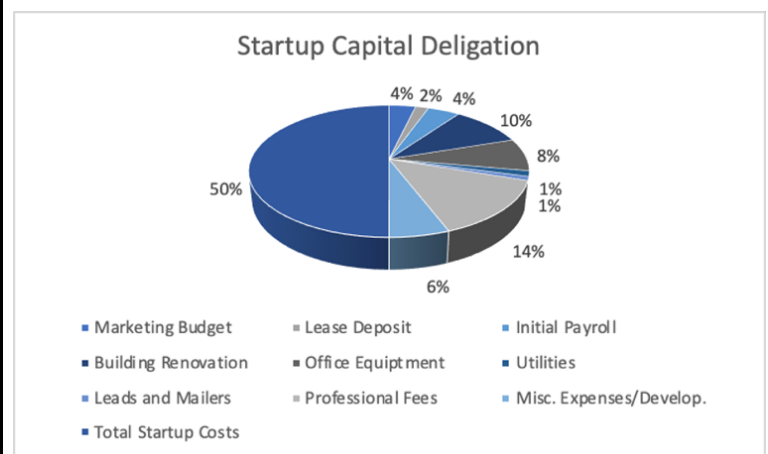
There is always a strong demand for qualified insurance agents. As for retirement, the book of business is then handed off to a trusted/interviewed agent to continue under a new LLC. There will be no liquidation or listing of property when leaving.

FINANCIALS

CAPITAL INVESTMENT

I plan to invest \$15,000 of my own capital into this start-up and will be taking out a loan in the amount of \$60,000 offered to new agents by State Farm Bank at an interest rate of approximately 4.5%. Listed below is a more thorough layout of the capital and how it will be used to initiate the business.

Projected Startup Costs	
Marketing Budget	\$5,500.00
Lease Deposit	\$2,700.00
Initial Payroll	\$6,583.33
Building Renovation	\$15,000.00
Office Equipment	\$12,000.00
Utilities	\$2,000.00
Leads and Mailers	\$1,465.00
Professional Fees	\$21,000.00
Misc. Expenses/Develop.	\$8,751.67
Total Startup Costs	\$75,000.00



ACCOUNTING METHOD

The business owner will be sub-contracting a certified CPA to audit the businesses, maintain financial records, and file taxes each year. This expense is shown to incur under the Professional Fees expense each year.

PROFIT AND LOSS

In generating the Profit and Loss, the sales forecast was based on the \$1.8 million book of business revenue and raw new sales commission paid to the agency. As mentioned, the goal for the business is to increase its sales incrementally year by year in order of 3%, 2.5%, 2%, 1.5%, and 1%. It is also important to point out that the book of business (BOB) renewal increases significantly each year as it consistently accrues the previous year's sales along with it and earning an 8% return on the total worth.

Profit and Loss Statements					
Year	1	2	3	4	5
Sales	\$53,700.00	\$55,311.00	\$56,693.78	\$57,827.65	\$58,695.10
BOB renewal revenue	\$144,000.00	\$173,976.00	\$201,772.56	\$227,450.38	\$251,044.67
Cost of Goods Sold	\$50,640.00	\$53,162.00	\$57,829.80	\$67,975.00	\$72,540.00
Gross Margin	74%	77%	78%	76%	77%
Gross Profit	\$147,060.00	\$176,125.00	\$200,636.54	\$217,303.03	\$237,199.77
Expenses					
Payroll	\$59,000.00	\$73,500.00	\$78,000.00	\$107,500.00	\$120,000.00
Lease of Utilities	\$1,800.00	\$1,800.00	\$2,520.00	\$2,820.00	\$2,940.00
Lease of Building	\$17,550.00	\$18,000.00	\$18,000.00	\$18,000.00	\$18,000.00
Advertising Expenses	\$48,000.00	\$48,000.00	\$48,000.00	\$48,500.00	\$48,500.00
Insurance Costs	\$630.00	\$630.00	\$630.00	\$630.00	\$630.00
Professional Fees and Licensure	\$3,500.00	\$1,250.00	\$2,775.00	\$2,775.00	\$2,775.00
Payroll Taxes	\$10,783.50	\$11,397.75	\$15,424.50	\$19,451.25	\$20,884.50
Workers Comp	\$520.00	\$520.00	\$520.00	\$520.00	\$520.00
Amortization of Leasehold	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Depreciation Expense	\$1,200.00	\$1,200.00	\$1,200.00	\$1,200.00	\$1,200.00
Total Expenses	\$143,983.50	\$157,297.75	\$168,069.50	\$202,396.25	\$216,449.50
Net Profit	\$3,076.50	\$18,827.25	\$32,567.04	\$14,906.78	\$20,750.27

Statement of Cash Flow

The statement of cash flows listed below are quite typical of other companies alike. One thing that is worth mentioning is the payroll increase from year 3 to 4 totaling approximately \$35,000. This is simply due to hiring a new sales associate to ensure maximum capacity is always met regarding raw policies.

Forecasting of Cash Flows					
Year	1	2	3	4	5
Beginning Balance	0	\$39,853.53	\$47,457.81	\$68,801.88	\$82,012.99
Cash From Operations	\$53,700.00	\$55,311.00	\$56,693.78	\$57,827.65	\$58,695.10
BOB Commision Renewal	\$144,000.00	\$173,976.00	\$201,772.56	\$227,450.38	\$251,044.67
Operating Cash Flow	\$197,700.00	\$229,287.00	\$258,466.34	\$285,278.03	\$309,739.77
Other Cash Inflows					
Equity Investment	\$15,000.00	\$0.00	\$0.00	\$0.00	\$0.00
Increased Borrowings	\$60,000.00	\$0.00	\$0.00	\$0.00	\$0.00
Sales of Business Assets	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Accounts Payable Increase	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Other Cash Inflows	\$75,000.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Cash Inflows	\$272,700.00	\$229,287.00	\$258,466.34	\$285,278.03	\$309,739.77
Cash Outflows					
Repayment of Loan	\$13,422.97	\$13,422.97	\$13,422.97	\$13,422.97	\$13,422.97
Payroll Expense	\$70,303.50	\$85,417.75	\$93,944.50	\$127,471.25	\$141,404.50
Operating Expenses	\$71,480.00	\$69,680.00	\$71,925.00	\$72,725.00	\$72,845.00
Cost of Goods Sold	\$50,640.00	\$53,162.00	\$57,829.80	\$67,975.00	\$72,540.00
Accounts Payable Decreases	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Accounts Receivable Increases	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Asset Purchases	\$27,000.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Cash Outflows	\$232,846.47	\$221,682.72	\$237,122.27	\$281,594.22	\$300,212.47
Net Cash Flow	\$39,853.53	\$7,604.28	\$21,344.07	\$3,683.81	\$9,527.30
Ending Cash Balance	\$39,853.53	\$47,457.81	\$68,801.88	\$72,485.69	\$82,012.99

RETENTION STRATEGIES

- Offer IFR's to everyone on a bi-annual basis. The main purpose is not only to get to know each customer but to address any concerns and needs that they might present. In ABS, record of each IFR offer and result.
- Prospector + and SMP's will be created for new customers. Following up with welcome letters and mailers generated from the SMP.
- Multi-Line is so important to retention within an agency. Constantly pivot and educate customers where discounts are available to create a package of coverage tailored to everyone.
- Lapse/cancelation ratio followed and tracked closely by the agent. Trends of cancelation will be determined, and proactive efforts of retention will be towards that portion of business.
- Building relationships with each customer by getting to know their name and names of family members. The team will record client information in ABS such as hobbies, interests, family situations. Each customer will feel important and appreciated by asking them "How they did hunting/fishing this year?" or "How do you like your new car?"
- Upon cancelation, we will ask "Why?" and "Is there something we could do to improve customer service?" Every customer will be treated with respect and consideration.

APPENDIX A: SHORT TERM PLAN

30-60-90 Day Plan

The following is a list of preparations that will be done to assure a smooth and productive grand opening:

- Assess the office location of the current agent and determine if this will fit my vision. If not, find an office location based on easy access and visible in high traffic areas.
- Interview existing staff from the previous agent and make offers if they fit the plan.
- Interview others that I have in mind.
- Post openings on web-based job sites and evaluate the resumes to call for interviews.
- Decide office layout and discuss with the prior agent of the office if the furnishings are for sale. If not what I had in mind, order furnishings to fit design.
- Order signage in ordinance to local community.
- Call and set up utilities including Electric, Gas, Phone lines, internet, Water, and Sewer.
- Have a security alarm ordered and installed.
- Determine the number of computers and printers and have them ordered and installed by State Farm.
- Get started with licensing for the team including P&C, L&H, notary, etc.
- Apply for all necessary SF credit cards and business loans.
- Setup business bank accounts and payroll service. (Paychex.com)
- Have the phone systems setup through CRC and have the hold recording in place.
- Setup all PAVE leads and internet lead aggregators.
- Make sure hours of operation are clearly marked and decorated with SF approved material.
- Order all office supplies and literature from SF.
- After setting up the agent micro site, setup the Google and Yahoo accounts for search engines.
- Have billboards in place to be up after the grand opening.
- Train team on systems and products.
- Have all Select Staff agreements completed by the team.
- Set up all ads in the yellow pages and community marketing.
- Meet with the business accountant to prepare for taxes.
- Have vehicles wrapped in Zachary Weinstein State Farm and with SF approved logos.
- Contact all friends and family for quoting on the opening day.
- Meet area businesses and introduce the agency to area community organizations.

Appendix A: SHORT TERM PLAN (Continued)

30 Days

The 30 days after opening, the material needs of the office will be assessed and evaluated to make sure the agency is working on all cylinders. Marketing avenues will also be evaluated, and customers will be asked how they heard about the agency. Team productivity will be analyzed to find early trends and figures to be sure everyone is focusing their energy towards the productive areas. Finally, the agent will make sure the team feels comfortable and productive and get feedback from the team on improvements.

60 Days

Within 60-90 days after opening, data from the first quarter will be analyzed and trends will be tracked to make sure projected numbers/goals are being met. All lines will be looked over to see where adjustments need to be made to make sure the second quarter has an upward trend. Marketing will be evaluated, and monies will be diverted to the most effective forms. Along with the aggressive marketing campaign, the team will stay dedicated and focused on achieving goals.

APPENDIX B: WORKFORCE ROLES

The Agent:

- From the start, the first goal is to establish leadership, integrity, and hard work into the team and insure that the policyholder's interests are put before the agency's.
- Each team member will be delegated tasks and held accountable for meeting goals.
- Weekly Monday morning meetings will be held to listen to successes and help with areas of improvement. The team will follow up on monthly goals and establish the weekly goal by analyzing statistics such as lapse can, inbound/outbound calls, and total production.
- Each team member will submit in writing areas where they feel they need improvement and how they expect to accomplish that growth. If appropriate, the agent will assist them through training and demonstration.
- Having an open-minded philosophy to allow for new and bold ideas will help increase productivity and allow all team members the ability to express themselves in the workplace.
- The compensation package put forth for the team members will encourage them to have a vested interest in the business. It will include year-end bonuses based on Agents Scorecard through both team and individual efforts. AFO promotions will be met and awards will be distributed to the team as the requirements are met.
- Continuously learning through individual/team workshops, boot camps, and additional certifications will give the agency an upper edge over others.
- Agency involvement in the community is very important. The agent will associate and be involved in local area business chapters, networking groups and community service as time permits.
- As a strong leader, the agent will exceed the goals and run a successful and profitable business, all the while meeting State Farm's needs and guidelines. The team will do so by gaining trust and integrity in the policyholders, managing a goal-oriented team, and balancing a healthy relationship between the office and individual family.

Team Members:

- The team will consist of two sales specialists, one service specialist, and one part time telemarketer (college intern).
- The team will be trained through the Agent and AFO.
- Upon hire, each team member will need to be licensed within a three-month time frame.
- They will be required to attend Monday meetings to gather new ideas, sharpen sales skills, review and train on products, and use motivational tips for improved success for the week ahead.
- Goals will be set to encourage working as a team. Each month, a monetary payout will be shared by the team if guidelines and goals are met.

Appendix B: WORKFORCE ROLES (Continued)

Customer Service:

- The agent and team will provide nothing less than the best customer service. Personal knowledge of each policyholder and family-oriented support are what solidify the stickiness of a client.
- All policyholders and prospects will be greeted with respect and will be provided with personal and timely customer service by listening to their needs and concerns and addressing them accordingly.
- The agent will get to know every one of the policyholders by conducting Insurance and Financial Reviews (IFR's) on a bi-annual basis. When the team members write new business, they will introduce them to the agent. When they leave, they will know they have a family behind them every step of the way.
- It will be required that all phones be handled by the second ring and all quotes be done in real time. They will not be asked to call back later or wait for a call back from a team member.
- Appointments will be offered to all customers to determine a need for additional State Farm products (Life, Health, Mutual Funds, etc.).
- As an agency, all claims will be called within 1 day to assure our policyholders that their local agent stands behind them. This provides the comfort and ease when our customers are in their time of need while maintaining the reputation State Farm has built around the claims department.

APPENDIX C: REFERENCES

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