



**Universitat de les  
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# Complete evaluation of a business project, proptech platform

Matvey Moseykov

**Grau d'Administració d'Empreses**

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DNI de l'alumne: X8909156Z

Treball tutelat per Dr. Rafel Crespí Cladera  
Departament d'economia de l'empresa

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## **1. Summary of the study**

Complete evaluation of a business project, proptech platform. Digitalization of a real estate agency through the creation of an online platform.

The project aims to analyze the feasibility of digitalizing a real estate agency as a digital platform. Also known as proptech. The platform will mainly serve to attract those interested in selling their property in different regions of Spain. The source of income will be the fees charged to the owners for the procedures and formalities carried out. The involvement of the platform will be totally remote, and a central office can be physically established in Palma.

The contact with the owners will be carried out by the physical real estate agents according to the areas of each municipality subscribed to the platform if requested by the owner. For these procedures, the agents, always external to the company, will receive a commission for the management and operation.

The aim is to assess the costs of installation and start of activity. As well as to analyze the series of processes that must be carried out to organize the company and which must be the volume of sales for it to be profitable. As a time reference, the period of three years will be considered.

## **2. Business plan**

The plan aims to explain the business from the most important perspectives; such as the description of the company and its services, internal and external organization, to justify the sales and marketing strategies, to make a costs forecast and consequently to determine the possible return on investment.

### **a. Executive Summary**

The summary will provide basic information about the company and the business idea. Strengths, weaknesses, opportunities and threats will be analyzed. It will also present the plans and objectives that the company will pursue in the short, medium and long term.

#### **i. Mission, vision and the values of the project**

The mission of this project is to satisfy the need of many property owners to sell their properties by providing them with administrative and advertising services at a lower price than the market average in Spain.

The vision of this project for the next three years is to promote the digitalization of the real estate sector, thus lowering the costs of selling a property. This vision will facilitate the process of buying and selling property as well as investment in this type of asset.

It is a business project, but with clear outstanding values. A fast and efficient service, transparency with the state of the sale (communication of all the steps taken for the sale) and clarification of all doubts that may arise throughout the process both by our own team and by our representative in the client's province. It's about being an

honest company that won't promise unattainable goals. Be clear about the services to be provided to customers, their price, method of payment and general conditions from the outset.

## ii. Company information

The company will provide remote real estate agent services. Making a commercial recruitment of real estate by contacting the owner interested in the sale of the property. 6 types of properties will be listed: homes (with garages or storage rooms), offices, premises, warehouses, lands and buildings.

Corporate operations would be carried out from a central office, located in Palma de Mallorca. For the rest of the tasks, on the one hand the real estate representatives in the provinces would be contacted and on the other hand the freelancers from different countries for the tasks that can be carried out remotely.

The physical contact of the client (seller of the property) with our company would be done through the representative, who would also be in charge of receiving the visits of the potential buyers physically (in case the seller contracts these services).

One of the main functions of the company will be to promote the properties listed on the Spanish real estate portals. Guaranteeing, that the expenses related to the sale of the property never exceed the revenue for the company, so that no sale of property will result in a loss.

## iii. The company's services

The company's services can be divided into two large blocks: services for sellers and services for buyers. A short summary is provided here.

The services for sellers are:

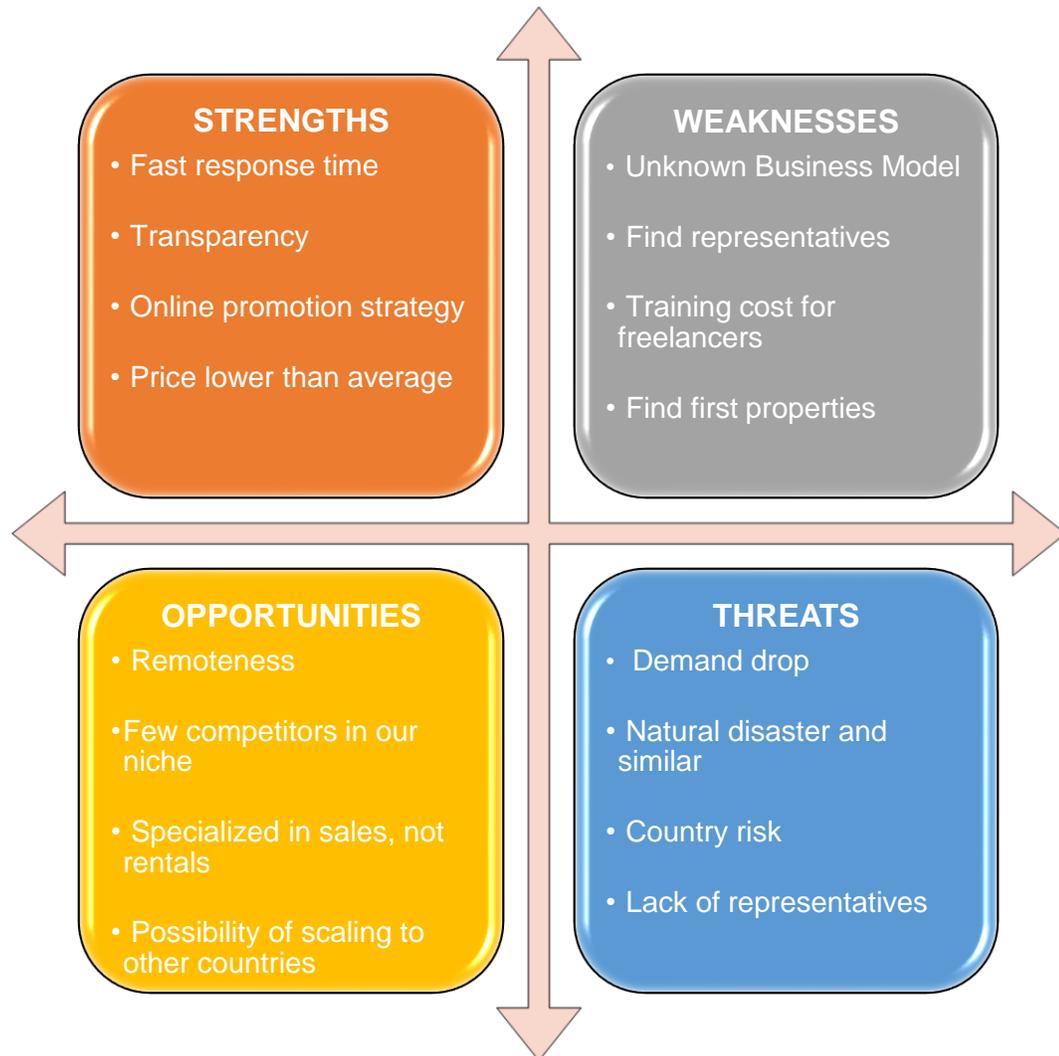
- Advice and consultancy for the sale
- Appraisal of the property
- Professional photo and video reportage
- 3D Plan for virtual tour
- Promotion in online real estate portals
- Contact with potential buyers
- Carrying out on-site visits, if requested
- Legal and administrative sales management remotely
- Multilingual assistance

The services for buyers are:

- Advice and consultancy for the purchase
- Offer of properties on our website
- Possibility of knowing the buyer's profile
- Virtual and physical visits
- Multilingual assistance
- Search for mortgage financing
- Legal and administrative purchase management remotely

#### iv. SWOT Analysis

In the following chart, there is a SWOT analysis. The topics are described below.



Graph 1. SWOT Analysis. Source: This chart is self-produced.

#### Strengths

Fast response is a key factor in not holding up the client's interest. For this purpose, the decentralization of staff will make it possible to provide the response service during extended hours. Transparency is a central element in new real estate negotiations, both for the buyer and the seller. The price will be negotiated by the seller directly and all statistical data can be viewed on the platform. The percentage of people who use the Internet to search for properties is growing. This proptech will adapt to this by creating effective online promotion strategies. Price competition will be one of the strengths of this company, making costs as low as possible. The objective will be to demonstrate to the consumer that this price reduction does not lead to a deterioration of the service.

## Weaknesses

Not all owners know yet how this model works and in general if it is possible to find buyers by this method. As it is a remote service, people who can represent the company must be found in the provinces, including real estate agents, photographers, and salesmen. On the other hand, freelancers that can help with remote tasks will be searched. It will be important to give them training according to the tasks they have to develop, and this implies an additional cost. Making the company known will be the first major objective to achieve and differentiate the offer from the competition.

## Opportunities

For many owners, the speed of processing that a company can provide is an important factor in their choice. By working remotely, it allows all processes to be digitalized and processed more efficiently. Yet, in the digital real estate market there are not as many competitors as in the traditional market. This product is in its introduction phase, and it is a good time to go into this segment.

The specialization in only sales, at the moment, allows the company to specialize in a certain market niche and to standardize the processes to follow in each task. If this model is well received in Spain, one of the possibilities for growth is to repeat it in other nearby countries.

## Threats

There are several possible threats, but these are the most relevant. If a financial crisis, similar to that of 2008, occurs, this would paralyze the sector for several years. If a natural disaster or global pandemic were to occur, it would have the same consequences for the sector as the previous one. The real estate market works well when there is a welfare state. Country risk entails a possible change of laws or currency risk in which the country operates that may decrease the value of real estate and owners may no longer want to sell it consequently. The last point is related to the model to be used. In big cities it will not happen, but it will in small towns or far away territories. It may be problematic to find representatives (estate agents, photographers, and salesmen) in rural areas. Therefore, they will be accepted on the platform under certain conditions.

## v. Objectives in time frames (Short, medium- and long-term)

It is important to establish objectives with a specific deadline, to use them as a guide to follow in the business development process. These have to be achievable or desirable, and the way to accomplish them needs to be established, even if only in a theoretical way. All these objectives are planned from the moment the company officially starts its activity. Depending on how the activity progresses and, above all, what will be the advances in R&D, these objectives could be modified. In more detail, the possible developments are described in section 2.e.v., while the objectives below represent what will be the way forward for the company as a whole.

The main short-term objectives (for the next 12-24 months) are:

- Create a standardized sales management remote system
- Build good partnerships with representatives
- Create a network of freelance contacts

The main medium-term objectives (for the next 25-60 months) are:

- Create a recognized brand in the Spanish real estate market
- Start operations in Portugal and Italy
- In the 5 most profitable provinces in Spain, create own offices for branding

The main long-term objectives (more than 60 months) are:

- Create a recognized brand in Italian and Portuguese markets
- Study the feasibility of buying and selling own property
- Create own offices in 5 more profitable cities in Portugal and Italy

#### b. Description of the company's idea

The idea of this company arises from the high quantitative costs of selling a property nowadays. In this sense, Jesús Gil Marín, Gilmar's CEO, says in the article from pisos.com that this company "always, all its life has charged a 5% commission on each transaction". Quantifying it, selling 200,000 euros flat would mean an expense of 10,000 euros for the owner. According to the magazine Expansión, the average gross salary in Spain in 2017 was 23,650 euros, if the employer's share of the total cost of the worker is 30%, the total cost is 30,745 euros per year. Approximately, the hiring per hour then results in 16.4 Euros.

Following this calculation and subtracting the VAT from the commission charged by the agency, it turns out that it has had to work as a national average worker for 505 hours. This is either a lot of hours or very expensive hours. It is understood that this data is purely quantitative and does not take into account the fixed monthly costs of an agency or the periodicity with which a sale occurs. The study of this project aims to analyze the profitability that would result from the change of model in this sector.

#### i. The nature of the business

At the same time, processes and platforms are beginning to appear that make it easier to lower costs in this sector. Such as, the possibility of hiring the necessary staff remotely and in another countries, to be able to promote the services with a lower cost than the standard promotion, and find the necessary funding, to carry out the project, via crowdfunding or equity crowdfunding. This, mainly, is the nature of the business, the development of new resources with which to improve the costs per transaction.

#### ii. The market needs it satisfies

Some people prefer not to contact an agency at all because of the commission this involves and prefer to spend their own time on the sale, which they most likely do not have. With the decrease of the commission, as the law of supply and demand

tells, more people will be willing to spend in order to sell and will become the potential customers for this company.

The need to sell a property often occurs in both private individuals and enterprises. Change of residence, transition from rent to ownership, start or stop of business operations, investments, inheritance, among others. In all these transactions the company we study could offer added value in exchange for an affordable price.

On the other hand, the company's services would benefit real estate agents who would be contacted as representatives; entities authorized to grant mortgages, photographers and representatives of other professions concerned.

### iii. Potential customers

Main customers will be the owners of properties located in Spain, who wish to sell them without spending their own time at a reasonable price for these services. These will be individuals or companies who wish to know the real possibility of selling the property, the actual estimated time frame and have the data on the steps taken instantly. The buyers of the properties are also potential customers for the company. From corporate clients, we expect to obtain properties such as offices and premises, which over time become unnecessary for many markets. Digitalization makes their business models no longer competitive for the market and they find themselves in need of transformation or closure.

### iv. Competitive advantages – added values

As described in the SWOT analysis, in strengths and opportunities, the change of business model in this sector constitutes the main added value of this company. With Spanish-speaking operators distributed in different time zones, immediate support and response can be offered. This advantage will allow not to lose potential customers due to lack of information or in case of any doubt.

Another advantage is the transparency, the appraisal will be carried out together with the owner by a local expert personally, if requested. The seller will know at all times the status of the sale, the steps taken by the company, its results and the next steps with their corresponding value dates.

The promotion of the properties will be carried out by international professionals with in-depth knowledge of the subject. They will be able to put into practice in this sector the knowledge they have obtained in other countries, mainly the United States.

Last but not least added value of the services of this company will be the quality/price ratio. The aim is to generate a sales funnel that will make possible to standardize the whole process and thus reduce the unit costs of each sale.

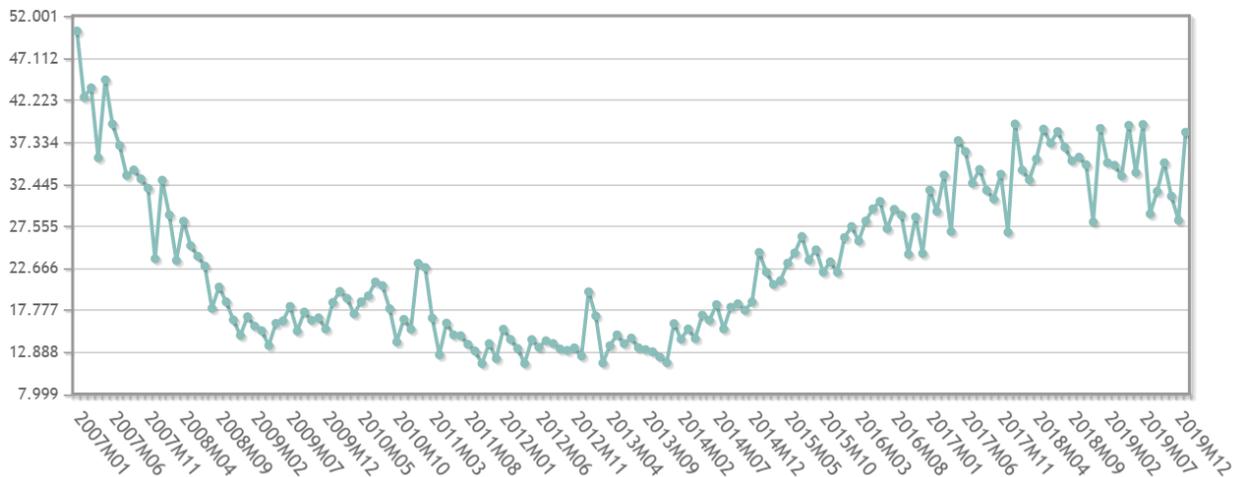
### c. Market analysis

This section aims to summarize, highlighting the important details, the aspects of the current real estate market in Spain. As this company is an intermediary in the purchase and sale of real estate, the statistics for used properties will be evaluated. Also, the statistics will be assessed by Autonomous Regions. Since this company wants to develop its activity based on technological growth and digitalization, the

characteristics of this process will also be explained by sectors. Finally, prices and current competitors service packages will be analyzed.

i. Analysis of the real estate market situation

The graph below, from the National Statistics Institute (INE), shows the evolution of the purchase and sale of used homes in Spain on a national level from 2007 to 2019 included.



Graph 2. The evolution of the purchase and sale of used homes in Spain. Source: National Statistics Institute (INE)

It can be seen how the 2008 financial crisis affected this market, and which has been the slow recovery. The values shown are monthly. The accumulated total during 2014 was 201 thousand, from which it can be concluded that in 2019 this figure has doubled as in 2018, when it was doubled for the first time. If the last year, 2019 only, is analyzed, the total annual value is almost 409 thousand homes sold, which is 4.3% lower than during the previous 2018. Thus, the national monthly average is a little over 34 thousand. The peak months being January, May, and July.

Analyzing the level of sales by Autonomous Region (aarr thereafter), also during the year 2019, it can be seen that the aarr with more sales of the total was Andalusia, with more than 81 thousand used homes sold. In second position, representing 16.62% of the total, is the aarr of Catalonia. And in third place, with 64 thousand homes sold, is the Valencian Region.

In order to know the relationship between sales and population of each aarr, data from the same INE are taken to know the population. These are divided by a thousand, and the result is used as a divider. The dividend in this case is the total number of homes per aarr. The resulting quotient is the number of homes sold per each 1000 citizens of the aarr. Analyzing data of this type is more rational than analyzing data in absolute terms. The population variable gives information on concentration above the average of sales per aarr. In this way, it is possible to know where the demand for used homes is most concentrated, and therefore, it is easier to decide in which aarr this company should start its activity.

It turns out that the state average in 2019 is 8.7 homes per thousand citizens. The maximum was reached in the Valencian Region with 12.8 and Balearic Islands 9.9, followed by Andalusia 9.7 and Murcia 9.3. Other remarkable regions are La Rioja with 9.2, Cantabria with 9.1 and aarr of Catalonia with 8.8. All the other aarr's are below the national average. Without taking into account the autonomous cities, Galicia is the aarr that has obtained the lower data, only 4.9, near Extremadura with a 6.1.

According to 2017 data from the Statista Research Department, the percentage of homeowners in Spain is 77.1% of the population, while in leading EU countries such as Germany and France, this percentage is lower, 51.4% and 64.4% respectively. In case of Spain, this percentage will over time, be affected by the causes described in section 2. b.ii, and will have to plan the option to sell their property, to either buy or rent another in the new location. This process is popularly known as emptied out Spain (España vaciada).

Another report from the Statista Research Department, shows us the graph of the number of mortgages constituted annually in Spain. After the 2008 crisis, in 2014 this figure showed the minimum of 315 thousand mortgages constituted. Since this year, and until the last known data in 2019, the number has been recovering progressively. Thus, adding in 2019, 492 thousand. The bank's assessment has been hardened and the probability of a return to pre-crisis numbers is very limited. Although not impossible, having in mind the evolution of the interest rate for most of the constituted mortgages, Euribor. Therefore, we see that even with hardened criteria, the pace of mortgage constitution has a positive upward trend, which shows a clear growing interest of citizens to buy property, there is a demand.

Returning to the Euribor data, which are key to forecast the future mortgage demand, we can see that since February 2016 it remains in negative values between -0.01% and -0.35%. No significant change in the European Central Bank's policy is expected at the moment, so rates are expected to remain at the same level for the next few years. The uncertainty lies in the long term, as most mortgages are granted for between 20 and 40 years.

Finally, this section will analyze the number of companies and self-employed entrepreneurs who are engaged in real estate activities in Spain. As Gonzalo Bernardos explains in the interview to El Confidencial, "It's not surprising at all, real estate is one of the most profitable businesses. It requires a small investment, around 30,000 euros, and is recovered in less than a year". It has almost recovered pre-crisis levels: since 2013, while Spanish companies as a whole have grown by 6%, real estate companies have grown by 70%.

Another factor for this high growth is the decree-law approved in 2000 during the government of Jose Maria Aznar, which established that it was no longer necessary to have a university degree, pass specific exams and be a member of a professional association in order to work as a real estate agent. After that, Catalonia was the first aarr to create a register with access rules for real estate agents in 2010, followed by Andalusia in 2018.

Currently, some 177,000 companies and individual entrepreneurs are registered under this epigraph. Of these, around 72% represent companies with no activity or employers without employees. 27% represent companies with up to 5 employees.

As Bernardos points out, although part of them are professional agents, another part is made up of citizens who left their jobs in search of better returns.

Because of this information it is assumed that the sector is not very professional and many of the agents only want to take advantage of the high commissions established in the sector. It is confirmed that a change of model, from commission to a fixed price per service would change significantly customers' perception of the intermediary sector.

## ii. Process of digitalization of companies

This company wants to enter the market, differentiating itself from the others, by its high degree of digitalization and automatization of standardized processes. Therefore, it is necessary to have a clear idea of the current status of this process in Spain and evaluate it by sectors.

In 2018 Spain, along with Ireland, made the most progress in the area of digitalization, according to the Digital Economy and Society Index (DESI). Today, it occupies the 10th place in the European Union (EU) reference ranking but is still far from the leaders: Denmark, Sweden, Finland, the Netherlands and the United Kingdom.

A 10% increase in a country's digitization rate means 0.75% growth in GDP per capita and a 1.02% reduction in the unemployment rate, estimates the Digitization for economic growth and job creation study. Regional and industry perspectives, by PwC. Unfortunately, only 2% of companies are concerned about digitalization. It doesn't matter whether you have 1 or 100 workers, as the Vodafone report states. According to Minaya D.C.'s article published in El País, the sectors oriented towards end users are the most advanced, including banking, telecommunications, retail and tourism, agree the firms consulted. They are followed by industry, transport, the public sector and the energy sector, the latter two pulling strongly. In contrast, construction and education are in the rear.

The B2C sectors have been transformed in recent years, looking for retention or new users through a better experience thanks to e-commerce, coherent proposal by web, mobile, social networks or in the physical store and personalization of offers. Large companies, with more than 250 employees, make greater use of big data, CRM, e-commerce and social networks. In contrast to companies with less than ten employees, which generally employ all the basic technologies, but when it comes to tools such as social networks, this percentage decreases by 50%, and for big data by 11.2%.

The main cause of the lack of use of these tools is the lack of adequate training available to SMEs, the absence of a large number of intermediary companies that could help implement them at an appropriate price and, most importantly, the lack of interest of many in changing the established processes because they already work well, for now. In the medium term, companies that will not adapt to the changes and new circumstances will suffer a drop in demand, followed by a drop in revenues and profits. Competition will do so and will gain more market share.

### iii. Characteristics of our niche

Within the real estate business, the specific niche of this company is the sale of used properties remotely, mainly flats and houses. The most economical option allows the seller to make a "do it yourself" sale and add only the extras he/she considers necessary in his/her case. During the process of online recruitment, the first contact of the client with the company is also remote. The only aspects that can be carried out in person at the property will be multimedia gathering by professionals, the appraisal carried out by a local expert and the personal assistance by sales agent of interested buyers on visits. The preparation and signing of contracts will also be done remotely, unless the seller pays for doing so in person or it's a special case to be paid by the company.

### iv. Transaction details in the market

According to data taken by the appraiser Tinsa in 2015 and published in the newspaper El Confidencial, it takes an average of 10 and half months to sell a home in Spain. While in cities such as Madrid or Barcelona it takes between 6.4 and 6.6 months to sell a house, in Alava or Segovia the periods vary between 18 and 24 months.

The main reasons for this long period of time are to be stubborn about a certain price, not to give the property adequate advertising or not to prepare the property adequately for sale. Another reason is to make a mistake when choosing a qualified and experienced professional. On average, a real estate agent spends 85 hours on a property until he manages to find a buyer on the market, according to the Monapart real estate agency.

The standardization of processes is the key to decrease this effective working time with each property. Performing the required management remotely and having a platform that allows multitasking, without the need to call or write to each person involved, leads to a marginal reduction in time needed.

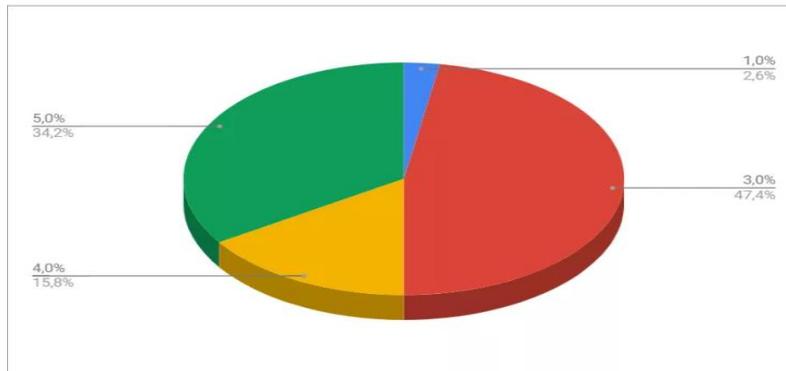
The proptech market in Spain will be able to improve the total time of sale (the time that elapses between the seller's request and the sale becoming effective) only with greater advertising and more suitable management of leads (potential buyers). Proptechs will not be able to increase the demand for purchase in a specific destination, nor is it their function.

Only mechanisms of recommendation to potential buyers can be established, so that they also look for locations close to the one they are interested in as a first option, and value them also for the acquisition.

### v. Competitors' analysis, their services and prices

The idea of this company is innovative, but it is not the pioneer. That is why it is important to know what the competitors have done during this time, what their services are and what the prices are for them. This section will mainly present examples of services and prices of a traditional real estate agency in comparison with a digital one.

According to the data collected by Witei in 2019, the commissions of traditional real estate agencies, out of 1000 real estate companies taken into account to make the graph below, range from 1% to 5%. The most popular percentages for this type of service are 3%, which charges 47% of the agencies studied, and 5%, which charges 34% of the agencies surveyed. To this percentage, taxes are later added.



Graph 3. The commissions of traditional real estate agencies. Source: The truth about real estate commissions, Witei. (2019)

Among the companies surveyed, 98% of the real estate companies charge a percentage depending on the price of the house and 2% charge a fixed price. 82.5% charge the seller, 2.5% the buyer and 12.5% both parties (buyer and seller).

The agencies that charge commissions from the final sale price are the most represented. They carry out the entire sales process, including visits to potential buyers. An example of this pricing policy is Sampru Real Estate, which after trying to charge a fixed price could not get enough sellers, as they claim, and now they charge 3% plus VAT to the seller.

An example of a real estate company that charges a fixed price plus taxes for its services is Vaquero Workgroups. They offer a fixed price for their service of 1,150 euros plus taxes. They do all the management of the sale of the property online but without making the visits to potential buyers.

A different policy would be the one of Ziegel Real Estate, its commissions are now 5% paid by the buyer to the agency for making an exclusive contract with them. Then, the agency expects to receive offers from other agencies from different buyers. To the agency that provides the final buyer, Ziegel pays 2.5%, or half of what it already charged the seller. According to the real estate agency itself, "We have come to consider whether to change the fee conditions, but for the moment it is not feasible. The professional market in the Canary Islands works very well when you enter into collaboration and limiting these amounts would directly affect the professional relations between the different brands. At Ziegel, instead of lowering our fees, we have decided to increase the services we offer, such as professional photography and 3D design, among others".

As can be seen from the statistics, and the three examples of how commissions work in these agencies, they all try to adapt to the market that represents them most. Many of them, as Witei states in this study, are physical companies that adapt to the needs of their city and/or neighborhood, as this is their main market.

After this analysis, what can be found out is that if there isn't remote management (online), it is very difficult to exceed the monthly costs with the fixed income for each property. The main reason for this is that having a physical office and hired staff entails a higher cost and potential sellers are physically limited by neighborhood and/or city.

The digital real estate companies that will be analyzed are 4: Housfy, Propertista, Housell and ProntoPiso (which will be analyzed separately due to its fees conditions).

The appraisal is done only online at Propertista and Housfy. A visit from a local expert in Housell is added to this appraisal. Professional photos are included in all companies. In Housfy, this option is included in the more expensive "Housfy Plan", while in the "Prepaid Plan" it can be added for 100 euros more. In Housell a plan is also added at no extra charge.

The advertising of the property is carried out in a similar way in all the agencies. Propertista offers publication on +100 portals and for 2 months in featured ads. All companies offer a filter of applicants (potential buyers). As for visits, they are usually made by the owner of the property. Unless a "Comfort Pack" is contracted in the case of Housell which allows an agent to carry out the visits for a total of 500 euros. In all companies it is the owner who has the final decision in the negotiation, and can accept or not, the offers sent to him/her by the buyers.

The administrative assistance is also similar in the 3 cases, deposit contracts, purchase and sale, simple note from the property register. This last one is the only document that Housell makes, to make the contracts and certificates it is necessary to contract "Security Pack" for 299 additional euros.

Taking into account that the prices of these companies on the Viuers website (updated in 2019) are lower than the current prices on the websites of these agencies, it can be deduced that during the first years of operation these companies wanted to gain a large share of the market by offering very low prices. Now, however, by establishing themselves in the market, they have increased them by approximately 10-15%. The prices shown below are the current ones.

This fact can also be verified in the case of Housell. The Expansión news item of 27 July 2017 states that with Housell you can sell a property for a fixed fee of 695, 895 or 1,495 euros, including VAT, without commissions. However, Housell now offers this service on its website from 1,995 euros.

Housfy has two rates as mentioned above, Plan Housfy which includes the professional photos of the property and the possibility of not paying anything if in the end the property is not sold for 3,990 euros and the Prepaid Plan, which as its name suggests, requires full payment in advance of the price of 1,290 euros. For properties with a purchase value of more than 500,000 euros the Housfy Plan is 6,490 euros. Propertista for all these services charges the sellers a price of 1,195 euros in advance, ensuring on their website that 92% of the properties contacted are sold.

ProntoPiso unlike other three, guarantees the sale of the property in less than 120 days, but with some conditions. This agency, unlike others that work all over Spain, only works in Madrid, Barcelona and Valencia with properties that have a certificate of habitability, are in good condition and have a market value of less than 1 million euros. The valuation is first carried out online and then checked by an expert at

home. It provides the seller with a guaranteed price. If it is sold lower than this, ProntoPiso pays the seller the difference, so it is compensated.

If on the 120th day the property has not been sold, ProntoPiso advances 100% of the fixed value, while continuing to try to make the sale. In exchange for these conditions, the agency reserves the right to exclusivity, that is, the owner cannot sell the flat with any other company or on his/her own.

The promotion is carried out using the most innovative methods, both the call handling and the visits themselves are carried out by ProntoPiso agents. The decision on the sale is made jointly and this agency has a network of interested investors in these 3 cities.

This agency charges its fees for commissions, which range from 4 to 8.5%, depending on the variation of the sale guarantee offered and it also has minimum charges between 7,260 and 12,100 euros.

With this example, we can establish the ranking of the services offered by different real estate agencies online. In general, it can be noted that online agencies differ in two subgroups: those who help with the sale and those who carry out the entire sales process. The higher the final price or the commission, the more services the owner can get. For each type of product there is a type of seller and it will be the market that will decide at the end which option will be the most chosen at that moment.

This interval occurs because of the uncertainty of many owners about the final price, sales terms and whether or not their property will be sold in the end. With the transparency that this company will offer, the aim is to minimize this uncertainty as much as possible offering historical and surrounding information to strengthen the decision to sell.

#### d. Organization and management

This section will describe the overall information on human resources management in the company. This description will be made considering both the internal processes, which only have an effect within the company, and the external processes, which influence suppliers, collaborators, and customers. The emphasis will be on differentiating between people who will be hired to work at the Palma office, either remotely or in person, and people hired to provide their services as freelancers.

#### i. Structure and outsourcing

The management board will be concentrated in the Palma office, contracted according to current Spanish labor regulations for full time. There will be different types of hiring for the staff such as: full time, part time, temporary hiring, dual training contracts and trainees in the percentage allowed by law. These will be the main departments and positions in the structure of this company and their responsibilities:

- Chief Executive Officer (CEO): manages the day-to-day running of the company as a whole by receiving reports and data from all other officers. During the first stage, it will also perform the functions of CSO and CCO as these are less relevant during the beginning of the activity. Executive

assistants will be not required, in order to reduce the expenditure on staff until the level of the operations makes necessary to have them. In this capacity, it is not part of any department.

- Chief Operating Officer (COO): The main operations in this company are real estate sales. This position will manage the processes that occur from the beginning to the end of the sale to coordinate the different departments involved in it directly. It will oversee establishing processes with a high degree of automatization for a smooth and schematic process flow. When a discrepancy occurs, the reason for it will be analyzed in order to check the process. It will be in charge of the sales department.
- Chief Financial Officer (CFO): will manage the administration and finances of the company. Main functions will be to control the general accounts, the balance sheet, as well as the treasury forecasts, internal audit and the preparation of the annual statements. It'll be the head of the finance department.
- Chief Technology Officer (CTO): will be responsible for the connectivity of all team members, the server and its running, the information technology processes and the results of the developers. It' s the head of the IT department.
- Chief Data Officer (CDO): will report on information related to supply and demand in the market based on the big data, will be on charge of the analysis of the profiles of potential buyers process, will be on charge of the storage of personal data of group members both internal and external. It' s the head of the big data department.
- Chief Marketing Officer (CMO): will be the controller of the promotion processes carried out. Will be analyzing the supply market to offer a good positioning in the niche. Will be the head of the marketing department.
- Chief Legal Officer (CLO): will be responsible for the lawfulness of the processes carried out by the company. It will analyze the possible future risks linked to the laws in concern. He will personally manage special sales transactions. He will be in charge of the legal department.
- Human Resources Manager: It will raise the processes of recruitment of staff and freelancers. It will analyze the performance of the workers, propose alternatives for improvement, offer training and the necessary motivation. It will prepare the career plan within the company. He will oversee the human resources department.

In the future and if the company's business progresses successfully, these two positions will be included on the board.

- Chief Strategy Officer (CSO): replacing the CEO in that role, will plan alternatives for horizontal or vertical growth in the short and medium term. In this capacity, it is not part of any department.
- Chief Compliance Officer (CCO): on charge of setting procedures and good practices to be adopted by the company in order to identify and classify the operational and legal risks it faces and to establish internal mechanisms for prevention, management, control and reaction to them. In this capacity, it is not part of any department.

In total, these will be the 7 departments by order of number of persons required: sales, IT, finance, marketing, data, legal and HR. In the beginning the board workers will work without additional employees, and as the necessary demand from sellers is built up, the human resources department will carry out the recruitment of workers or freelancers.

The criteria to be followed when recruiting workers or freelancers (individual entrepreneurs) will be based on the analysis of the functions to be performed by the candidate and his/her country residence.

If the collaboration is regular with enough weekly working hours (phone support), a worker will be hired. If it is periodic but with less hours (photo editor), a freelancer will be hired. If the collaboration is punctual (translation), a freelancer will be hired. If it is necessary to carry out the task in an established schedule, by Spanish laws, it must be hired as a worker. If it is only necessary to meet the deadline, a freelancer will be contacted. If we decide to hire someone outside of Spain, everyone will be hired as an individual entrepreneur as there is no legislation for this type of hiring. The platforms to be used for freelancer's recruitment will be Fiverr and Upwork. For the remote hiring of workers, platforms such as Infojobs, LinkedIn social network and some employment agencies, such as Adecco, will be used.

The requirements will be established for each specific job application, but the general profile should be as follows: with higher education or university degree if it is a position with some responsibility, knowledge of Spanish very advanced or native (mandatory for the sales department) or English, proactive person, with high organizational capacity and previous experience in similar positions. One of the services of the company, will be the rendering of service in the desired language, with previous notice by mail. A native speaker freelancer will be contacted for this purpose and paid on a time basis.

The internal contact languages will be English and Spanish. Although the company is located in Spain and its clients are almost all Spanish, the use of English as an internal language gives access to more people to the team. If the profile is good in all respects, it is not the lack of knowledge of Spanish that makes recruitment impossible.

## ii. Human Resources Policy

To make the business more profitable, the following characteristics are established. In order to be able to find the best specialists for the positions required, without limiting ourselves to the characteristics of the city of Palma, the need to work in the office physically every day is eliminated for the majority of the staff. The main disadvantage will be the absence of physical contact between workers, which will be compensated by the best technological applications for working remotely and being in contact with the team.

In order to carry out the tasks inherent to the work position, the necessary equipment will be sent to the worker's home if he or she is not in Mallorca. If it's on the island, he or she can come and pick it up and thus get to know the board.

The elimination of attendance does not imply the elimination of schedules for most positions. The team is required to be working at the same time, except for sales.

Thus, the added value to work for the company will be composed of:

- Working from home and not having to go to an office or premises
- Company computer equipment, with the possibility of private use
- The possibility to choose the schedule and reconcile private and working life
- Benefits in flexible remuneration in offers and discounts
- Competitive salary with variable component
- 23 working day holidays
- Career plan that rewards experience and loyalty to the company

In order to control the journal of the working day, the applications will be available to mark the status of each worker. For hourly freelancers, there will be a screenshot log activated, such as in Upwork.

### iii. Motivation and Training

These two concepts are key to the long-term maintenance of a competitive staff structure. The motivation of the workers will be mainly carried out through the very competitive contractual conditions, which offer a very low percentage of the labour market in Spain. In the year 2017, according to the study of the International Labour Organization (ILO) and Eurofound, in Spain there was only a 7% remote working option, while the average in the European Union was 13%. This company's proposal to do the work remotely is of great benefit to workers located far from the office. This allows them to spend less time on transportation and to be more efficient by working more comfortable schedules from their own home.

On the other hand, the human resources department will oversee looking for flexible remuneration options for the workers, such as discounts on childcare, books, travel or health and life insurance.

Finally, on the management side, the option of establishing annual performance bonuses for each department in the event of profits will be studied. This will motivate employees to stay in the company longer and to provide good performance. The retention of good workers for a longer period in the company will save the time and cost of searching for and training new employees.

Considering the main requirements described in section 2d.i, it is expected that workers will already have experience in the required position. However, in order to get to know all the general aspects of the company, all workers will undergo an initial welcome course. In this way, each worker will know in a summarized way how the processes in the company work and will have more facility when solving any discrepancy.

Additionally, the head of each department will give an introductory course and explain the details of each job to be done. In this way, this mission will not be delegated to anyone else in the department, since each worker will have to make a report of their work done directly to the head of the department. Therefore, it is better to provide direct training to them explaining what is expected.

To ensure the good performance of the team over time, specific training courses will be held for each department. National government aid will be used to reduce the costs of this training. For example, for the sales department, one of the annual courses will be "Methods to improve call conversion rate". Another example would

be for the legal department, periodic refresher courses on legal matters will be held when the laws concerning the company's operations are changed.

#### iv. Salary policy

This section will describe the payroll at different levels according to the responsibility and what the performance bonus will be for each position. Also, it will describe the payment for the services of collaborators and freelancers. In the table below, there is a list of all the departments and the functions that exist in each one of them by levels of responsibility. The CEO (1<sup>st</sup> level of responsibility) is not included as he is not part of any.

Levels of responsibility				
	1st	2nd	3rd	4th
<b>Sales</b>	COO	2 <sup>nd</sup> Head		Operator
<b>Finance</b>	CFO	2 <sup>nd</sup> Head	Accountant	
<b>IT</b>	CTO	2 <sup>nd</sup> Head	Computer Scientist	
<b>Data</b>	CDO	2 <sup>nd</sup> Head	Data Scientist	
<b>Marketing</b>	CMO	2 <sup>nd</sup> Head		Market Analyst
<b>Legal</b>	CLO	2 <sup>nd</sup> Head		
<b>HR</b>	1 <sup>st</sup> Head	2 <sup>nd</sup> Head		

Table 1. Positions by levels of responsibility. Source: This table is self-produced.

And in this table, are represented the remunerations according to the levels of responsibility.

Level	Basis	Extra payouts	Social Security	Total
<b>1st</b>	€ 20,400.00	€ 3,400.00	€ 7,140.00	€ 30,940.00
<b>2nd</b>	€ 18,000.00	€ 3,000.00	€ 6,300.00	€ 27,300.00
<b>3rd</b>	€ 15,600.00	€ 2,600.00	€ 5,460.00	€ 23,660.00
<b>4th</b>	€ 13,200.00	€ 2,200.00	€ 4,620.00	€ 20,020.00

Table 2. The remunerations according to the levels of responsibility. Source: This table is self-produced.

The average gross wage in the Balearic Islands in 2018 was 1,862.6 euros according to the wage analysis prepared by the National Institute of Statistics based on data from the Labour Force Survey. Being a start-up company, salaries cannot be too high. However, the first level of responsibility will be above this average because more qualified staff is required. Thus, its basic monthly salary is set at 1700 euros, to which will be added two extra payments in summer and at Christmas (as in most companies). For level 2, the basis will be 1500, for level 3 it will be 1300 and for level 4 it will be 1100 being all these concepts calculated for a full day work.

To calculate the full cost of the staff, the basis will be added with the extra payouts and multiplied by 30%, being this the percentage to be paid to the social security by

the company. The total column represents the sum of the three concepts. This will be the unit cost per fixed person per year.

The performance bonus is not included in this calculation as it is variable. It will depend on the income generated and the workers' own performance during the period. Its payment will be made after closing the results of the previous year. It is expected to be approximately 5% of the total gross payroll. For the CEO, a bonus is established for the profit obtained. He will receive a bonus of 5% of the total annual profit obtained by the company. Since this is an expense, it will be deducted before the payment of the corporate tax.

As an example, the annual expenditure per CEO, if the total benefits are 150 thousand euros, will be  $30,940 + 0.05 \cdot 150,000 \cdot 1.3 = 40,690$  euros. In this way, corporation tax would be paid over 140,250 euros.

Knowing how the cost of fixed employees is distributed, we can calculate the hourly price of each level. To calculate the effective annual working time, we subtract from the number of days per year (365) all Saturdays (52), Sundays (52), national and local holidays (10) and vacations (23). Thus, the effective working days are 228 per year, a total of 1824 hours.

Dividing the total cost per level by 1824 hours gives the cost per hour for each position. This value serves as a maximum to pay for the services of collaborators or freelancers for the same work. If this is higher, it is not advisable to hire the freelancer as it is more profitable to make a contractual work contract.

Level	1st	2nd	3rd	4th
Per hour	€ 16.96	€ 14.97	€ 12.97	€ 10.98

Table 3. Maximum to pay for the services of collaborators per hour. Source: This table is self-produced.

Taking the Upwork data as an example, the minimum hourly rate is 3 US dollars, approximately 2.75 euros. However, the level of professionalism that can be found for this price is very low. For approximately 7 US Dollars (6.5 euros) one person can be found for responsibility level 4, 8.5 US Dollars (7.8 euros) for level 3 and 10 US Dollars (9.2 euros) for level 2. The savings per hour if a freelancer is hired will therefore be 40% in comparison with the table above. This type of hiring can only be done within levels 2 and 4. All level 1 positions must be hired directly.

In the section of costs, these values will be taken as a reference for calculating the total staff cost required. Based on the level of demand in each period, the quantity of hours required to be covered will be established, either contractually or freelance.

e. Products and services

Considering the competitors' offer, the services of this digital real estate agency will be differentiated by the possibility of adding the necessary options to the most basic plan. From "do it yourself" the most economical option, to the replacement of the owner in all phases of the sales process for a much higher "all-inclusive" price. In this way, the company will be able to offer the lowest price in comparison to the competition, while offering fewer services as a result.

On the other hand, there will also be several services for the buyers, free or with extra charge to facilitate the choice of the property and the purchase process.

i. Description and prices of the products and services

In this section, services for sellers will be presented first, and then for buyers, as these are important for a higher percentage of successful sales.

If the seller wants to sign a contract with the company, it is possible to choose between several packages. There will be 3 different packages to choose among. The basic, the optimal and the premium. These will be the services included in each of them.

Basic	Optimal	Premium
<ul style="list-style-type: none"> <li>- Consulting</li> <li>- Customized profile</li> <li>- Advertising on 2 biggest platforms</li> <li>- Big Data Appraisal</li> <li>- Electronic signature</li> </ul>	<ul style="list-style-type: none"> <li>- All basic characteristics</li> <li>- Photos</li> <li>- Video</li> <li>- 3D plan for virtual tour</li> </ul>	<ul style="list-style-type: none"> <li>- All optimal characteristics</li> <li>- Appraisal by agent</li> <li>- Additional promotion</li> <li>- Call reception</li> <li>- Filter of applicants</li> <li>- Execution of visits and/or tours</li> </ul>
Price: 790,00€	Price: 1.090,00€	Price: 2.990,00€

Table 4. Packages distribution and prices. Source: This table is self-produced.

These packages are the company's initial proposal for property sellers. However, if a service is not included in the package, the customer can add it for an additional cost. Thus, it is not necessary to contract the most expensive package only to obtain the appraisal by agent, instead it is possible to contract the basic package and include this option separately. On this occasion, the total price will be the sum of the basic package and the extra per appraisal. All prices will have to be prepaid by the seller.

Only by contracting the premium package, thus entrusting the entire sales process to the company, can be added for additional 790,00 euros the option to pay for the service only if the sale at the end is made. At the same time, contracting this option means the signature of exclusivity for the company to sell this property. In other words, the owners will not be able to advertise their properties with other agencies or on their own.

In this way two types of sellers are differentiated, those who want to sell their property without paying anything if the sale is not executed (this is also the case for people who do not have the required price before the sale); and those who want to obtain the essential services for the sale at a lower price by pre-paying them. The services offered to sellers are described below, along with their price if purchased separately from the package.

- Consulting: the seller can make inquiries about the sales process at any time, using remote channels such as telephone, chat or e-mail.

- Customized profile: with the help of the sales department, the seller will create an individual profile on the platform. With this profile, the seller can access the properties advertised, view their statistics and add additional services.
  - Advertising on 2 biggest platforms: the property for sale will be prominently advertised on idealista.com and fotocasa.es over a period of time.
  - Big Data Appraisal: using big data on the location, characteristics and prices of similar properties in the area, the appraisal value will be calculated. The owner can deny this at any time by offering its own price.
  - Electronic signature: will be used to sign contracts with this company remotely.
  - Photos: it will be done by a professional photographer in person, while the editing will be done remotely. When contracted separately, the price is 100,00 euros.
  - Video: the same process will be followed as for the photos. When contracted separately, the price is 100,00 euros.
  - 3D plan for virtual tour: requires special equipment. It can only be done in locations where this equipment can be found. When contracted separately, the price is 100,00 euros.
  - Appraisal by agent: the appraisal will be carried out by an agent, a local expert, of the property to see in detail its characteristics. When contracted separately, the price is 250,00 euros.
  - Additional promotion: in the main portals will be extended "the highlight" of the ads, as well as, new real estate portals will be added to give more visibility to the property. When contracted separately, the price is 390,00 euros.
  - Call reception: the sales department team will be in charge of receiving calls and messages from potential buyers. To represent these data in the profile of the property, visible for the owner, and to schedule the virtual or face to face visits. When contracted separately, the price is 390,00 euros.
  - Filter of applicants: the property will not be shown to any potential buyer without a previous virtual visit and study of the buyer's profile. When contracted separately, the price is 280,00 euros.
  - Execution of visits and/or tours: a commercial agent in the area will be responsible for carrying out the visits of the potential buyers without the intervention of the owner. When contracted separately, the price is 590,00 euros.
  - Multilingual assistance: can be hired in case the seller or the buyer does not speak Spanish or English. The price of this service will be 790,00 euros.
- On the other hand, additionally, these will be the services that the company will provide to the buyers. The following with no extra charge:
- Access the list of all available properties on the company page.
  - Possibility to register in the platform as a potential buyer, identifying your preferences to receive offers from the area through an updated newsletter.
  - Possibility of identifying the financial profile on the platform and knowing the different forms of financing that can be applied.
- The following with an extra charge of 150,00 euros for special legal assistance in:
- Property registration, Title Deed and mortgage processing.

## ii. Details on its life cycle

As explained in section 2.c.ii, the process of digitalization will be the one that will be gaining more and more market share in the sectors of the economy in Spain. The main reason for this is the reduction of cost, involved in implementing it, and the possibility of further scaling the existing business.

The future for real estate sales lies mostly in the professionalization of the sector and the adaptation of digital solutions to this niche. Offering to pay for services and not to pay the success sale commission, as it has been done traditionally, opens a new more economic offer for those interested in selling their properties.

Considering that there are not many competitors in the market yet, the stage of this type of product according to the product life cycle is introduction. Its growth is set for the medium term, 3 - 5 years, when more competitors will also appear. In the long term, 8 - 10 years, its maturity period is fixed, in which the constant digitalization will be the one that will give solutions to future expectations.

## iii. Organizational processes and aspects

Although the approach described in the previous sections is sufficiently detailed and provides a better understanding of the processes that the company plans to carry out, this section will explain some of the practices that this company will render additionally.

Limited time of service for advertising on 2 biggest platforms and additional promotion

One of the biggest costs for the company is the promotion of properties in real estate portals and the maintenance of the real estate account in each portal. Considering the different options that exist in Idealista and Fotocasa to highlight a sale ad, the budget for each service package that includes "Advertising on 2 biggest platforms" is 200 euros for the company. Depending on the type of property and other characteristics the sales department will make a distribution of this money to generate more visits to the ad.

For example, in average conditions and with a standard property (a flat in the municipality of Valencia valued at 130 thousand euros) the advertising plan would consist of:

- Two months in "preferential position" in Idealista, 100 euros
- Two months in "Automatic Upload Pack" in Fotocasa, 80 euros
- 10 times of " Raise your Listing Pack" in Fotocasa 15 euros
- Maintenance of the ad, without month's limit 5 euros

These would be the company's costs for subcontracting these external services. After these two months, if the buyer is not found, the ad would remain on the corresponding portals but would not be highlighted. If the seller would like to continue promoting the property, an additional promotion service could be hired (or included in premium package). As described in the previous section, its price for the seller is 390 euros, including VAT.

Following the example of the flat in Valencia, the services that the seller would obtain for the flat would be extended to:

- Three months in "preferential position" in Idealista, 150 euros
- Three months in "Automatic Upload Pack" in Fotocasa, 120 euros
- Publication of the ad without advertising in 10 additional portals, 5 national (Habitacalia, Pisos.com, Vibbo, Mil Anuncios and Casa Sapo) and 5 international (ImmoStreet, Goplacit.com, Homeglobally, Properstar and Property Portal), 50 euros.

The cost for the company of this service would be 320 euros, also including VAT. If at the end of the new 3-month period, no buyer is found for the property, the owner may purchase the service again.

The sales department will be able to manage the distribution of the budget in a different way to the one described, if it justifies that as a result of this change the buyer can be found more quickly taking into account the characteristics of the property and the habits of use of the real estate portals in different provinces. Always considering that the budget for "advertising on 2 biggest platforms" is a maximum of 200 euros and the budget for "additional promotion" is a maximum of 320 euros for one contract.

In case of hiring, along with the premium package, the possibility of payment only if the sale is made, adding 790 euros extra to the price, the period of the promotion will also be increased by a maximum of 2 months on Idealista and Fotocasa if necessary (or in a different distribution between portals, the maximum to be spent on the promotion of the property would be 180 euros more).

In all cases, apart from the external real estate portals, the listing would remain from the beginning until the execution of the sale on the company's own website. Potential buyers can carry out the typical filters of a portal there as well.

#### Property price limit

Unlike other competitors, there will be no maximum sale price for a property, as is the case of Propertista which accepts properties with a maximum value of 1 million euros. This is also the case of Housfy, which increases the price of its service if the property is worth more than half a million euros.

This company considers that the service that will be carried out and the processes that will be followed for properties of different prices, will be the same. The same services will be provided and with the same characteristics. The non-increase in price is motivated by standardization and the consequent decrease in marginal costs. Owners of more expensive properties will be recommended to purchase the premium service package, which will give them access to a wider range of services, but it will not be a mandatory condition.

Depending on the circumstances of each seller, this proptech can adapt accordingly by offering only the services which are essential for this. One of the biggest differences between selling average priced properties and selling high priced properties is the time of sale. Consequently, the more expensive the property, the fewer potential buyers it will have, which is why it will require more advertising time. The owners of these properties, only if they see it necessary, will be able to contract the number of times that they want the service of additional promotion in the real estate portals. Thus, the property will be better reflected than others on offer and will be able to attract a greater number of potential buyers.

However, if the sale is not urgent and the sale price is average, despite being high, this purchase will not be necessary. With this policy, the aim is to attract more owners of high-priced properties, while competitors offer worse conditions.

#### Limited time of service for call reception and execution of visits and/or tours

The sale of each property takes time. For properties in good locations and with an affordable price, the time to find a buyer is short. However, for expensive properties or those in areas with low demand, this search time can extend to years. As the major cost of this process is the management of calls and visits from potential buyers, it is not included in the basic and optimal packages (the owner will perform these tasks on his/her own). It can be contracted separately, adding an extra cost to the final price, or by contracting the premium package directly. Both options, being more expensive, protect the company with a higher income.

However, this service cannot be provided indefinitely, and if the owner insists on a price that does not find a buyer or the location does not obtain the necessary demand, the company must protect itself from assuming this cost in the long term. There are two possible resolutions. One is that the seller contracts for an extra, the option to pay only if the sale is executed. This would further increase the company's potential revenue. And the other is to establish a maximum period of service after 2 years from the moment of contracting. If during these 24 months it has not been possible to find a buyer for the property, the corresponding part of the contract is cancelled, all other aspects being valid. The owner can contract it again for the same price and extend its validity for 2 years more.

#### Multilingual assistance process

One of the differentiating points from the competition is that the company can adapt to the language chosen by the seller or buyer to carry out the communication and sales process (if the corresponding service is contracted, by default the communication can be carried out in Spanish or English). According to INE data, the foreign population in Spain in 2019 represented more than 10% of the total. The mother tongues most represented among this population are Bulgarian, French, German, Italian, Dutch, Polish, Portuguese and Romanian (among residents with the nationality of European Union countries); Russian, Ukrainian, Arabic and Chinese (among residents with the nationality of countries outside of the European Union). These would be the languages that could be contracted with this service.

On receiving a request of this type, the company would look for a freelancer with the desired native language and a high level of Spanish or English to be able to do the interpretation. The platform's website would also be translated into these languages, 14 in total.

The communication would be done through group calls or video calls where the sales department representative, the freelancer interpreter, the buyer, and/or the seller would participate.

For this reason, knowledge of the English language in the sales department will be essential, as it is easier (and above all cheaper as there is more supply) to find an interpreter to English than to Spanish.

If hired by the seller's side, it is considered as an extra to be paid before starting the sales process. It is the only service that cannot be included in "the payment only if

the sale is executed at the end". It has no expiration date and the owner will get help in the language requested throughout the process. The contract will not include the official translation of documents issued in Spanish, but a verbal explanation by the interpreter. As with all other services, it can only be applied to one property. For more properties from the same owner, the contract would have to be made again.

If it is contracted by the buyer, it is considered a service of property search and assistance in the language required until the purchase is executed. It has the same price as for the seller, 790 euros, but in the case of the buyer it is limited in time. The contract is for a period of one year. If after this period the buyer does not execute the purchase of any property, the service can be extended for one more year for the same price.

The freelancer interpreter is level 2, according to the human resources policy of this company. The average contract price should be 9.2 euros per hour of service, to this price is added 0.8 euros for the administrative work of finding the suitable freelancer. The price, excluding VAT, is 653 euros. This is the part of the price that corresponds to the company. Therefore, the maximum number of hours that a freelancer can be hired is 65. However, the goal is that with the necessary texts and templates already prepared and translated in advance, their assistance is required only between 10 and 20 hours in total. The total cost is between 100 and 200 euros.

#### iv. Intellectual property

The processes to be used in this company are improvements of the processes already existing in the proptech market. For this reason, no patent will be applied for, but rather a utility model. In this way, our technological processes would be protected from plagiarism for 10 years in the national territory, Spain. Afterwards, they would become public domain.

At the European Patent Office, an application would be filed to patent the utility model at a regional level and thus be able to own this process in European countries for the same period. At the same time, if any company wanted to adopt our model, we could get an additional benefit by granting licenses for the use of our process. The initial processing cost of a utility model would be approximately 3000 euros.

This would help to meet the expansion objectives set out for the medium and long term in section 2.a.v. For the same reason, European and not only Spanish trademark registration will be directly requested.

The trademark registration (name and logo) of this proptech company at a European level in 27 countries would cost 1068 euros with the company iMarcas.com, which would include Title, Official Surveillance and Maintenance Trademark® in Europe for 10 years.

#### v. R&D activities

If the company's growth is good over time, investment in R&D will be increased to find more effective technical solutions. In this field there are already two departments, IT and Data, which will organize the technical operation of the company. The function of the new staff members, especially developers, will be to find solutions to the discrepancies that occur throughout the business process.

As mentioned in section 2.d, Organization and Management, in the short to medium term, a Chief Strategy Officer (CSO) will be required to seek new forms of innovation and growth for the company.

The future of the sector lies in being able to buy or sell properties in a short time and knowing all the details remotely, just by attending the property once in person. The solutions that can be implemented are:

- Visits to the property by accessing with QR code, without the need of a physical commercial agent. It would help to reduce the costs of subcontracting and increase the hourly range of availability to carry out the visits.
- Virtual tours with virtual reality glasses. With the increase of their use, they would allow the creation of 3D designs taking into account the plan of the house for its reform.
- Big Data solutions to find the buyer faster. By using data, potential buyers could be filtered in detail to offer them direct advertising of our properties.
- Improved measurement tools to provide more accurate pricing remotely. It would help to reduce the cost of the personal appraisal and reduce the waiting time for it.
- The advance of simultaneous automatic translation would help to dispense with physical or remote interpretation in some tasks. As well as improving the use that this company could make in the future with a more advanced chatbot.

#### f. Sales Marketing

In this section the policies that will be used by the company to attract on the one hand the potential sellers and on the other hand the potential buyers to the platform will be explained. The processes to be followed in the current market to do so will be described.

#### i. Overall marketing strategy

The company will position itself in the market as the most economical tool in the sector to sell a property, so it will compete in price with the existing digital platforms. In recent years, these platforms have gained significant market share, with the main argument being the decrease in price compared to the traditional real estate agencies. As these services are demanded, it is assumed that owners do not want to spend more when unnecessary costs may be saved. This is why the lower price offer will also be interesting for them.

To reflect this positioning, a "savings calculator" will be available on the page. It will allow to enter in it the price of the property and see how much would be charged for selling it in different companies. No names or logos of competitors will be displayed, as this is not possible due to the laws in force. Instead, these companies will be grouped under generic names such as "Traditional Real Estate" and "Other Digital Real Estate". In the same calculator, the net price that the seller would receive (if the only expense of the sale would be the real estate service) will appear. The possible taxes will not be considered.

To emphasize the price of the basic package, this will be used as a reference for our services. It will be used as "from 790 euros". In the case of the net price calculation, if the property is worth 100,000 euros, it will say "receive up to 99,210 euros". For

competitors, the values seen in the "Market analysis" section will be taken into account.

If the owner does not know the orientative price of the property, next to there will be a link to calculate it through our database. It will ask for the address of the property or the cadastral reference. The system will automatically give an approximate appraisal value based on the statistical data among the properties advertised on the real estate portals in the neighborhood. The main value to consider will be the price per square meter, and the number of square meters that the property has according to the cadastral reference. After calculation, the person will be invited to register on the platform without commitment in order to know the value of the appraisal. This will ensure that the contact details of the owner and the property are entered into our database as a potential seller. The value of the automatic appraisal will be sent to the email address provided. By accumulating these email addresses, and if the person authorizes it, will allow the company to start issuing the reminder newsletters to all the potential sellers who in the end did not purchase any service package. The periodicity of these newsletters will be weekly, to avoid disturbing the user. This process will help to turn potential sellers into customers.

Another process will be carried out by the sales department by phone with the same objective, the transformation into customers. If the contact telephone number is provided, it will also be used to offer the company's services. The sales agent will try to understand what the owner's motivation was and what are their plans for the property.

But before proceeding with these processes, the most important objective is to attract potential sellers to the platform's website. In other words, to adapt the capturing process so that interested people can find and get to know our platform. The tools that will be used for this are (from the cheapest to the most expensive):

- SEO positioning: to get better positions in organic searches according to keywords.
- Creation of free content: as a blog with useful articles that will also serve to increase organic positioning. It will be studied which are the most common questions asked by the owners about the sales process and articles will be made about these issues, in order to attract traffic to the platform.
- Translation into 14 languages: will be carried out by remote freelancers and will serve to provide information to all nationalities. In the translated articles, the acquisition of multilingual assistance will be strongly advertised.
- Targeting and advertising on Google Ads and on Facebook: Following the current trends will be made mainly in the form of short videos. The videos will have subtitles so that they can be understood in mute.
- Advertising on TV, short 20-second videos: to increase brand value and have quick identification in the country in general. The spots will be shown during evening news hours. That is when the target audience is watching TV.

For the targeting purposes, what is described in section 2.c.i. will be considered, regarding the owners of properties in Spain. The target audience will not differentiate between sexes, but it will be between ages. Thus, Internet campaigns will focus on capturing owners between 28 and 64 years old, and TV campaigns will focus on owners from 46 years old. The company will then be announced to start working with the first customers. That way, it will start adding up to critical mass.

Since the prices for the services of this company are lower than those of the competition, to be profitable, on the one hand costs need to be lower and on the other hand more sales of the services are needed. The costs will be lower with the policy of remote work, freelancers recruitment and process standardization to save administration time. More sales of the services can be achieved, apart from what has already been mentioned, with the following process.

This will be a more personalized process for the seller, to be carried out by a sales agent, will be the cold calling. Guided by the advertisements from the private owners, in Idealista, Fotocasa, Habitacalia, Pisos.com, Vibbo, Mil Anuncios, Casa Sapo and Wallapop, calls will be made to promote the services of the company. The aim is to make the owner change its mind and decide not to sell the property on its own. The form of the dialogue would be in the manner of a recommendation, for example, "it would sell faster if the description would be more detailed and the ad would have professional photos, for that purpose you can register your property in our platform and I can assist you with that". If the ad has only the email address, the same offer will be sent to it with the direct link to the platform's website.

Generally, it is a one-time service, difficult to repeat because when the property is sold the process is finished. But according to the study of Fotocasa, published in Libre Mercado, 16% own two or more homes in Spain. In absolute terms, every fifth owner is also owner of another property. That is why the quality of the service provided is important, so that this percentage of owners can repeat the sales service with the company in the future. Another option will be to become a buyer of another property, in other words, use only the services of this company in this sector.

## ii. Overall sales strategy

This section will establish which tools will help to facilitate the purchase to the buyer. This is also an important process for the seller, since the speed of the sale and the number of potential buyers will depend on it. For the premium package with payment only if the sale is executed, the sales strategy is even more important by signing an exclusivity contract. It means for the seller not to be able to execute the sale on his own or with another agency simultaneously. By relying on this company the entire sales process, the owner must be sure that the potential buyers will be better attended than in the competition.

Being a digital real estate agency, it will promote its properties also only in the digital channels. This process has been described in detail in section 2.e.iii. No other channels will be used because of the cost efficiency ratio. Furthermore, according to INE, the average age of first home purchase in Spain is 41 years old. If this data is taken into consideration, the online channel is the most appropriate for advertising the properties for these target buyers.

The strategy to attract buyers will be based on the variety and quality of services provided. Unlike the competition, special services are offered to the buyer also. Many of them are free which adds value to the ads that are published by the company. In addition, there are the following advantages compared to the competition's offer.

Additional legal advice for an extra charge can help buyers with special procedures. It facilitates the faster processing of formalities as it is possible to hire instantly on the same platform. It can be hired in case there are doubts about the purchase that

require a considerable processing time. Otherwise, general enquiries can be made free of charge.

The multilingual assistance adds the possibility to make the sale to any person, no matter what language they speak. It is not offered by any real estate company. Some of them are specialized in a specific international market, but do not have the same diversity.

As the January 2020 article in [idealista.com](http://idealista.com) highlights, more and more homes are being purchased with mortgages and the average is now over 50%. This means that every second buyer will want to look for financing offers. For their convenience and additional benefit to the company, financial institutions will be contacted to offer a tailor-made solution. The entity's offer will be better if the company requests it than if the individual buyer requests it on his/her own, due to the volume that the company will manage in total. The financial entity will find it easier and more useful to maintain good B2B relations to grant good mortgages processed through the company. The seller will also benefit from this process, as the volume of applications that a traditional real estate agency can manage in a specific area is not the same as the volume of a national proptech.

For the buyer, knowing that this company does not work on commission also means added value. Because in advance the buyer knows that the price is decided and negotiated with the seller directly. Therefore, the agency in this case will not try to raise the price of the sale just to get a higher commission. The opposite may happen, the agency may even try to convince the owner that the price proposed by the buyer is the right one. This situation can only happen if the seller asks for a price well above the market without offering additional countervalue.

Buyers will be provided with very interesting services free of charge when they register on the platform. This includes direct contact with the seller and the proposal of alternative prices. This option is in all the packages for the seller, since he/she is the one who decides the final price, not the company. Contact will be made via chat on the platform to protect the seller's direct contact details. The owner, if wishes, can share with the buyer the phone number for the visits. Additionally, the buyer will be able to establish the necessary filters for alerts on new properties or price decreases in existing ones. There is a choice of receiving them daily or weekly.

As anticipated in the section R&D activities, the future service for the buyer will be the 3D visualization of new possible designs that can be made on the property. This will allow to sell an old property with new design provided. This way the buyer, instead of buying what there is, will be able to buy a project to carry out. For the company's part, it could point to future growth in this sector by offering this type of service. Also, the income could be complemented with commissions from design and architecture agencies and furniture shops and factories. For example, in the case of offering in the designs the furniture that can be really acquired. The company Home By Me is an example of the realization of these designs.

All these are the additional benefits that the buyer can obtain when registering on the platform. The budget for the promotion of the platform to potential buyers will be lower than that for the recruitment of sellers. The main reason for this is that the advertisements of new properties will already include advertising on the real estate portals. The promotion budget for attracting buyers will be used on same tools that to capture the sellers. The promotion on TV is excluded, since the advertisements

from the previous section to capture the sellers, will also serve to capture the buyers, when promoting it as a property purchase and sale.

As with sellers, it is important to ensure that buyers' service expectations are met. The main reason is that if they have to use the services of this sector again in the future, they should do so only with this company. It is also expected that a happy customer will make recommendations of this company by word of mouth.

#### g. Expected costs and sales volume

The previous sections described how all the processes would be done in this new proptech platform in Spain. This section will present the numbers side of this project. First, all the costs needed to get this project launched will be calculated. Second, the monthly fixed costs will be determined and finally, the variable unit costs will be estimated. From this information, the initial investment needed to start the project will be determined. The amount of this investment will be composed by the initial investment plus the cash equivalent of the fixed costs for the first 6 months of operation. The period of 6 months is taken into account, as this period is the average time it takes to sell a property in Spain with a proptech, according to a study carried out by Housell. The same study mentions the provinces where this period is shorter, such as Madrid, Barcelona and both provinces of the Canary Islands. It also mentions that sales in large cities are generally faster. This information will be considered when starting the first advertising campaigns to obtain properties in these territories and to be able to make the first sales faster from the platform. It is also remarkable that sales are made faster during the first half of the year. This useful information helps to understand that the whole project has to be ready before the beginning of the first semester of the year.

Subsequently, the volume of sales of services and the number of properties will be calculated to cover all the cash expenses of the second half of the year, on the one hand, and on the other hand, what this volume must be to reach the break-even point and have a positive return on investment. This calculation will be made considering the fixed costs during the first 3 years and the initial costs of this project. Finally, a projection of ROI and the amount of annual and monthly transactions necessary to achieve it during these 3 years will be made.

#### i. Initial costs

For the calculation of initial costs, a period of 3 months is used. This time should be sufficient to develop all the ideas exposed by a professional staff from each department. As well as the legal registration procedure can be finished during this time. After this period, the platform will start operating and the first users, both sellers and buyers, can be accepted.

The main cost in this phase is the cost of assembling the platform itself. For this it is necessary to understand all the functionalities that it must have. The more functionalities it has, the higher is its cost and the monthly maintenance costs.

These are the functionalities that must be met at the beginning of the activity:

- Functional website with domain name in Spain
- Possibility to create unlimited lending pages

- Registration and support of 2000 external and 80 internal users per year
- Communication between users by protected internal chat
- Server with hosting capacity up to 5 TB
- Web optimized for fast loading of large files
- Selection of services and payment for them
- Digital signature for different contracts
- Possibility to upload different types of files
- Connection to database of real estate appraisal
- Creation of customized newsletters
- Possibility of having the same platform in 14 different languages

Mostly the creation of the platform will be done in-house, that is, the company will hire professionals to do it who will continue working in the company after the creation. Therefore, the major cost of this section will be the cost of staff and their time. The other part of the cost will correspond to the solutions that are subcontracted to other companies, according to the utility-cost ratio. If it is more profitable to pay a small monthly fee for the service than to have to develop it from scratch (since it would involve more time and cost), this option will be chosen.

Thus, approximately 2,500 working hours are needed to create a platform with these characteristics. It has to be done in 3 months, equivalent to 13 weeks. A little less than 200 hours per week would be required, so 5 full-time freelancers would be needed. This process would be done by the IT department. The main benefit of developing this platform in-house is that after the launch, the people who created it will be part of the department on a daily basis.

Another staff cost would be all the other people needed to start making content, processes, and make the necessary arrangements during these 3 months. The heads of all departments would be hired directly to work in the Palma office half-time during this period and together coordinate the work. All except the CEO would have a freelance assistant for 10 hours per week. Regarding responsibility level 3, a total of 3 people would be hired full time to also work physically in the Palma office, accountant, data scientist and computer scientist. Finally, two freelancers would be needed half-time in positions of Sales Agent and Market Analyst to test the system and perform necessary information searches. Therefore, the cost of the necessary staff would amount to 84,513 euros.

Another necessary expenses would be the constitution of a stock capital, the registration of a limited company, the request of a utility model and the registration of a trademark. These expenses would total 7,518 euros.

External services provided to the company, those that would not be created in-house, such as payment platform connectivity, use of code templates, access to databases, purchase of specific licenses, among others, would add 5 thousand euros to the initial cost.

The rent of open space office in Palma, with capacity for 20 people, at the moment would work 11, would cost 1200 euros per month and would imply giving 2 months of deposit to the owner. The computer equipment for 1 person is estimated at 1500 euros, and the necessary furniture per worker at 350 euros. The invoices of supplies would add up to 700 euros per month in total and for other expenses an estimation of 500 euros per month is made. No expenditure on advertising is budgeted, as the platform would not be available for registration at the moment.

A total of 126,981 euros (VAT included) would be needed for these 3 months. This means that 67% of the initial investment would be needed to cover staff costs, 17% to purchase computer equipment and external IT services and 5% to rent the physical office in Palma. During this quarter, a VAT to be compensated of 5,380 euros would be generated.

If the same process would have been done entirely in the Palma office, the necessary investment would be 37% higher, adding up to 173,442 euros. This confirms the cost-effectiveness of using the freelance for some tasks.

## ii. Fixed monthly costs

The monthly fixed costs represent the expenses that will be incurred regardless of whether any owner or buyer purchases any of the services. As explained above, the necessary investment will have to include the cash equivalent of these fixed costs for 6 months. During this time the first sales of services will take place and the company will start to have revenue. As most of the packages and services are prepaid, the cash flow should be strong and sufficient. At the end of the semester, taking into account the sales periods estimated by Housell, the company should already be making sales on a fee basis with payment after the sale. As the price of these services is higher in comparison to the others, it would also represent a considerable revenue from that moment on.

At this point a substantial component of the monthly cost is added to the calculation, the advertising. As anticipated, advertising will be done on companies such as Google, Facebook and Atresmedia. The format that will predominate will be short videos of 15 to 20 seconds. On Google Ads and Facebook Ads a very specific target audience will be identified using the filters available on these advertising providers. In addition, the data department will be in charge of carrying out market and consumer behavior studies to further adjust the criteria. In Atresmedia the general recognition of the brand will be searched at a national level and the impact will be created with the possible savings of the owners when selling. The periodicity will be daily on the internet and twice a month on TV due to its high cost. The initial daily budget for internet advertising is 250 euros, with a maximum monthly expenditure of 7,500 euros and the monthly budget for television advertising is estimated at two videos per month, with the price of each 20 second video being 15,000 euros. After the first 6 months, advertising will only be carried out on the Internet when a sufficient number of registered users is achieved. Later, the feasibility of including this channel again in the budget will be studied. Thus, the set of both promotion channels to be used would add up to 37,500 euros per month during the first semester. From that moment on it will be reduced to 7,500 euros. The cost of other tools to be used is estimated to be in the cost of staff.

As with the initial costs, staff costs will represent the largest percentage of the total monthly cost. As a reference, the data on sales of pre-owned properties will be taken from the INE in 2019, and the percentage of monthly sales from the annual total will be calculated. January, May, and July turn out to be the months with the highest percentage of sales. August, November, and December, on the other hand, are the months with the lowest percentage. The conclusion from this data is that the cost of staff will fluctuate accordingly. Even if they are considered as fixed costs, the total

amount for these concepts will not be the same month by month, instead it will be adapted to the general volume in the market in order to make this estimation more real. In the annex all the detailed calculations can be seen with the respective formulas used for it.

8 people will be hired directly for level 1 all year round on a full-time basis. For level 2, 7 freelancers will be hired for 80 hours per month during the months of high demand, 60 hours per month during the months of medium demand and 40 hours per month during the months of low demand. For level 3, 3 people will be hired directly for the whole year on a full-time basis. Additionally, for this level 3 freelancers will be hired and the distribution of their number of hours will be the same as for level 2. Level 4 will be composed of 2 people hired directly on a half-time basis all year round and 3 freelancers with the same distribution of hours according to demand as the freelancers of previous levels. To highlight the year-on-year growth in demand, fixed monthly costs for contracting freelancers will be increased by 20% each year compared to the same month last year. The fixed monthly costs of direct contracting will not undergo significant changes, but like other costs will be adjusted to 1.5% growth annually. Thus, on average, the cost of staff will represent 46% in the first semester of activity and 74% in the second semester.

The final fixed cost components will be external IT services (various subscriptions and maintenance fees), office rent, office supplies and other expenses. In total, it amounts to 4,400 euros per month, and for future years it is allocated with an increase of 1.5%.

The calculation of the average monthly fixed cost during the first semester of activity gives a value of 77,263 euros. For the second semester, having significantly reduced the advertising budget, it gives a value of 45,833 euros (both numbers include sustained VAT). In future semesters this average value grows.

### iii. Variable unit costs

Once the two above costs have been calculated, the unit cost for a particular service or service package is estimated. That is, apart from the fixed costs, given the complexity of the service model, each product will have a separate cost. This is because fixed costs are generally necessary to carry out the whole process, but variable costs will depend on the number of sales that each service or package has had. To be able to estimate the sales later on, in this section the variable unit cost will be calculated for each service. Since the packages include these services, it will be less complicated to perform the profit estimation later.

In the annex, in the page called variable unit cost, there is a table with the corresponding calculations. For each service, the costs that have been explained during this project are considered. The calculation of the difference per service is facilitated once the variable costs have been discounted, with the calculation between VAT input and VAT output. This difference will serve as a reference for the calculation of future demand. Some services do not include any type of additional/variable cost, and this is because their execution is already covered by the previous fixed costs. For some services, the additional cost was not detailed before, so it is done now.

Photos: the local photographer is hired for 70 euros and a freelance editor for 10 euros. Video: the local photographer is hired for 60 euros and a freelance editor for 10 euros. 3D Plan for virtual tour: the local photographer is hired on the one hand for 50 euros and on the other hand a freelance editor for 10 euros. Appraisal by agent: the hiring of the local expert is necessary and has a price of 200 euros.

Call reception, filter of applicants and execution of visits and/or tours requires additional freelancer time; 30, 20 and 10 hours respectively that corresponds to level 4, in which the hourly rate is 6.5 euros. Execution of visits and/or tours also requires the services of a local representative for a price of 400 euros. For multilingual assistance, the maximum value is taken from the proposed scale.

At the end of the table, it is provided the sum of the services by packages, the corresponding calculation of the VAT, and the difference that will serve for the verification of the level of demand needed in the future.

As a summary of this section, it is possible to highlight the differences between what the company receives for a service and what it spends only for this service, the difference being understood as money available to cover fixed costs. Thus, these differences are positive for all services. The service that has the greatest difference is "Extra if only the sale is made" of 504 euros, which has a reasonable explanation for a higher risk. The company will not receive anything if the property is not sold, so the higher the risk, the greater the difference.

The services with the smallest difference are the multimedia services, between 17 and 33 euros. These services are carried out by external professionals and have a high cost. It is reasonable that the more services included in a package, the greater the difference. Basic package 488 euros, optimal 562 euros and premium 1039 euros. This is also confirmed because there are no negative differences.

However, if you look at the percentage relationship between the final difference and the initial price of the service (paid by the customer), the ones with the lowest percentage are additional promotion, followed by appraisal by agent, execution of visits and/or tours and multimedia services. Additional promotion is carried out in percentage terms with almost no extra cost since the aim is to give the maximum possible budget to finish the sale as soon as possible. All the others, by chance, are carried out by individuals outside the company and their cost is high.

The maximum percentages, understandably, correspond to services in which external intervention is minimal, that is, the service is provided only through the internal process. The service packages in this analysis have reversed their classification, and the highest percentages are in the basic package (61.7%), because most of the services are performed within the company. Followed by optimal package with 51.6%, exactly half. Finally, premium package, in which external intervention is greater, accumulates 34.8%.

#### iv. Calculation of the needed investment

The total investment required can now be established based on this data. Adding to the initial cost, the fixed costs during the first semester gives an estimation of 590,561 euros in total. This capital would cover the needs of the company during the start of the activity.

During the first semester, the company will already begin to have its first customers and will be able to accumulate the necessary cash to cover future expenses. For the second half of the same year, these expenses will be 274,996 euros. To ensure this necessary cash, without the need to borrow, the company should have revenues equivalent to this value or higher.

#### v. Sales volume determination

Following the explanation above, it is necessary to establish the sales required to cover at least the fixed costs of the 2nd half of the year, 274,996 euros. To do this, it is necessary to establish demand criteria, or in other words, how demand will be distributed during the period (1st semester). It is established that being a platform, there are services for buyers and sellers of real estate. It is omitted that the seller has the possibility of making a tailor-made service package, and the calculation is simplified into 4 main services: the 3 types of package and the possibility of paying only if the sale is made. The services for the buyers will be those previously calculated, and a new one is added that until now had not been considered, the commission from the financial entities for contracting with them the mortgage for the client. The expected income for each mortgage is 250 euros.

It is assumed that a transaction needs a buyer and a seller, therefore the number of total transactions will be taken into account to calculate the amounts from the share percentages. The share percentages of services for sellers are estimated almost identically. If it were totally identical, a weight of one third should be given to each package. In this estimation, a slightly higher importance is given to the optimal package as it is the most demanded in the competition and a slightly lower importance to the premium package as it is the most expensive of the three. For the extra, it is assumed that half of the sellers who sign up for the premium package will take it since it costs just 25% more but allows to pay later.

Needed revenues to cover 2nd semester expenses				€ 274,996
Transactions amount	296			
<b>Services for sellers</b>	<b>Quantity</b>	<b>Income</b>	<b>Share</b>	<b>Total</b>
Basic package	104	€ 488	35%	€ 50,516
Optimal package	118	€ 562	40%	€ 66,539
Premium package	74	€ 1,039	25%	€ 76,906
Extra if only the sale is made	37	€ 504	12.5%	€ 18,653
				€ 212,614
<b>Services for buyers</b>	<b>Quantity</b>	<b>Income</b>	<b>Share</b>	<b>Total</b>
Special legal assistance	89	€ 124	30%	€ 11,008
Multilingual assistance	30	€ 488	10%	€ 14,433
Bank commission	148	€ 250	50%	€ 37,000
				€ 62,441
<b>Total Revenue (once the VAT and the variable cost are deducted)</b>				<b>€ 275,055</b>

Table 5. Needed revenues to cover 2<sup>nd</sup> semester expenses. Source: This table is self-produced.

Multilingual assistance is expected to be contracted only by buyers for the moment by 10%, the same percentage of foreigners in the whole population living in Spain, according to INE. It is estimated that 30% of the buyers will acquire the special assistance for the legal processes. Finally, half of the transactions are expected to require a mortgage. The same percentage that has the subscription of mortgages in the total of property purchase and sale in Spain.

From the model, it turns out that 296 transactions are necessary during the first half of the year in order to carry out the fixed cost payments for the following 6 months. However, and as it is logical, it is not necessary to have this amount on July 1st to pay the costs of November or December for example. Rather, it is aimed to prove that with 296 transactions it would be sufficient to cover this amount in general.

Another assumption for future sales is presented below. In this case it is intended to cover all costs, both fixed and initial, for the first three years of the project. The objective is to pay back to the investor after this period all the capital invested without any interest, with how many sales would be reached the break-even point during the first 36 months.

The only new variable is that now the seller can contract the multilingual assistance service with the same share as the buyer. Following the model, 2,104 real estate transactions would be needed to achieve this, an average of 701 per year and 58 per month. According to Housell data, in two years they have made more than 2 thousand real estate sales, so the goal of 2104 in 3 years appears to be achievable.

<b>Break-even point to cover 3 years fixed costs and initial cost</b>				<b>€ 2,057,878</b>
<b>Transaction amount</b> 2104				
<b>Service for sellers</b>	<b>Quantity</b>	<b>Income</b>	<b>Share</b>	<b>Total</b>
Basic package	736	€ 488	35%	€ 359,071
Optimal package	842	€ 562	40%	€ 472,965
Premium package	526	€ 1,039	25%	€ 546,658
Extra if only the sale is made	263	€ 504	13%	€ 132,587
Multilingual assistance	210	€ 488	10%	€ 102,592
				€ 1,613,873
<b>Service for buyers</b>	<b>Quantity</b>	<b>Income</b>	<b>Share</b>	<b>Total</b>
Special legal assistance	631	€ 124	30%	€ 78,248
Multilingual assistance	210	€ 488	10%	€ 102,592
Bank commission	1052	€ 250	50%	€ 263,000
				€ 443,840
<b>Total Revenue (once the VAT and the variable cost are deducted)</b>				<b>€ 2,057,713</b>

Table 6. Break-even point to cover 3 years fixed costs and initial cost. Source: This table is self-produced.

Finally, if the investor would like to obtain a positive ROI after this 3-year period, the following table could be considered to evaluate the amount of sales that would have to be made to achieve it.

ROI	Annualized ROI	Return	Cost to cover	Total Sales	Sales per year	Sales per month
8%	2.60%	€ 637,806	€ 2,116,934	2165	722	60
12%	3.85%	€ 661,428	€ 2,146,462	2195	732	61
16%	5.07%	€ 685,051	€ 2,175,990	2225	742	62
20%	6.27%	€ 708,673	€ 2,205,518	2255	752	63
24%	7.43%	€ 732,296	€ 2,235,046	2285	762	63
28%	8.58%	€ 755,918	€ 2,264,574	2316	772	64
32%	9.70%	€ 779,541	€ 2,294,102	2346	782	65
36%	10.79%	€ 803,163	€ 2,323,630	2376	792	66

Table 7. ROI possibilities after this 3-year period. Source: This table is self-produced.

From the table above, the following conclusion can be drawn, every 4 percentage points of ROI require one more sale per month. Thus, the difference between obtaining a ROI of 0% and a ROI of 32% corresponds to 7 additional monthly sales. It is considered a viable model taking into account the expectations of the sector in its digitalization in the coming years and the overall volume of real estate transactions in Spain.

### 3. Conclusion

The real estate sector has not been among the first to notice the process of digitalization of the economy in Spain. It has taken many years for the new processes to begin to affect it and produce changes in an established business model.

The commission model is not yet over and will continue to be in demand for some time, but it already has a clear competitor, payment for service. During this study, its viability and positive future projection has been demonstrated. By means of the example of this company, the different new services that a digital real estate agency can provide have been made known.

Future development will depend on many factors, since as we have seen in this report, the real estate sector is performing well while the country's economy is performing well in general and periods of recession affect this sector first. Another factor for its development will be the speed with which the technological solutions come to improve the current processes.

Considering the present moment in the product life cycle, being in the introduction phase, it is a suitable period to invest in it. Solutions such as remote working and freelancing can reduce costs by up to 37%, as shown in the initial costs' calculation of this platform. This will enable the company to compete in the market and gain a remarkable share.

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