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| **Business Plan** |
| Professional Services Automation – Product Company |
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| This is the draft business plan. It is intended to be a living and breathing document that is likely to evolve, yet serves as a guiding pathway at any given point of time. |
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| **June 2016** |
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# Executive Summary

Consulting services is a $50 billion business in the US, across various industries. For business operations, such businesses rely upon professional services automation (PSA) systems for time tracking, expense reporting, billing, reporting, project management, etc. Small businesses usually tend to lag in their PSA adoption, due to costs and complexities involved. Lack of PSA impedes business performance by obfuscating certain key performance indicators such as billable utilization and induces delays and inaccuracies in customer billings. There are several PSA systems in the market – some built atop CRM systems like Salesforce.com, while others are stand-alone systems.

All PSAs provide some core functionality, but most of them are missing certain features that are vital to operations: managing document workflow with customers, and an integrated repository of intellectual property (aka digital assets). Therein lies the business opportunity.

Company will be started by three co-founders, each having a background in computer software business. While the product will be designed and architected in the US, it will be developed, maintained and deployed (using SaaS delivery model) in India to benefit from local talent at significatnly more affordable rates.

Being in software product business is about making major investment and development effort upfront, followed by recurring cash flow via customer acquisition and retention. High-level cash flow analysis depicts profitability in second year of operations.

# The Company, the Industry, and the Competition

## 2.1 The Company

The Company will be started afresh to develop, market and support professional services automation (PSA) product. Company will be based in the USA, with a product development and support center in India. Founders of the company will invest the seed money required to fund the operations of the company for first 12 calendar months from inception. In addition to investing in product development, the Company will also explore additional avenues for revenue generation via software consulting business.

## 2.1 The Industry

PSA runs business operations for professional services outfits (lawyers, auditors, consultants) that provide their services on contract or consulting basis. PSA enables businesses to effectively monitor their key performance indicators (KPIs) such as billable utilization and project-profitability, while also enabling critical business operations such as timely and accurate billing to customers. There are several benefits that accrue out of using PSA:

* Better support for KPIs = increased profitability. Some industry studies suggest that, in general, using a PSA for running a consulting practice results into better billable utilization and greater profitability. SMBs that do not run any PSA system at all will be easy targets for adoption.
* Timely and accurate billing
* Less human errors in data capture and data transformation
* SaaS = easy to use, no operational overheads for customers, better adoption. Some customers may want to run the system on-prem for security and privacy reasons, which can also be supported.

A PSA system usually includes the following core components:

* Time tracking and reporting
* Expense reports management
* Billing system for generating invoices, and integrating with financial accounting systems
* Project management and reporting

There are several PSA products in the market that provide some/all of the above core functionality. Some of those products are built atop other popular customer relationship management (CRM) products such as Salesforce.com and NetSuite, while others are standalone, i.e., they have all the necessary software to run on their own. These systems can be fairly intricate to use, hard to customize, and have gaps in functionality (beyond the core components) that can impact business operations and profitability.

PSA adoption varies among different companies: typically, small and medium-sized businesses (SMBs) tend to lag in PSA adoption, instead relying on emails, spreadsheets, and some (fragmented) third-party solutions for managing their operations. Larger enterprises tend to go with PSA solutions that integrate with their incumbent CRM systems.

## 2.3 The Competition

See “[Top 10 Professional Services Automation Software Report](https://www.dropbox.com/s/ziokogc9o2fnapx/top_10_psa.pdf?dl=0)”

While most of the competitors provide common core features (e.g. time tracking, expense reporting, etc.), they miss out on the following features that will be the distinguishing features of our product:

* An integrated digital assets repository, that houses the firm’s intellectual property. Why have this repository part of PSA? Because the artifacts that will be stored in this repository are typically the ones that are accesses throughout the lifecycle of a professional services engagement. Examples: statements of work (SOWs), written reports, graphics files, software assets, etc. All assets will be tagged to facilitate searching.
* Integrated workflow for exchanging documents with customers. For example: while negotiating legal agreements and SOWs, there are several edits made to the documents by several stakeholders on both parties. This workflow system will make it easier for everyone to track progress, rather than relying upon email exchanges that can be error-prone and cumbersome.
* Pipeline management function, a la CRM, for tracking opportunities and forecasting revenue.

Additionally, rather than embellishing the product with all possible bells and whistles, it will be simple to use. Product development schedule will call for lightweight components to begin with that cater specifically to SMBs, before subsequent enhancements for more sophisticated features that are better suited for larger enterprises. A large segment of the market consists of SMBs that do not have any PSA system in place at all, and their requirements are relatively straight-forward. We will target those customers to begin with, and as the revenue starts coming in, the product will evolve to incorporate more sophisticated functionality for each component as well. The product design, from, the very outset, will make allowances for future product enhancements. At the outset of product development, a minimal viable product (MVP) will be defined which will form the basis of release 1.0 of the product. MVP should satisfy the needs of most SMBs. Feedback and requests from early adopters will define subsequent product features.

# The Product and the Production Process

## 3.1 The Product

The product will be sold using software as a service (SaaS) model, a per-user monthly/annual subscription model. It will be available to US-based customers only. Defining characteristics of the product are:

* Comprehensive: it will be a standalone system that does not rely upon any third-party software to render its functionality.
* CRM-like features: it will track pre-sales opportunities and pipeline, similar to CRM systems. This will help with ongoing resource planning and forecasting.
* Collaboration workflows with customers, to facilitate exchange and review of documents during the lifecycle of a project. An example would be review of contracts and SOWs before it gets finalized.
* An integrated repository for intellectual property. This repository will be searchable. Part of the repository could possibly be exposed to customers (e.g., to share software artifacts)

The product will have the following components:

1. Time tracking
2. Expense reports
3. Billing
4. Project management
5. Dashboards and reporting
6. Pipeline management
7. Integrated repository for intellectual property
8. Collaboration workflows for sharing and finalizing documents with customers
9. Integrations with third-party systems such as QuickBooks for financial accounting, and Salesforce.com for CRM

Components 6,7 and 8 are the main differentiators of this product. See [Appendix A](#_Appendix_A:_Wireframes) for wireframes. More research needs to be done in defining and designing features of each of the above components. Surveying the competing products should provide a good starting point for most of the components EXCEPT components 6,7 and 8 that are innovations.

## 3.2 The Production Process

The product would be created in following phases:

1. **Requirements gathering:** This will be done by Tony, based upon his prior experiences with PSA. Outcome will be a detailed requirements document that describes in greater detail each product component’s features and functionality.
2. **Define Minimal Viable Product:** This will be done by Raj, to define the features that would go into first release of the product, and will serve as the initial input to the product development team
3. **Technical Architecture**: A Technical Architect will be engaged here in the US to put together an overall architecture document that will define the development environment, product architecture, and Cloud deployment techniques.
4. **Product Development**: Product will be developed in India. Development team will consist of up to four developers, including a Team Lead. Development team will be responsible for UX, coding, testing, Cloud deployment and ongoing support. Ajay will coordinate the hiring efforts, and use his existing business infrastructure in India for hiring employees, providing office space, and appoint a Manager of India operations.

Timelines for the above phases would look as follows:

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| --- | --- | --- | --- | --- |
| **#** | **Phase** | **Owner** | **Time Required** | **Elapsed Calendar Time** |
| 1 | Requirements Gathering | Tony | 1 month | 1 month |
| 2 | Define and Design MVP | Raj | 1 month (in parallel with Requirements Gathering) | 1 month |
| 3 | Technical Architecture | Ajay | 2 weeks (in parallel with 1 & 2) | 1 month |
| 4 | Hire team in India | Ajay | 2 months | 2 months |
|  | Setup PCs and development environment/software/licenses etc. |  | 0.5 months |  |
| 5 | Develop Alpha, Beta & 1.0 Releases of the product (in India development center) | Tony, Ajay, Raj | 3 + 2 + 2 months | 9 months |

# The Market and Marketing Process

## Target Market

Target market consists of any business that provides its services on a consulting/contract basis – either fixed price or time & materials basis. This includes independent software vendors (ISVs), software consulting companies, attorneys, accountants, management consultants, etc. The initial emphasis of the product will be towards the computer industry through, based upon founders’ background. Additional industries will be targeted later, as it may require some additional research to include any industry-specific product features. That said, it is quite possible that the product features designed for computer industry may very well work fine for other industries too.

## Market Size

By [some estimates](http://www.consultancy.uk/news/2557/us-consulting-market-to-continue-strong-growth-in-2015) size of the US consulting market is about $50 billion, with thousands of companies of all sizes in various industries such as IT, healthcare, accounting, financial services etc.

## Geographical Boundaries

Initially, the product will be designed for US-based businesses, but accessible from anywhere around the world (thanks to SaaS architecture). It will support multiple currencies (and any VAT-related issues that are prevalent in Europe), since businesses may very well be transacting with overseas customers.

## Targeted Market Segment

In its initial release the product will be targeted at SMBs. Small businesses (1-25 employees), in particular, are likely to be running their business operations on emails, spreadsheets and some fragmented third-party solutions for time tracking and expense reporting. They may be easier targets for adopting an easy-to-use PSA system for a low monthly price. Their system requirements tend to be rather straight-forward, which may be a good match for the product’s initial release. As the product continues to mature in terms of its features and functionality, targeted market segment would also expand to include medium-sized and enterprise customers.

## Penetrating the Market

Initial target customers will be from founders’ professional networks. Digital marketing activities such as search engine optimization, adwords, etc. will drive enhancing product awareness. Participation in trade shows will help with lead generation.

The founders will sign-up 3-6 pilot clients that can be engaged during MVP definition stage.

## Pricing

Exact pricing is to be determined. It will be something along the lines of:

* Per user, per month price (e.g., $20/month). Discount offered if pre-paid for an entire year
* Bulk discounts for teams
* Additional pricing for additional product components such as third-part integrations
* Additional pricing for additional online storage (for IP repository)

Operational costs for the SaaS solution will need to be factored in while finalizing the pricing. Introductory price may need to be lower than the competition to gain traction in the market.

# Management and Personnel

## Management

At the outset, company’s management will consist of the following:

* **Tony Vinayak, Co-Founder and President:** Tony has experience in starting consulting business from scratch at two companies. In his most recent job at Perforce, he was Head of Global Professional Services, and owned P&L for the line of business. Tony turned the business profitable in year three of operation, and managed a team of senior consultants in US, UK and Canada. Tony was involved in design, implementation and operations of PSA at Perforce. Tony has a Bachelor’s degree in Electronics & Communications Engineering, and an MBA in Systems & Finance.
* **Ajay Gupta, Co-Founder and VP of Operations:** Ajay has successfully run his own business for wholesale of VoIP minutes for several years. Ajay has a Bachelor’s degree in Engineering. Ajay will be responsible for overseeing hiring, infrastructure, and facilitating day-to-day running of the business.
* **Rajesh Bansal, Co-Founder and Chief Product Officer/CIO:** Rajesh has had experience in product management over the past several years. He will be responsible for product management function. Rajesh holds a Bachelor’s degree in Engineering and an MBA.
* **TBH:** **Manager of India Development Center:** This person will oversee day-to-day operations of the India development center. Ajay will have one of his existing employees from his business assume this responsibility.

Company will hire the following personnel in India:

* Development Team Lead/DevOps
* Developer
* Developer/QA
* Deverloper/UX

The technology stack that will be used for developing the product is to be determined, based upon recommendations of Technical Architect.

Additionally the company will engage services of following professionals in the US on a need basis:

* Attorney, for help in setting up the company and formalizing agreement between the founders
* CPA, for taking care of company’s accounting needs on an ongoing basis
* Technical Architect, for formalizing the technical architecture

# Financial Data

Estimated costs involved for running operations for first calendar year are as follows:

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| **Item** | **Cost** |
| Registering company, hiring attorney etc. here in the US | $2,000 |
| Engaging an Architect | $5,000 |
| Salaries in India (@ $1,000 per head x 12 x 4) | $48,000 |
| Equipment (computers for developers) | $5,000 |
| Travel costs (2 visits to India) | $10,000 |
| Cloud infrastructure | $12,000 |
| Miscellaneous | $8,000 |
| Buffer | $10,000 |
| **TOTAL SEED MONEY** | **$100,000** |

Above estimates assume that founders do not draw any salary during first year of operations. Funding for the seed money will be provided by the founders in return for equity in the company. Founders will provide their share of the funding upfront at inception of the company. Company may solicit additional investors at a later stage.

Assuming that we have first release of the product within 9 months of operations, it gives only three months for acquiring customers in year one of operations. Assuming per-user pricing of $20/month ($240/year), high-level cash flow looks as follows:

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| --- | --- | --- | --- | --- |
| Year | Paying Users | Revenue | Expenses | Income |
| 1 | 100 | $24,000 | $100,000 | ($76,000) |
| 2 | 1,000 | $240,000 | $100,000 | $140,000 |
| 3 | 5,000 | $1,200,000 | $250,000 | $950,000 |

# Appendix A: Wireframes

