

Acme Consulting

Acme Consulting— Sample Plan



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1.0 Executive Summary

Acme Consulting is a consulting company specializing in marketing of high-technology products in international markets. Its expertise is the marketing of personal computers and market research, all in international markets.

2.0 Situation Analysis

Acme Consulting offers high-level expertise in international high-tech business development, channel development, distribution strategies, and marketing of high-tech products. It focuses on providing two kinds of international triangles:

- Providing United States clients with development for European and Latin American markets.
- Providing European clients with development for the United States and Latin American markets.

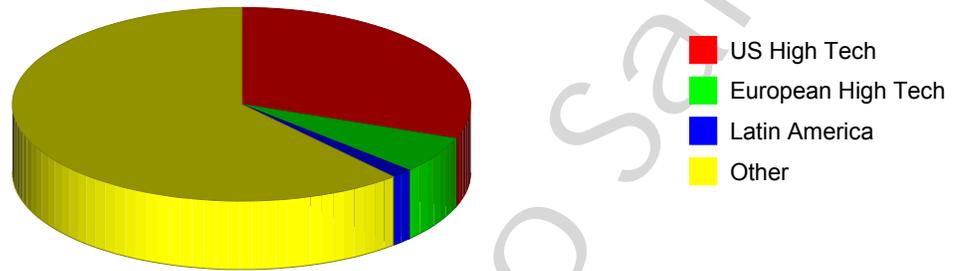
This year we intend to take on consulting work in related markets, specifically the rest of Latin America and the better markets in the Far East. We will also look for additional leverage by taking brokerage positions and representation positions to create percentage holdings in product results.

2.1 Market Summary

Acme focuses on high-technology manufacturers of computer hardware and software, services, and networking, who want to sell into markets in the United States, Europe, and Latin America. These are mostly larger companies, and occasionally medium-sized companies.

Our most important customers are executives in larger corporations. They are marketing managers, general managers, sales managers, sometimes charged with international focus and sometimes charged with market or even specific channel focus. They do not want to waste their time or risk their money looking for bargain information or questionable expertise. As they go into markets looking at new opportunities, they are very sensitive to risking their company's name and reputation.

Target Markets



2.1.1 Market Demographics

Large manufacturer corporations: Our most important market segment is the large manufacturer of high-technology products, such as Apple, Hewlett-Packard, IBM, Microsoft, Siemens, or Olivetti. These companies will be calling on Acme for development functions that are better spun off than managed in-house, for market research, and for market forums.

Medium-sized growth companies: Particularly in software, multimedia, and some related high-growth fields, Acme will offer an attractive development alternative to the company that is management constrained and unable to address opportunities in new markets and new market segments.

Table: Market Analysis

Market Analysis	Growth	2000	2001	2002	2003	2004	CAGR
Potential Customers							
US High Tech	10%	5,000	5,500	6,050	6,655	7,321	10.00%
European High Tech	15%	1,000	1,150	1,323	1,521	1,749	15.00%
Latin America	35%	250	338	456	616	832	35.07%
Other	2%	10,000	10,200	10,404	10,612	10,824	2.00%
Total	6.27%	16,250	17,188	18,233	19,404	20,726	6.27%

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2.1.2 Market Needs

When a company, like those that are our clients, wants to open a new market, there is a temporary need for very high-powered expertise. They need to establish distribution, evaluate distributors' merits and problems, select and open new channels.

Our clients come to us for scalable, temporary expertise. They understand that our kind of expertise would be very difficult and expensive to get from full-time, permanent employees. Furthermore, their needs are temporary: the crunch is at the time of opening the new market and setting up the channel; later on it is not as important.

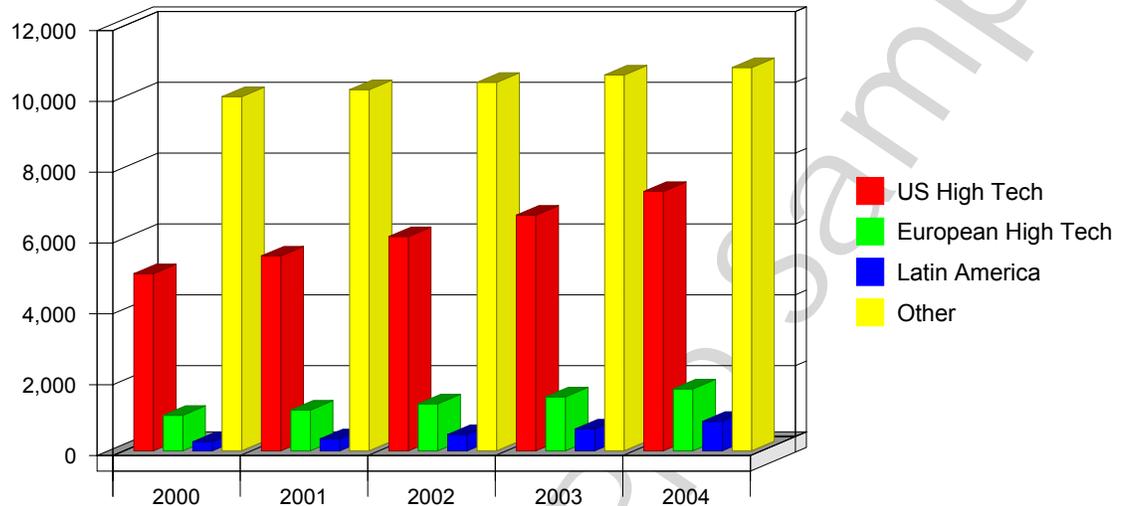
From the point of view, as managers, our clients come to us at least in part because we reduce their sense of risk in the management and politics of new market introductions. If things go wrong, they have experts to blame. If things go right, they get the credit. There's the old saying that "nobody ever got fired for choosing IBM," meaning choosing a highly respected visible source for computers. We are that kind of low-risk option for opening new markets.

2.1.3 Market Trends

We stand to benefit from some specific market trends:

- There is a major trend towards internationalization. The Internet has brought a larger world into direct communication with the manufacturers. Europe has created a major new unified market, this time for real. Latin America is healthy and growing. Asia, despite recent setbacks, is still a very good market. Our potential client base, the manufacturers, wants to expand into new markets.
- Communications technology is a new industry explosion. Also because of the Internet, growth in communications technology items is explosive. Modems, network cards, communications software, routers, cables, connectors, all of these are growing at 35% per year and up. Margins aren't great in the more standard hardware categories, but growth is enormous.
- Contracting, consulting, and ad-hoc management teams are a trend. Even the larger businesses are turning more frequently to temporary expertise instead of permanent fixed cost employees. This is the latest new application of the buzzword "scalable." Acme Consulting is an especially attractive alternative to our clients, because of the economic advantages of variable vs. fixed costs, and the growing liabilities and overhead of taking on long-term employees.

Market Forecast

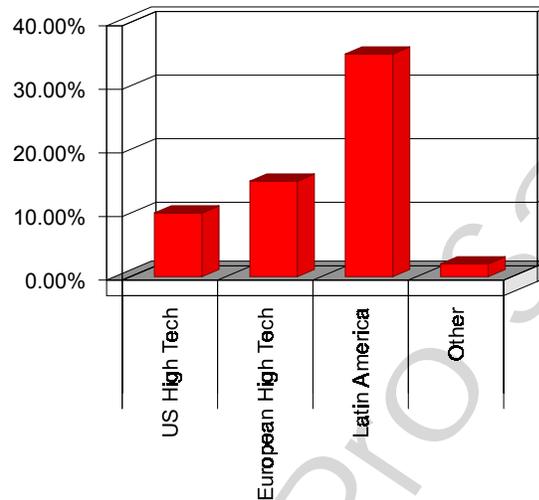


2.1.4 Market Growth

The U.S. Association of Marketing Consultants reports a 30% growth in average revenues for consultants focusing on marketing of high-tech products. We are a subset of this market, possibly due for even higher growth than the mainstream. The local electronics industry association in California reports a trend towards additional consulting solutions, as manufacturers turn to variable cost solutions.

We talked to industry associations in Japan and several in Europe. Overall, the growth in interest for moving into new markets is phenomenal. Tahahashi Sato, director of the local association in Tokyo, told us "we don't have statistics, but the growth in new international marketing projects has to be greater than 100 percent per year." Jens Lundeson, of the Association in Europe, said "We see growth in this kind of project at 40 percent or better per year."

Target Market Growth



2.2 SWOT Analysis

The SWOT analysis covers strengths, weaknesses, opportunities, and threats. Strengths and weaknesses are generally internal attributes, which we can address by changing our business. Opportunities and threats are generally external.

Overall, the mix is exciting. We live in an age of growth, change, and business revolution. The Internet offers us opportunities and threats. We need to make our dealing with it one of our biggest strengths, to minimize our weaknesses.

2.2.1 Strengths

1. True expertise. All of our principals know this area very well. Our experience and expertise is better than anybody we know of in this particular niche area.
2. Dominance of communications technologies from a users' point of view. We have an excellent website, secure File Transfer Protocol (FTP) facilities with password protection for sending and receiving documents from clients, major bandwidth, and an automatic link to training allies to help clients come up to speed with the facilities we offer. We can even hold Internet meetings with shared interface and visuals.
3. Manageable size. We don't have to support a large overhead, and our clients know that we deliver what we promise ourselves. Our competition, the larger consulting houses, tend to build on the structure of the major partners doing the selling and younger associates, with far less experience, actually delivering the consulting.
4. Contacts. Years of industry experience means a lot of word-of-mouth marketing, contacts, and networking.

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2.2.2 Weaknesses

1. Marketing. As a group, we are good at the direct sales involved in making a close, but we don't have the resources required to do much general marketing. We will depend on word of mouth first as our main form of generating leads.
2. Staff. Without the overhead of staff, we can't leverage on people to develop documents and presentations, research in detail, and fill in the blanks. We are short on support for telephones, fax, and email.
3. Brand. Sometimes a Booz Allen or McKinsey is a safer buy for the executives, in the sense of "nobody ever got fired for hiring IBM." We are a new entity, we can be perceived as an innovative -- and therefore risky -- choice.

2.2.3 Opportunities

1. Internet growth. Companies are being dragged into worldwide marketing, like it or not. Growth rates are very high, opportunities are obvious.
2. International market growth. Europe and Latin America are booming. Asia has suffered a bit but is recovering. Manufacturers are anxious to take their new technologies across borders.
3. Growing red tape involved with hiring full-time employees, especially internationally, especially at the executive level.

2.2.4 Threats

1. The Internet is a threat as well as an opportunity. Our expertise is about crossing borders, managing multiple markets, and the problems we solve are being reduced in importance by the growing availability of information. Specific example: software companies used to charge huge premiums for software available in the different smaller markets, but their potential customers are now much more likely to see available prices elsewhere and buy over the net.
2. The larger, branded competition is recognizing our niche. They are beginning to compete in our area, recognize our niche. We are no longer alone.
3. New competitors are developing in new markets. Particularly as the European market grows, competitors developing in that area become more significant.

2.3 Competition

The key element in purchase decisions made at the Acme client level is trust in the professional reputation and reliability of the consulting firm.

The competition comes in several forms:

1. The most significant competition is no consulting at all, companies choosing to do business development, channel development and market research in-house. Their own managers do this on their own, as part of their regular business functions. Our key advantage in competition with in-house development is that managers are already overloaded with responsibilities; they don't have time for additional responsibilities in new market development or new channel development. Also, Acme can approach alliances, vendors, and channels on a confidential basis, gathering information and making initial contacts in ways

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that the corporate managers can't.

2. The high-level prestige management consulting: XXXXX,XXXXXXXXXXXX,XXXXX-XXXXX, (names omitted to protect confidentiality), etc. These are essentially generalists who take their name-brand management consulting into specialty areas. Their other very important weakness is the management structure that has the partners selling new jobs, and inexperienced associates delivering the work. We compete against them as experts in our specific fields, and with the guarantee that our clients will have the top-level people doing the actual work.

3. The third general kind of competitor is the international market research company: XXXXXXXXX, XXXXXX, XXXX-XXXXX, (names omitted to protect confidentiality), etc. These companies are formidable competitors for published market research and market forums but cannot provide the kind of high-level consulting that Acme will provide.

4. The fourth kind of competition is the market-specific smaller house. For example: Nomura Research in Japan, Select S.A. de C.V. in Mexico (now affiliated with IDC).

5. Sales representation, brokering, and deal catalysts are an ad-hoc business form that will be defined in detail by the specific nature of each individual case.

Competitor by Growth and Share

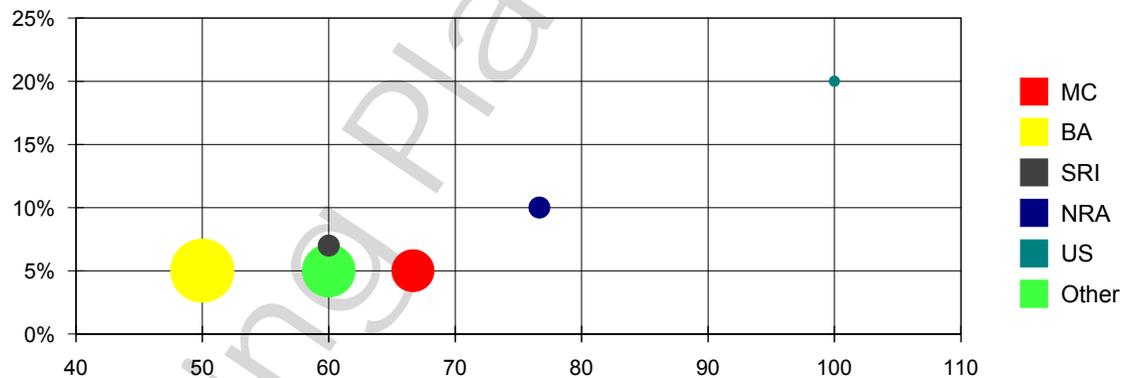


Table: Growth and Share Analysis

Growth and Share Competitor	Price	Growth Rate	Market Share
MC	\$20	5%	20%
BA	\$15	5%	30%
SRI	\$18	7%	10%
NRA	\$23	10%	10%
US	\$30	20%	5%
Other	\$18	5%	25%
Average	\$20.67	8.67%	16.67%
Total	\$124.00	52.00%	100.00%

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2.4 Services

Acme offers expertise in channel distribution, channel development, and market development, sold and packaged in various ways that allow clients to choose their preferred relationship: these include retainer consulting relationships, project-based consulting, relationship and alliance brokering, sales representation and market representation, project-based market research, published market research, and information forum events.

1. Retainer consulting. We represent a client company as an extension of its business development and market development functions. This begins with complete understanding of the client company's situation, objectives, and constraints. We then represent the client company quietly and confidentially, sifting through new market developments and new opportunities as is appropriate to the client, representing the client in initial talks with possible allies, vendors, and channels.

2. Project consulting. Proposed and billed on a per-project and per-milestone basis, project consulting offers a client company a way to harness our specific qualities and use our expertise to solve specific problems, develop and/or implement plans, and develop specific information.

3. Market research. Group studies available to selected clients at \$5,000 per unit. A group study is a packaged and published complete study of a specific market, channel, or topic. Examples might be studies of developing consumer channels in Japan or Mexico, or implications of changing margins in software.

2.5 Keys to Success

1. Excellence in fulfilling the promise--completely confidential, reliable, trustworthy expertise and information.
2. Developing visibility to generate new business leads.
3. Leveraging from a single pool of expertise into multiple revenue generation opportunities: retainer consulting, project consulting, market research, and market research published reports.

2.6 Critical Issues

The most critical issue is repeat business. We can't build this company on a faulty foundation; we have to have a core group of satisfied clients who come back to us on a regular basis. We can't afford to spend the capital it would take to generate new clients constantly. The repeat business costs about a tenth as much in sales and marketing as the new client.

Repeat business is built on the correct strategic mix of excellence in delivery, clear communication of promise and scope, and follow through.

Most of our competitors build on a structure that has the partners selling the jobs and new hires, bright young people without a lot of experience, delivering. We can't afford to follow that lead. We can use a staff to leverage some of the footwork and analysis work, but ultimately our work must be our own.

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2.7 Historical Results

To analyze our historical data, we've made a projection based on what might have been, had the partners been involved in a separate company. It is a composite of the combined consulting of the three main partners.

What we see in the table is that we're taking up a very small portion of the overall consulting dollar spent in this market. There is a lot of room to grow. We have always been profitable, but we expect to do much better than we have after we combine our forces.

2.8 Macroenvironment

New technology has become the driving force of our market. The Internet is changing high-tech marketing overnight. While the manufacturers used to deal with distributors in smaller national markets, nowadays the distributors are terribly concerned about our pricing and marketing over the Internet.

On one hand, the manufacturers need loyal local allies, good distribution, and value added. On the other hand, they can't pretend to offer protected markets. The Internet changes the game.

Another major factor is the growth expected in Europe and Latin America. While Asian markets are hanging back a bit with the lingering effect of recent economic problems, the Latin American markets are growing smartly as a result of decreasing protectionism, and the European markets are enjoying the new Eurodollar boom.

3.0 Marketing Strategy

Strategy is focus. Our strategy involves focusing on a specific area of expertise in which we are as strong a group as in any company anywhere in the world. We are true experts in the introduction of new technology products, especially through channels of distribution.

Acme will focus on three geographical markets; the United States, Europe, and Latin America, and in limited product segments; personal computers, software, networks, telecommunications, personal organizers, and technology integration products.

The target customer is usually a manager in a larger corporation, and occasionally an owner or president of a medium-sized corporation in a high-growth period.

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3.1 Mission

Acme Consulting offers high-tech manufacturers a reliable, high-quality alternative to in-house resources for business development, market development, and channel development on an international scale. A true alternative to in-house resources, we offer a very high level of practical experience, know-how, contacts, and confidentiality. Clients must know that working with Acme is a more professional, less risky way to develop new areas even than working completely in-house with their own people. Acme must also be able to maintain financial balance, charging a high value for its services, and delivering an even higher value to its clients. We focus on development in the European and Latin American markets, or for European clients in the United States market.

3.2 Marketing Objectives

1. We need to establish ourselves as experts. This means being quoted in major trade press, speaking at industry events, and gaining recognition. Our measurable and specific objective is to be introduced in three major events as established experts in the field of international market entry.
2. We need brand-name reference clients. By the end of this year, we need three major brand names we can cite as clients. We need to be able to reference by name and contact phone number.
3. We need at least one client in each of three main regions. United States and Europe for sure, and also either Latin America or Asia. We can't be who we claim to be without being truly multi-continental.

3.3 Financial Objectives

1. Sales of \$350,000 in 1995 and \$1 million by 1997.
2. Gross margin higher than 80%.
3. Net income more than 10% of sales by the third year.

3.4 Target Markets

As indicated by the previous Table 2.1, Target Market Forecast, we must focus on a few thousand well-chosen potential customers in the United States, Europe, and Latin America. These few thousand high-tech manufacturing companies are the key customers for Acme.

3.5 Positioning

For high-technology companies who are looking to enter new international markets, Acme Consulting offers a unique team of experienced managers with proven expertise, on a temporary contract basis. Unlike in-house expertise, Acme Consulting is a temporary variable cost. Unlike most management consultants, Acme Consulting is specialized on a very focused expertise that is hard to duplicate.

3.6 Strategy Pyramids

Our strategy is to focus on our main area of expertise. We have plenty of competition in international marketing and in product introduction expertise, but nobody can match us when we stay focused on introducing a high-tech product into channels in international markets.

Our tactics to make this real? First, the quality of work. Second, expertise-based marketing. Third, we rest on heavy use of the newest technologies in international communications (i.e. Internet technologies).

The diagram shows how our marketing programs map into the tactics.

3.7 Marketing Mix

Ours is a delivery-intensive, word-of-mouth, repeat-business business. We aren't marketing as much as selling direct. Obviously we know we need to understand our marketing process -- which is why the attention to quotes in magazines, speaking engagements, etc. -- but we are really selling more than marketing.

In this section, we'll focus on the components of our marketing mix.

3.7.1 Services Offered

The service itself is a key component to our marketing mix. Our service should be our best advertisement. In this case even more so than with many other similar businesses, because our specialization on channels for international product marketing means we develop contacts with people who can be our recommenders.

We need to fulfill the promise we make: we take a product across national boundaries into new markets, explore channels, guide our client through the maze, and establish the relationships the client needs. This is a very focused deliverable. We aren't just doing international marketing or marketing consulting; we're getting products into channels.

The service itself is a key to our markets.

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3.7.2 Price

We need to make sure that our services are adequately priced. Our positioning, as well as our finances, demands high pricing. When a job is exactly our expertise, we should expect to price high.

Ultimately, our client will end up spending less on us than on the branded major consultants, because they will wrap the consulting around a lot of additional research and their standard packaging that doubles or triples cost. We'll focus in on the exact target and charge more per day and less for the total job.

We should expect to be much more expensive than the second-tier generalists.

3.7.3 Promotion

For promotion, we follow the mainstream thinking about high-end consulting. There are two main components of promotion:

1. Getting recognized and quoted as experts. Our public relations expense is intended to position us as the experts the business press calls on for information on international channel marketing. We need to be quoted in Business Week, Fortune, and the Wall Street Journal, as well as Wired, Red Herring, Upside, and the like. Along the same lines, we need to get the speaking engagements at the major trade shows and events.
2. Word of mouth and reference sites. This goes back to our core value, the importance of fulfilling the promise.
3. The Internet. We need to dominate the Internet, search terms, placement in searchers, etc.

3.7.4 Service

Service in this topic refers to our client service -- not what we sell as a service company, but the service we deliver as an add-on to the basic service we sell. Confusing? Perhaps, but let's look at client service for a consulting service:

1. First, service begins with how we communicate with the client, during and after the consulting job. This is where most of our competitors fall down. Far too often the consultants disappear from the client in what feels like hiding while doing the work. We're going to use the website in password-protected draft mode so that our clients are always in touch with us. They can log into the website and see our drafts. We'll give them real service, instead of just sales.
2. We also need to give much better service to clients after the job: better accessibility to our work once done. Studies should be available to management; contacts, recommended channels, information that they own and they can use, when they need it, and when they want it.

3.8 Marketing Research

We need to cover two main elements of market research:

1. Manufacturers. We need to know the market of manufacturers in all three target continents, including market trends and developments related to manufacturers of personal computers, peripherals, connectivity and Internet, and software.
2. Channel marketing. We need to know the trends in channel competition, emergence of new channels, economics, major competitors, new technologies, and major players in all three continents.

At this stage of our development, our research is mainly secondary research generated by keeping up with the media, including trade press and the Internet. We should quickly establish a strong filing system so that we can use the information that appears in secondary sources and catalog and organize for effective use later on.

4.0 Financials

Our plan calls for sales of nearly \$600,000 this year growing to \$1.8 million by 2004, on marketing expenses of slightly more than \$200,000, which is about 35% of sales. By the last year in the plan, our marketing expenses of \$480,000 will be only 25% of sales.

The plan assumes two important trends:

First, a steady decline in cost of sales and growth in gross margin percentage as we build more of our resources, as full-time personnel and fixed costs instead of contractors and outside consultants. That means that as we grow we take on more risk -- if the plan is implemented. Step by step we'll have to watch the growth of sales relationships that imply the advisability of taking on more people as partners and employees, instead of as contractors.

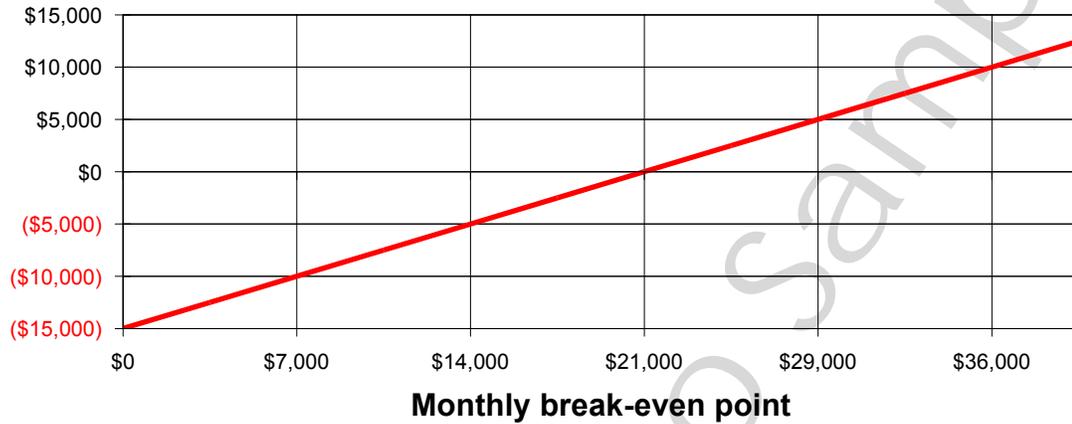
Second, a decline in marketing expenses as a percent of sales. The 35% figure we project for the first year is quite high, unacceptably high except that we are building a reputation and marketing without the leverage of past marketing, starting from zero. By the fifth year of the plan, we should be spending 25% of sales on marketing. This is a better figure.

4.1 Break-even Analysis

For consultants, we have an unusually high variable cost of 30% of sales. This makes sense for us at this point, because turning to experts on a per-job basis, as long as these are the people we know and trust, reduces the risk of fixed costs.

This break-even is a reflection of our first year, in which we are building our fulfillment based on variable cost people instead of fixed-cost people. The risk profile should look very different by the last year.

Break-even Analysis



Break-even point = where line intersects with 0

Table: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	21,429
Monthly Revenue Break-even	\$21,429
Assumptions:	
Average Per-Unit Revenue	\$1.00
Average Per-Unit Variable Cost	\$0.30
Estimated Monthly Fixed Cost	\$15,000

4.2 Sales Forecast

Our sales for this start-up period grow from \$10,000 per month at the beginning -- retainer business from our founding partner, with existing clients -- to \$90,000 next fall. The sales forecast is aggressive, assuming financing for our marketing expense and bringing on partners and staff as planned.

We intend to continue to increase billings throughout the forecast period, reaching annual totals increasing from less than \$600,000 in the first year to \$1.825 million in the fifth.

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Monthly Sales Forecast

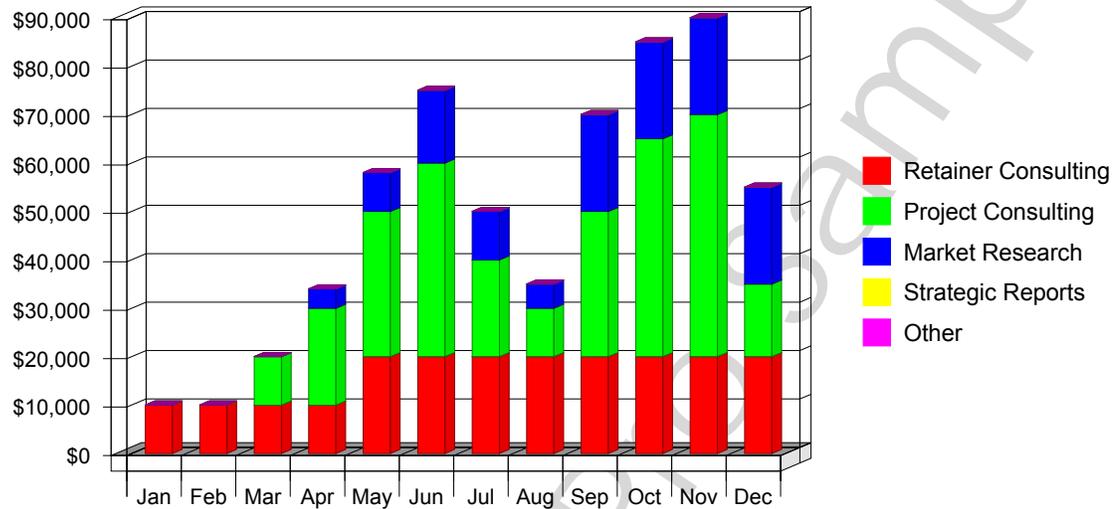


Table: Sales Forecast

Sales Forecast					
Sales	2000	2001	2002	2003	2004
Retainer Consulting	\$200,000	\$350,000	\$425,000	\$500,000	\$550,000
Project Consulting	\$270,000	\$325,000	\$350,000	\$400,000	\$450,000
Market Research	\$122,000	\$150,000	\$200,000	\$250,000	\$300,000
Strategic Reports	\$0	\$50,000	\$125,000	\$250,000	\$375,000
Other	\$0	\$25,000	\$50,000	\$100,000	\$150,000
Total Sales	\$592,000	\$900,000	\$1,150,000	\$1,500,000	\$1,825,000
Direct Cost of Sales					
	2000	2001	2002	2003	2004
Retainer Consulting	\$30,000	\$20,000	\$15,000	\$10,000	\$10,000
Project Consulting	\$45,000	\$20,000	\$15,000	\$10,000	\$10,000
Market Research	\$84,000	\$86,000	\$88,000	\$90,000	\$92,000
Strategic Reports	\$0	\$20,000	\$25,000	\$32,500	\$40,000
Other	\$0	\$10,000	\$10,000	\$10,000	\$10,000
Subtotal Direct Cost of Sales	\$159,000	\$156,000	\$153,000	\$152,500	\$162,000

4.2.1 Sales Breakdown by Partner

As the projection shows, we expect our billing to come from all three of our main partners first. The partners have relationships that should create these billings at that level.

Later on, we expect the billing to come from additional resources and additional partners, so the billings attributed to the main three go down as a percentage of the total.

The detail for this table is included in the appendices.

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4.2.2 Sales Breakdown by Segment

We expect to focus more on the mainline hardware this first year, but the growth in our industry is in communications and Internet-related business, so during the five years our projection shows a continual trend towards the other segment.

The detail for this table is included in the appendices.

4.2.3 Sales Breakdown by Region

In our regional billings, we expect to see the market in Europe growing much more quickly than in the United States, although the U.S. market starts out much bigger, so that in five years we are billing in equal portions in the United States and Europe.

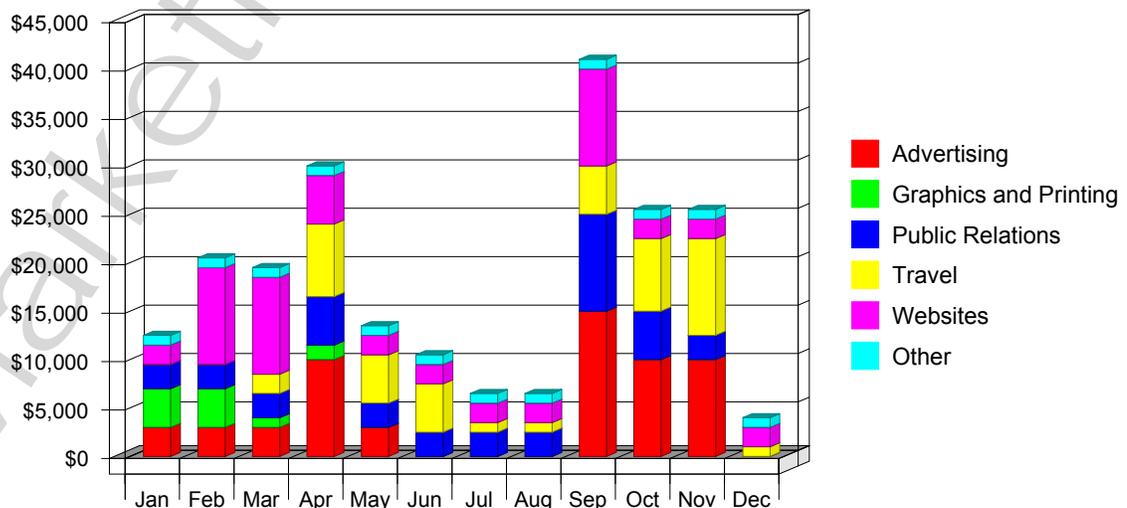
The forecast isn't a reflection of total market directly. It also assumes that we are doing what we have to do to take advantage of the growth potential in Europe. This includes marketing, developing the practice, and developing the repeat business.

4.3 Expense Forecast

Overall we project sales and marketing expenses to more than double from \$215,000 this first year to \$480,000 in the fifth year. This compares to sales increasing threefold during the same period. We believe that effective marketing requires a very high percentage of sales and marketing expenses to sales during the early years, and that over time we can bring that percentage down to more acceptable levels.

Expenses divide over four main categories: advertising, public relations, travel, and website. A smaller budget is included for Graphics and Printing expenses, and we also have a substantial additional budget for contingencies.

Monthly Expense Budget



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Table: Marketing Expense Budget

Marketing Expense Budget	2000	2001	2002	2003	2004
Advertising	\$57,000	\$65,000	\$75,000	\$90,000	\$100,000
Graphics and Printing	\$10,500	\$15,000	\$20,000	\$25,000	\$30,000
Public Relations	\$40,000	\$50,000	\$55,000	\$60,000	\$65,000
Travel	\$45,000	\$55,000	\$60,000	\$75,000	\$100,000
Websites	\$51,000	\$65,000	\$75,000	\$100,000	\$125,000
Other	\$12,000	\$25,000	\$40,000	\$50,000	\$60,000
Total Sales and Marketing Expenses	\$215,500	\$275,000	\$325,000	\$400,000	\$480,000
Percent of Sales	36.40%	30.56%	28.26%	26.67%	26.30%
Contribution Margin	\$211,500	\$457,000	\$647,000	\$912,500	\$1,133,000
Contribution Margin / Sales	35.73%	50.78%	56.26%	60.83%	62.08%

4.3.1 Expense Breakdown by Partner

As the table and chart shows -- with more information in the appendices -- most of our expenses are managed by marketing, not by the partners themselves. Each partner has some expense allocation to deal with specific client development programs, marketing of expertise, and related projects.

4.3.2 Expense Breakdown by Segment

As with partners in the preceding topics, most of our expenses go towards general marketing expenses instead of tailored to a specific segment. This is particularly important for our development of the industry reputation we need even as the product structures and divisions change. We expect billings to shift towards communications, but with expenses we need to market our expertise and let the projects come in their appropriate segments.

4.3.3 Expense Breakdown by Region

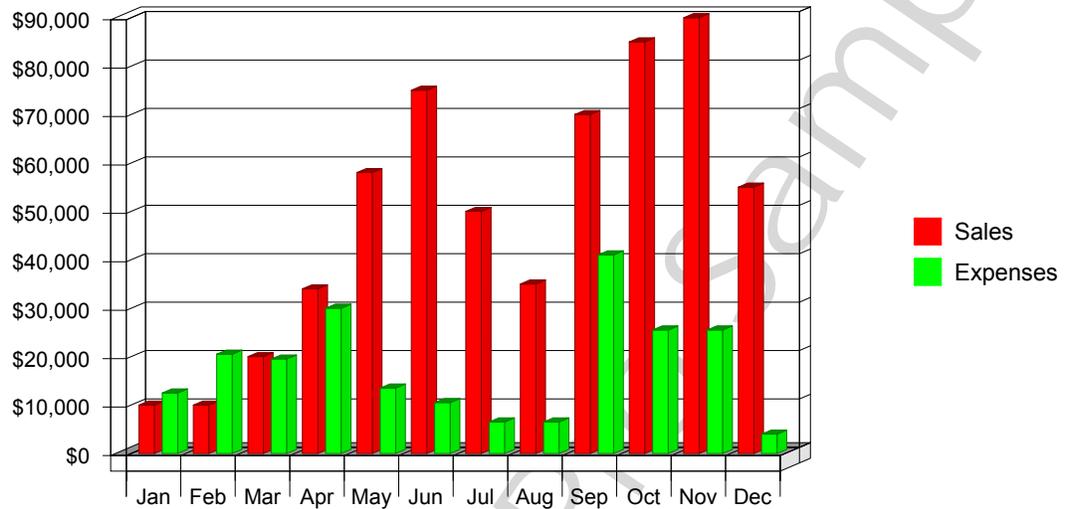
Although we don't see our expenses tagged a great deal to specific regions, the projection does call for an increasing level of expenses directed at the European market. The main bulk of expenses, however, goes to the "other" category that includes marketing programs directed at the general marketing of our specific expertise among high-tech companies worldwide.

4.4 Linking Expenses to Strategy and Tactics

Where we see the strategic match in expenses to sales in the steady increase in relative spending for Europe and for the communications/Internet segments. These strategic shifts may be hidden somewhat because of the bulk of spending going into the non-specific areas, but they are still evident in the sales and expense breakdown by categories.

Our expenses and strategy seem very well matched because we are putting the bulk of marketing expenses into the key elements for building our leads: quotes in magazines, magazine articles, speaking engagements, and some very strategic advertising, including Internet advertising.

Sales vs. Expenses Monthly



4.5 Contribution Margins

The contribution margin should increase steadily during the five year plan period, because of two factors:

1. The cost of sales goes down as we develop the business and grow, bringing on the expertise we need to fulfill our promise with in-house partners and associates as employees, rather than contracting expertise. Risk goes up with the increased fixed costs, but the margins go up too, because cost of sales is less.
2. Our sales and marketing expenses will stabilize. We don't expect to decrease the overall level of expenses, but they should decline in percentage terms as sales go up.

Given both factors, we project our contribution margin to increase from 36% the first year, to 63% the last year.

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Contribution Margin Monthly

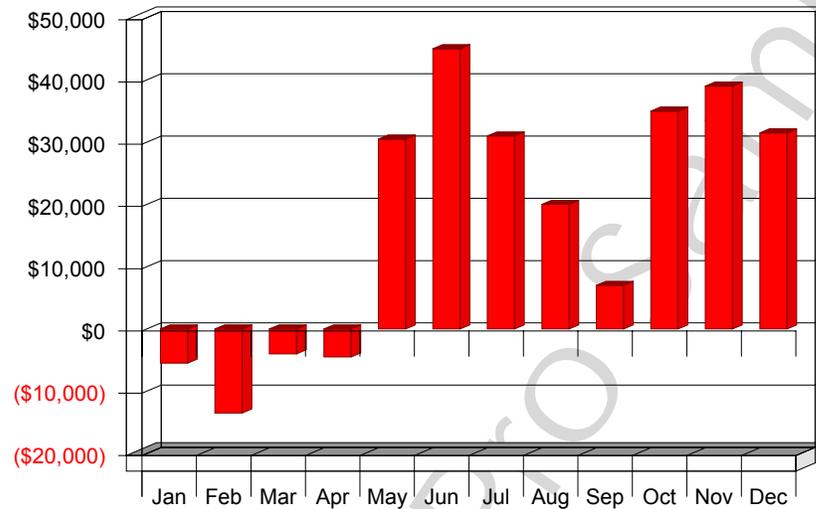


Table: Contribution Margin

Contribution Margin	2000	2001	2002	2003	2004
Sales	\$592,000	\$900,000	\$1,150,000	\$1,500,000	\$1,825,000
Direct Costs of Goods	\$159,000	\$156,000	\$153,000	\$152,500	\$162,000
Other Variable Costs of Sales	\$6,000	\$12,000	\$25,000	\$35,000	\$50,000
Cost of Goods Sold	\$165,000	\$168,000	\$178,000	\$187,500	\$212,000
Gross Margin	\$427,000	\$732,000	\$972,000	\$1,312,500	\$1,613,000
Gross Margin %	72.13%	81.33%	84.52%	87.50%	88.38%
Marketing Expense Budget	2000	2001	2002	2003	2004
Advertising	\$57,000	\$65,000	\$75,000	\$90,000	\$100,000
Graphics and Printing	\$10,500	\$15,000	\$20,000	\$25,000	\$30,000
Public Relations	\$40,000	\$50,000	\$55,000	\$60,000	\$65,000
Travel	\$45,000	\$55,000	\$60,000	\$75,000	\$100,000
Websites	\$51,000	\$65,000	\$75,000	\$100,000	\$125,000
Other	\$12,000	\$25,000	\$40,000	\$50,000	\$60,000
Total Sales and Marketing Expenses	\$215,500	\$275,000	\$325,000	\$400,000	\$480,000
Percent of Sales	36.40%	30.56%	28.26%	26.67%	26.30%
Contribution Margin	\$211,500	\$457,000	\$647,000	\$912,500	\$1,133,000
Contribution Margin / Sales	35.73%	50.78%	56.26%	60.83%	62.08%

5.0 Controls

This plan is about implementation, changing the business, and making it better. It is worth nothing if not implemented. In this chapter we look at specific implementation programs, and the details that it takes to make it happen.

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5.1 Implementation

The following table and chart identify the key marketing programs, with their managers. Dates and budgets are clearly established. The managers are informed of their main programs and they are on board with implementation.

We will be tracking plan-vs.-actual results for each of these programs and discussing them at our monthly marketing meetings.

The programs will be revised each year. This year's plan includes only the programs to be implemented this year.

Milestones

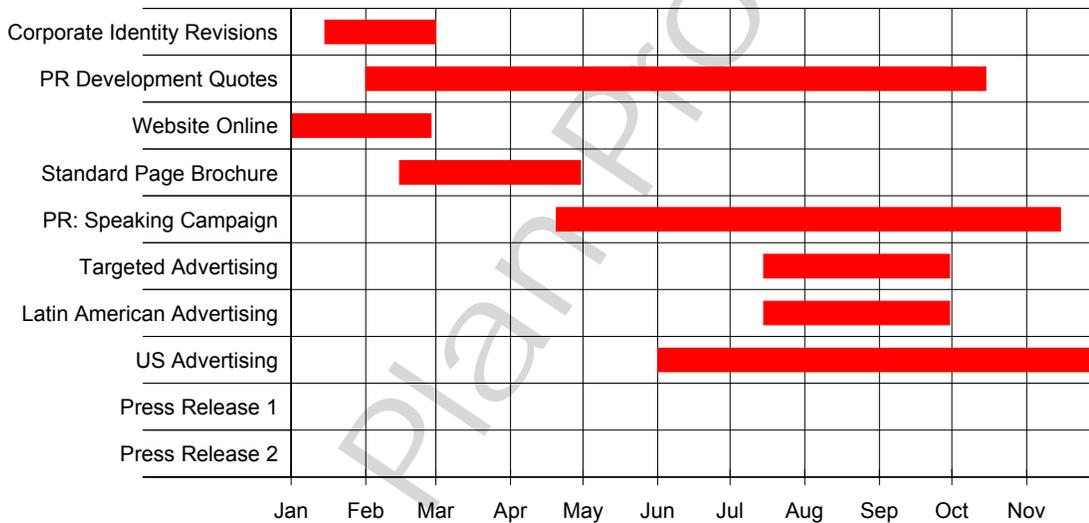


Table: Milestones

Milestones Milestone	Start Date	End Date	Budget	Manager	Department
Corporate Identity Revisions	1/15/00	3/1/00	\$8,000	Tracy	All
PR Development Quotes	2/1/00	10/15/00	\$18,000	Leslie	All
Website Online	1/1/00	2/28/00	\$12,000	Tracy	All
Standard Page Brochure	2/15/00	4/30/00	\$2,500	Tracy	All
PR: Speaking Campaign	4/20/00	11/15/00	\$6,000	Leslie	All
Targeted Advertising	7/15/00	9/30/00	\$2,500	Tracy	Europe
Latin American Advertising	7/15/00	9/30/00	\$1,000	Kelly	Latin America
US Advertising	6/1/00	11/30/00	\$20,000	Tracy	US
Press Release 1	9/15/00	9/15/00	\$5,000	Kelly	All
Press Release 2	11/15/00	11/15/00	\$5,000	Kelly	All
Totals			\$80,000		

5.2 Marketing Organization

Our marketing department is managed by Leslie Howard, a full-time professional, responsible to all of the partners as a group but to no specific partner. We need the marketing department to maintain its professional integrity above and beyond the specific partners, looking out for our marketing goals and implementing the marketing programs as best fits our strategy.

Leslie has two full-time employees, one in charge of the website implementation (Tracy) and the other a staff manager to help with the logistics of getting it all done (Kelly).

5.3 Contingency Planning

The most likely change in the marketing scheme is a major increase in Internet website traffic and the importance of website marketing. We will all keep a close eye on website developments and, if needed, increase our focus on website marketing.

As of this writing, we expect we can develop our niche and focus without direct competition from the name brand consulting companies. If we attract direct competition operating within our key area, we should then...(omitted for reasons of confidentiality).

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Appendix Table: Sales Forecast

Sales Forecast	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales												
Retainer Consulting	\$10,000	\$10,000	\$10,000	\$10,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Project Consulting	\$0	\$0	\$10,000	\$20,000	\$30,000	\$40,000	\$20,000	\$10,000	\$30,000	\$45,000	\$50,000	\$15,000
Market Research	\$0	\$0	\$0	\$4,000	\$8,000	\$15,000	\$10,000	\$5,000	\$20,000	\$20,000	\$20,000	\$20,000
Strategic Reports	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Sales	\$10,000	\$10,000	\$20,000	\$34,000	\$58,000	\$75,000	\$50,000	\$35,000	\$70,000	\$85,000	\$90,000	\$55,000
Direct Cost of Sales												
Retainer Consulting	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Project Consulting	\$0	\$0	\$1,500	\$3,500	\$5,000	\$6,500	\$3,500	\$1,500	\$5,000	\$7,500	\$8,500	\$2,500
Market Research	\$0	\$0	\$0	\$2,000	\$6,000	\$10,000	\$6,000	\$4,000	\$14,000	\$14,000	\$14,000	\$14,000
Strategic Reports	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$2,500	\$2,500	\$4,000	\$8,000	\$13,500	\$19,000	\$12,000	\$8,000	\$21,500	\$24,000	\$25,000	\$19,000

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Appendix Table: Marketing Expense Budget

Marketing Expense Budget	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Advertising	\$3,000	\$3,000	\$3,000	\$10,000	\$3,000	\$0	\$0	\$0	\$15,000	\$10,000	\$10,000	\$0
Graphics and Printing	\$4,000	\$4,000	\$1,000	\$1,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Public Relations	\$2,500	\$2,500	\$2,500	\$5,000	\$2,500	\$2,500	\$2,500	\$2,500	\$10,000	\$5,000	\$2,500	\$0
Travel	\$0	\$0	\$2,000	\$7,500	\$5,000	\$5,000	\$1,000	\$1,000	\$5,000	\$7,500	\$10,000	\$1,000
Websites	\$2,000	\$10,000	\$10,000	\$5,000	\$2,000	\$2,000	\$2,000	\$2,000	\$10,000	\$2,000	\$2,000	\$2,000
Other	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Total Sales and Marketing Expenses	\$12,500	\$20,500	\$19,500	\$30,000	\$13,500	\$10,500	\$6,500	\$6,500	\$41,000	\$25,500	\$25,500	\$4,000
Percent of Sales	125.00%	205.00%	97.50%	88.24%	23.28%	14.00%	13.00%	18.57%	58.57%	30.00%	28.33%	7.27%
Contribution Margin	(\$5,500)	(\$13,500)	(\$4,000)	(\$4,500)	\$30,500	\$45,000	\$31,000	\$20,000	\$7,000	\$35,000	\$39,000	\$31,500
Contribution Margin / Sales	-55.00%	-135.00%	-20.00%	-13.24%	52.59%	60.00%	62.00%	57.14%	10.00%	41.18%	43.33%	57.27%

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Appendix Table: Contribution Margin

Contribution Margin												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$10,000	\$10,000	\$20,000	\$34,000	\$58,000	\$75,000	\$50,000	\$35,000	\$70,000	\$85,000	\$90,000	\$55,000
Direct Costs of Goods	\$2,500	\$2,500	\$4,000	\$8,000	\$13,500	\$19,000	\$12,000	\$8,000	\$21,500	\$24,000	\$25,000	\$19,000
Other Variable Costs of Sales	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Cost of Goods Sold	\$3,000	\$3,000	\$4,500	\$8,500	\$14,000	\$19,500	\$12,500	\$8,500	\$22,000	\$24,500	\$25,500	\$19,500
Gross Margin	\$7,000	\$7,000	\$15,500	\$25,500	\$44,000	\$55,500	\$37,500	\$26,500	\$48,000	\$60,500	\$64,500	\$35,500
Gross Margin %	70.00%	70.00%	77.50%	75.00%	75.86%	74.00%	75.00%	75.71%	68.57%	71.18%	71.67%	64.55%
Marketing Expense Budget												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Advertising	\$3,000	\$3,000	\$3,000	\$10,000	\$3,000	\$0	\$0	\$0	\$15,000	\$10,000	\$10,000	\$0
Graphics and Printing	\$4,000	\$4,000	\$1,000	\$1,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Public Relations	\$2,500	\$2,500	\$2,500	\$5,000	\$2,500	\$2,500	\$2,500	\$2,500	\$10,000	\$5,000	\$2,500	\$0
Travel	\$0	\$0	\$2,000	\$7,500	\$5,000	\$5,000	\$1,000	\$1,000	\$5,000	\$7,500	\$10,000	\$1,000
Websites	\$2,000	\$10,000	\$10,000	\$5,000	\$2,000	\$2,000	\$2,000	\$2,000	\$10,000	\$2,000	\$2,000	\$2,000
Other	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Total Sales and Marketing Expenses	\$12,500	\$20,500	\$19,500	\$30,000	\$13,500	\$10,500	\$6,500	\$6,500	\$41,000	\$25,500	\$25,500	\$4,000
Percent of Sales	125.00%	205.00%	97.50%	88.24%	23.28%	14.00%	13.00%	18.57%	58.57%	30.00%	28.33%	7.27%
Contribution Margin	(\$5,500)	(\$13,500)	(\$4,000)	(\$4,500)	\$30,500	\$45,000	\$31,000	\$20,000	\$7,000	\$35,000	\$39,000	\$31,500
Contribution Margin / Sales	-55.00%	-135.00%	-20.00%	-13.24%	52.59%	60.00%	62.00%	57.14%	10.00%	41.18%	43.33%	57.27%