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## 1.0 Executive Summary

Human Capital Maximizers (HCM) is a human resource (HR) consulting company located in Portland, Oregon. HCM has expertise in a wide range of HR areas and is targeting the emerging company market. HCM will offer this market the ability to compensate it with stock options from their company in lieu of only cash. This will be especially appealing to start-up companies that find capital scarce.

Major Adversity, the founder and owner will be leveraging his past and current personal/professional relationships to generate business for Human Capital Maximizers. The leveraging of these relationships will be especially fruitful since a large degree of business for emerging companies is based on networking. Major has a large number of relationships to utilize having spent over five years as a HR professional, first at Nike, then at a Portland boutique firm.

HCM will quickly gain market share by relying on their competitive advantage of compensation flexibility. Major will be the sole employee until month six when he will be hiring a human resource specialist/manager to help out with the consulting. Human Capital Maximizers will reach profitability by month 11 and will have revenue of \$108,000 by year three.

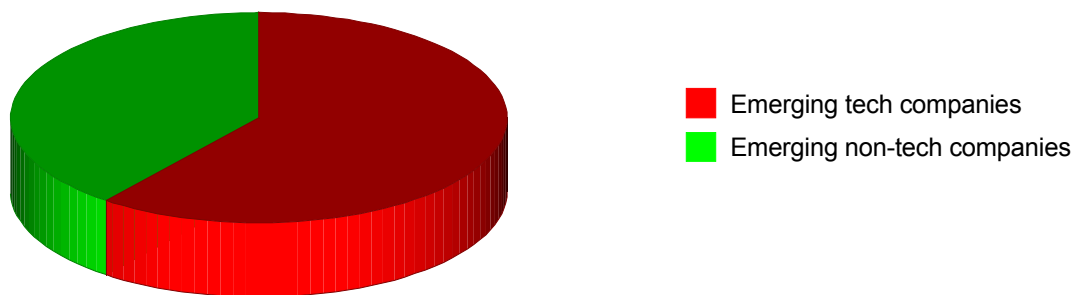
## 2.0 Situation Analysis

Human Capital Maximizers is a start-up company just beginning operations. Marketing efforts will be critical to ensure success and profitability. HCM offers a wide range of HR consultancy services. The basic market need is a HR firm to offer in-house like services with flexible compensation structures taking into account the fact that many start-ups are cash poor, yet are in the need of professional HR services.

## 2.1 Market Summary

HCM possess reliable information regarding the market and common attributes of the sought after customers. HCM will leverage this information to better understand who will be served, their specific needs, and how HCM can better communicate with them.

### Target Markets



**Table 2.1: Target Market Forecast**

Target Market Forecast	Growth	2001	2002	2003	2004	2005	CAGR
Potential Customers							
Emerging tech companies	10%	345	380	418	460	506	10.05%
Emerging non-tech companies	9%	225	245	267	291	317	8.95%
<b>Total</b>	<b>9.62%</b>	<b>570</b>	<b>625</b>	<b>685</b>	<b>751</b>	<b>823</b>	<b>9.62%</b>

### 2.1.1 Market Demographics

The company profile of HCM's customers consists of the following geographic, demographic, and behavior factors.

#### Geographics

- The immediate geographic target is the cities of Portland and Vancouver with a combined total population of 1.6 million.
- A 60 mile geographic area is in need of HCM's services.
- A total targeted population is estimated at 570 companies.

#### Demographics

- Technology and non-technology companies.
- Start-up companies who have typically been in existence for less than two years.
- Cash-strapped companies who are barely surviving, looking for another round of capital

- infusion.
- A company typically founded by one or two people who left well-paying jobs to chase their dream of starting their own company, or recent graduates of MBA programs.

## **Behavior Factors**

- Have unique approaches for paying for products and services ranging from grants of equity, to utilizing used equipment from thrift stores, to leveraging their personal assets for the good of the company.
- Have thrown caution to the wind by leaving a stable job to branch off on their own, or will be starting their working career beyond school by "baptism by fire."
- Not risk adverse.

## **2.1.2 Market Needs**

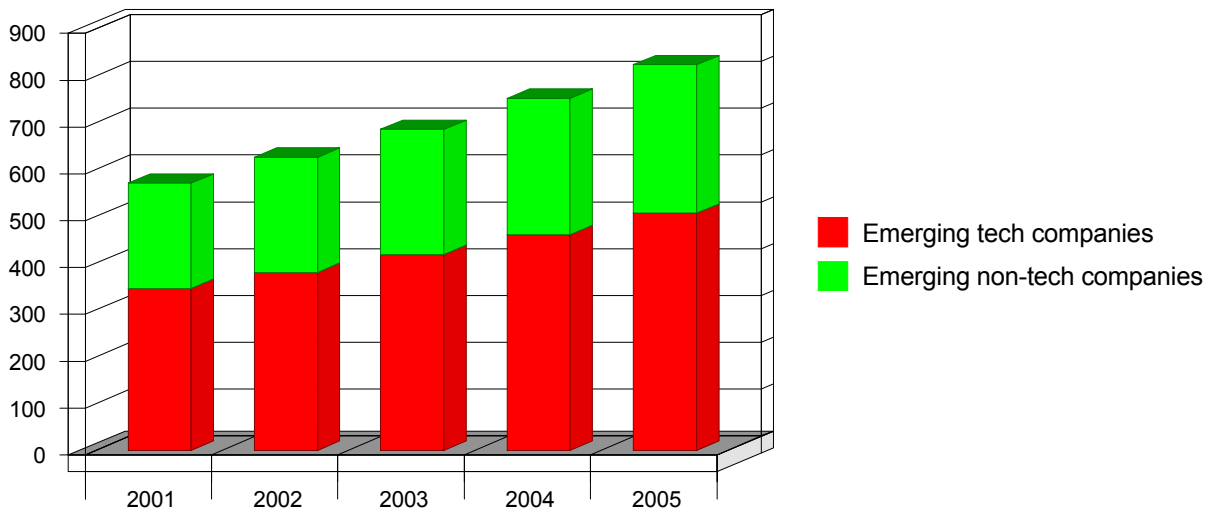
HCM is providing its customers with a wide selection of HR consultancy from a seasoned professional. The market need is professional HR services for start-up companies with flexible payment options, recognizing the precarious nature of a start-up. HCM seeks to fulfill the following benefits that are important to their customers:

- **Selection:** A wide range of HR services are offered.
- **Accessibility:** HCM is able to offer these services to companies throughout the Portland and Vancouver metropolitan areas.
- **Customer service:** HCM recognizes the fact that outstanding customer service is needed to survive in today's competitive business environment.
- **Competitive pricing:** HCM's rates are competitive relative to the other service providers in the area.

## 2.1.3 Market Trends

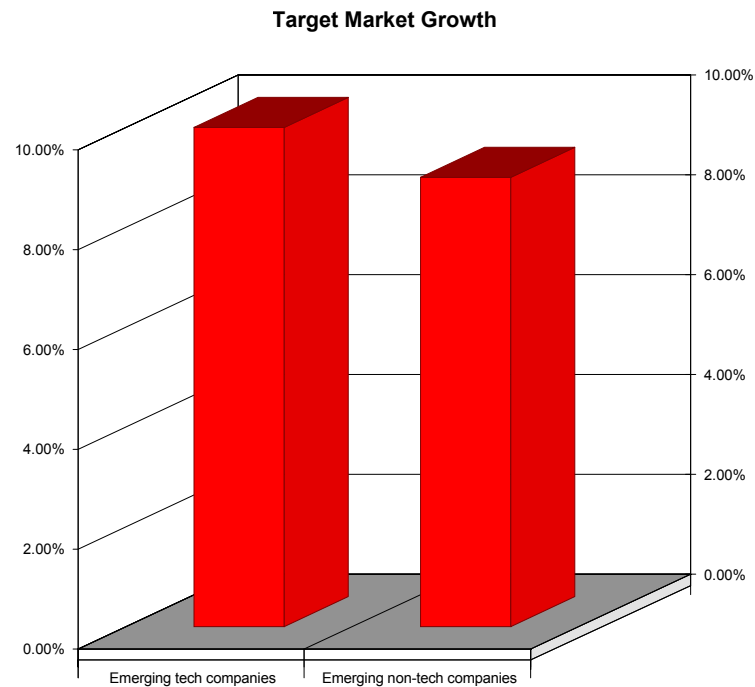
The market trend in professional services, particularly HR is to outsource the services. The advantage of outsourcing is the reduction in the need for upfront capital, a scarce resource. Additionally, outsourcing services allows a smaller company to enjoy the same level of service that at one time was only available to larger companies. The outsourced service industry effectively allows smaller companies to more easily compete with larger companies that have a larger resource base.

### Market Forecast



## 2.1.4 Market Growth

The HR consultancy industry is a \$900 million dollar industry that is growing at 12% a year. Within the last three years the industry has exploded, fueled primarily by the demand created by start-up companies who are in need of HR services. As their size scales rapidly, they do not have the capital for an in-house staff.



## 2.2 SWOT Analysis

The following SWOT analysis captures key strengths and weaknesses within the company, and describes the opportunities and threats facing HCM.

### 2.2.1 Strengths

- Strong relationships within the start-up community in Portland and Vancouver.
- Seasoned industry experience.
- Unusually flexible compensation programs.
- Superior attention to detail, and customer satisfaction.

### 2.2.2 Weaknesses

- Lack of brand awareness due to the newness of the company.
- A limited marketing budget to develop visibility.
- Limited billable hours to pursue all opportunities due to HCM having only one professional on staff initially.

## 2.2.3 Opportunities

- Growing market with a significant percentage of the market still unaware of HCM.
- The possibility to cash in on client's success.
- The ability to get cutting edge experience by helping start-up companies transform themselves into seasoned companies.
- The market trend toward outsourcing.

## 2.2.4 Threats

- A change in the capital market that makes it difficult for start-ups to flourish.
- A change in the legal environment that creates increased legal liability for outsourced HR companies.
- A national HR firm that enters the Portland market.

## 2.3 Competition and Buying Patterns

- **Large consultancy firms and franchises:** there are several of these firms that offer a wide range of consultancy services. These firms generally have top-quality services and bill out at the correspondingly top-of-the-market rates.
- **Small independent firms:** these firms typically have one office that serves a general area, and bill out at market rate. Some will specialize in one or a few different areas within HR, while others offer a wide range of areas of expertise.
- **Independent contractors/consultants:** these people are individuals who do HR work as an independent consultant. The services they offer run across the board.

The buying patterns for the industry range from company to company. Larger companies will typically go with the larger firms because of name recognition. Smaller companies will go with whom they know, or can afford.

**Table 2.3: Growth and Share Analysis**

Growth and Share			
Competitor	Price	Growth Rate	Market Share
Competitor	\$0	0%	0%
Competitor	\$0	0%	0%
Competitor	\$0	0%	0%
Competitor	\$0	0%	0%
Competitor	\$0	0%	0%
Other	\$0	0%	0%
<hr/>			
Average	\$0.00	0.00%	0.00%
Total	\$0.00	0.00%	0.00%

## 2.4 Services

Human Capital Maximizers provides human resource consulting to emerging companies in the Portland/Vancouver market. Human Capital Maximizers will charge a below-market rate and take stock options in the company. Human Capital Maximizers will provide consulting for the following service areas:

- Human resource management.
- Organizational management.
- Professional development.
- Employee relations.
- Labor relations.
- Benefits and compensation.
- HR policy and procedure.
- Executive search.
- Sexual harassment.
- Position classification.
- Personnel management systems.
- Performance evaluations.
- Diversity.

The pricing structure will either be an hourly rate or a per project fee. These options will be settled in negotiations with the client. In general, Human Capital Maximizers is willing to be as flexible as possible. After the rate has been established, discussions regarding the cash/equity mix can be discussed.

## 2.5 Keys to Success

- Professionalism.
- Flexibility.
- Insight.
- Customer attention.

## 2.6 Critical Issues

Human Capital Maximizers is still in the speculative stage as a HR consultancy. Its critical issues are to continue to take a modest fiscal approach, and maintain a sufficient cash balance, not taking too much equity in companies so if all of the companies HCM has equity in tank, HCM themselves is not sunk.

## 3.0 Marketing Strategy

Human Capital Maximizers marketing strategy will be based on strategic networking and traditional advertising. The networking will consist of leveraging Major's extensive industry contacts. Having spent several years in Nike's HR department and then moving onto a well-known boutique consultancy specializing in start-ups, Major is familiar with many of the large players in the Portland area, both service providers as well as start-up executives.

Major will begin his networking/marketing activities by being present at the several regular networking events that focus on emerging companies. The main event is the Oregon Entrepreneurs Forum (OEF). This association is a wonderful place to meet main players in the Portland start-up market for several reasons. The association has the backing of many of the larger capital institutions and service providers in the city like Silicon Valley Bank, Stoel Rives, KPMG, and Andersen Consulting. Having a rich list of established companies as backers for the association drives many start-ups to the forum. Additionally, the OEF has a subset group of angel investors that a few lucky start-ups are allowed to make their pitch to.

Another excellent group for networking is the Software Association of Oregon (SAO). Major has been an active member of the SAO for three years and is friends with most of the participants. The SAO is continually growing in size as the "Silicon Forest" is becoming enriched with new companies. The monthly SAO meetings will always be a ideal place to network with all the players in Oregon's high technology community.

Both the SAO and the OEF will be active projects of Major with a fair amount of time donated to helping members as well as generating business. These two organizations are just one example of the networking events/techniques that Major will be leveraging to generate business. Major will also be advertising in these association's newsletters regularly to generate visibility. HCM will also advertise in the Business Journal of Portland, the definitive business journal of the area.

Lastly, Major will be working with career services at Portland State University, Willamette University, and the University of Oregon to offer guidance and help to prospective students, as well as to remain in touch with the different start-ups that are coming out of the University's undergraduate and graduate programs.

## 3.1 Mission

Human Capital Maximizers' mission is to provide human resource consulting for emerging companies. We exist to attract and maintain customers. When we adhere to this maxim, everything else will fall into place. Our services will exceed the expectations of our customers.

## 3.2 Marketing Objectives

- Grow total sales by 15% annually after the first year.
- Diversify the client base to include a fiscally prudent mixture of both technology and non-technology companies in case of the collapse of a specific market.
- Grow the business so 35% of new customers are referrals.
- Build the HCM brand among start-up companies so it is recognized as the premier source of HR consulting.

## 3.3 Financial Objectives

- Realize value in at least 15% of the equity held in customers within four years.
- Decrease variable costs associated with servicing each project.
- Increase business enough to require the hiring of additional consultants.

## 3.4 Target Markets

Emerging companies will be the target market for several reasons:

1. They are in need of HR services as they are growing rapidly.
2. They often do not have a large enough in-house solution.
3. Capital is a scarce resource for emerging companies so the ability to accept stock options in replace of cash is appealing.

The emerging company market can be further broken down into two categories, technology and non-technology. The significance of the breakdown is not great because a lot of the networking activities are occurring in settings that do not differentiate between technology and non-technology.

Human Capital Maximizers' market can be segmented into two groups, emerging high-tech companies and emerging non-high-tech companies. The emerging high-tech companies are going to be the larger of the two segments. Even with the Internet bubble bursting within the last year, there are still many emerging high-tech companies proliferating. This is evidenced by the Business Journal of Portland which in their annual list of fastest growing companies for this year, 18 of the top 25 were technology companies.

## 3.5 Positioning

HCM will position itself as the premier HR consultant firm for emerging companies in the Portland/Vancouver market. Emerging companies that are in need of quality HR services and do not have enough capital to cover all of the costs will look to HCM for assistance.

Human Capital Maximizers' competitive edge is its flexibility for compensation. Most, or all, other companies require compensation to be in the form of cash, for them cash is king. Human Capital Maximizers is able to take stock options or equity in lieu of some cash. While Human Capital Maximizers needs cash to float the business, it can take up to 75% of its fees in equity. Human Capital Maximizers is able to do this because they have secured an office space that is low in cost, helping them reduce their overhead. In addition, Major's wife contributes a significant portion of money to the household so Major is not in need of a lot of monthly compensation. This allows him to accept options as payment in hopes of an upside several years for now. Please note the HR industry, unlike law firms and accounting firms do not run into conflict of interests situations regarding receiving equity as compensation.

## 3.6 Strategy Pyramids

The single objective for HCM is to position themselves as THE human resource firm in the Portland area, earning a commanding market share of emerging companies within four years. The marketing strategy will first create customer awareness regarding services offered, develop the customer base, and work toward building customer loyalty and referrals.

The message that Human Capital Maximizers will seek to communicate is that it is the most flexible, knowledgeable, and professional HR firm for the emerging company community. This message will be communicated several different ways. The first is a targeted advertising campaign that includes the Software Association of Oregon and the Oregon Entrepreneur Forum's newsletter. HCM will also advertise in the Business Journal of Portland. These publication's reader base is comprised of a large percentage of HCM's target audience. The message will also be communicated in all of Major's networking activities including active participation in different associations.

## 3.7 Marketing Mix

Human Capital Maximizers' marketing mix is comprised of the following approaches to pricing, distribution, advertising and promotion, and customer service:

- **Pricing:** HCM will use a flexible pricing model that accepts both cash as well as equity in the customer's company.
- **Distribution:** Services will be provided to the Portland/Vancouver via HCM's downtown office. Client meetings will be held at HCM's office, or at the client site.
- **Advertising and Promotion:** These activities will be aimed at the Portland and Vancouver market.
- **Customer Service:** Obsessive customer service is the mantra. HCM's philosophy is to exceed the customer's expectations at whatever cost. While this might hurt short-term profits, it will only strengthen a long term, customer-centric business model.

## 3.8 Marketing Research

During the initial phases of the marketing plan development, several focus groups were held with target market customers to gain insight into their business decision making processes.

Another form of market research has been a constant, long dialogue with the many seasoned managers on HCM's board of directors and informal mentors. These dialogues have been Major's venue of bouncing any, and all, business decisions, thoughts, ideas, etc. on people that have done this before and can provide incredible insight.

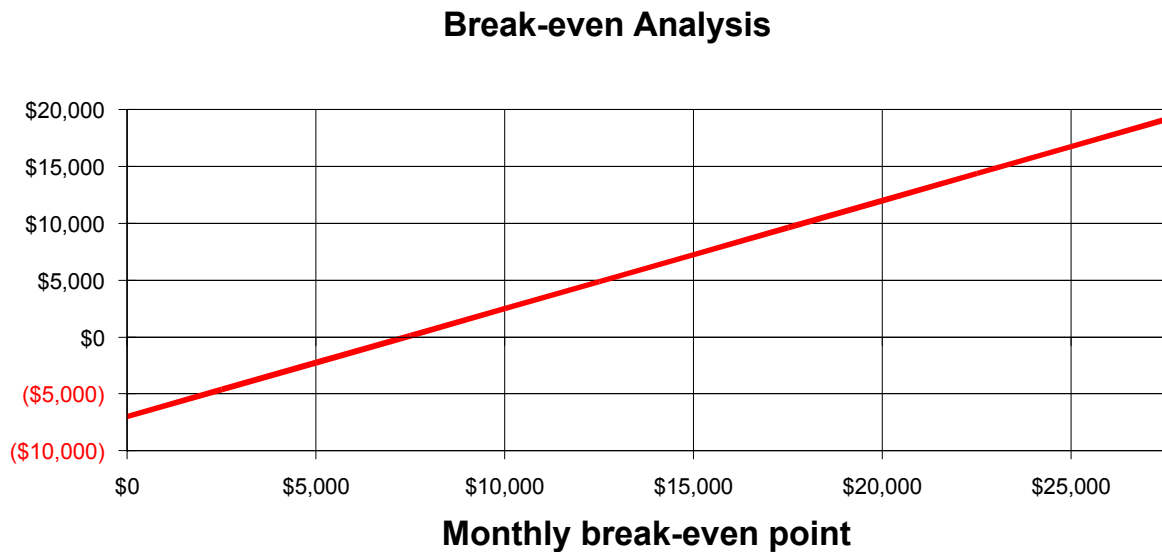
Lastly, HCM has been relying on a market research project that has been completed by graduate students from Willamette University. This project was a semester-long project that is tied in to Willamette's entrepreneurship class. The four students that participated in the project spent an entire semester conducting market research for HCM. The students crafted a useful, insightful research project with valuable information. They received class credit as well as real world experience.

## 4.0 Financials

This section will offer a financial overview of HCM as it related to the marketing activities. HCM will address break-even analysis, sales forecasts, expense forecasts, and how those relate to the marketing strategy.

### 4.1 Break-even Analysis

The Break-even Analysis indicates that \$7,368 will be needed in monthly revenue to reach the break-even point.



Break-even point = where line intersects with 0

**Table 4.1: Break-even Analysis**

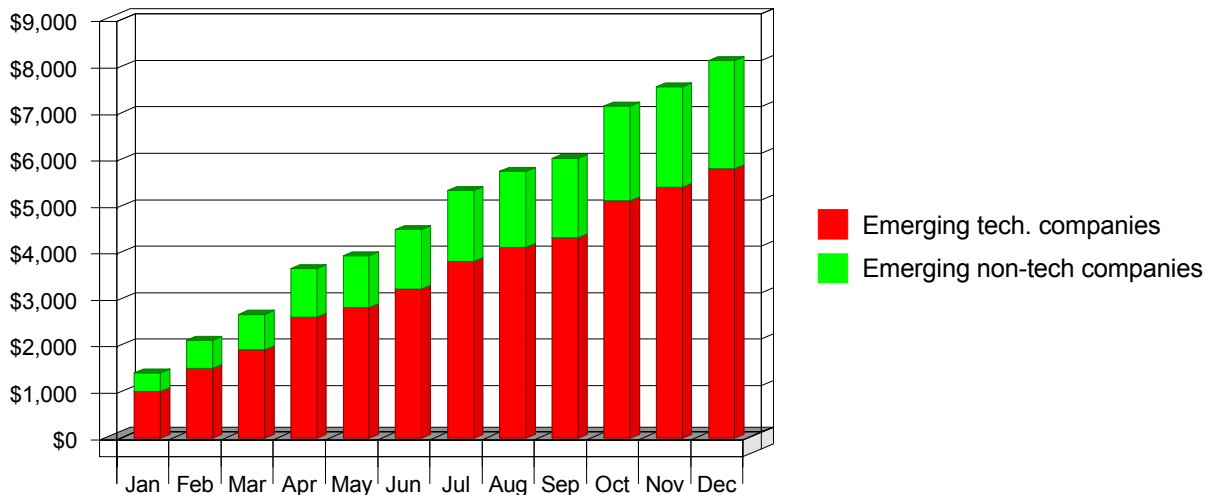
Break-even Analysis:	
Monthly Units Break-even	3
Monthly Sales Break-even	\$7,368
Assumptions:	
Average Per-Unit Revenue	\$2,500.00
Average Per-Unit Variable Cost	\$125.00
Estimated Monthly Fixed Cost	\$7,000

## 4.2 Sales Forecast

As stated earlier, the marketing and sales will be done primarily through networking. This means the bulk of leads will have been developed through a personal/professional relationships that Major has developed either in his previous professional work or through his activities with the Oregon Entrepreneurs Association and other like associations. The sales spiel will based on Human Capital Maximizers' experience in the field as well as their flexibility for compensation. Major will be able to explain to the prospective client the areas that he has experience in and the solutions that he can offer.

Major will also be able to speak about Human Capital Maximizers ability to accept options in lieu of some cash. This will be appealing to companies, particularly in the current capital market that is quite scarce. Since capital is more difficult to come by now than in the last few years, emerging companies will be excited about this option.

### Monthly Sales Forecast



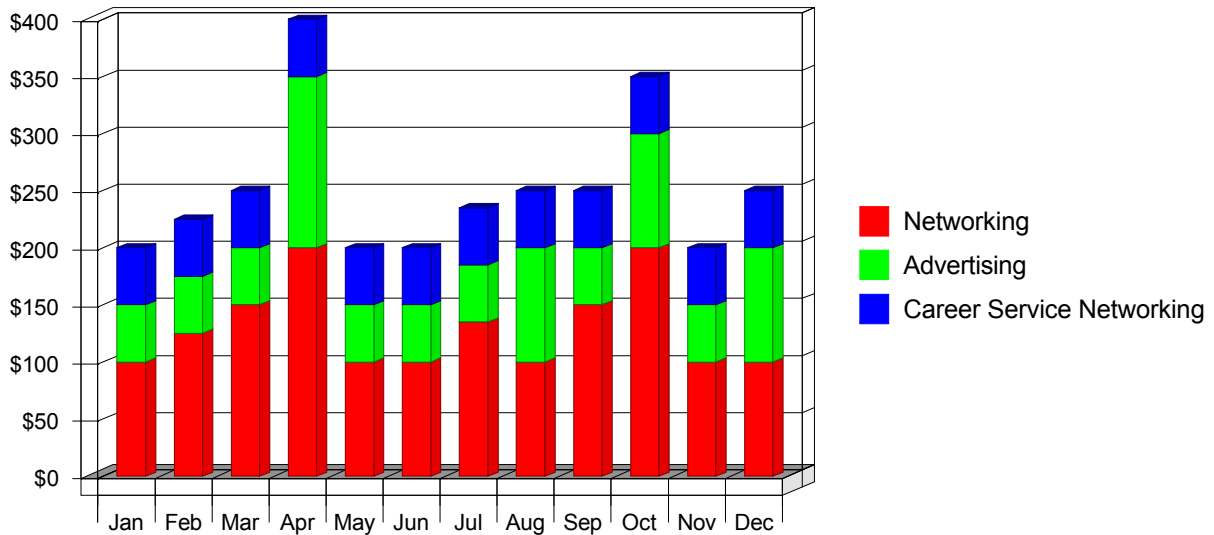
**Table 4.2: Sales Forecast**

Sales Forecast			
Sales	2001	2002	2003
Emerging tech. companies	\$41,500	\$78,455	\$92,541
Emerging non-tech companies	\$16,600	\$31,382	\$37,016
<b>Total Sales</b>	<b>\$58,100</b>	<b>\$109,837</b>	<b>\$129,557</b>
Direct Cost of Sales			
	2001	2002	2003
Emerging tech. companies	\$2,075	\$3,923	\$4,627
Emerging non-tech companies	\$830	\$1,569	\$1,851
<b>Subtotal Cost of Sales</b>	<b>\$2,905</b>	<b>\$5,492</b>	<b>\$6,478</b>

## 4.3 Expense Forecast

Marketing expenses are to be budgeted to be fairly consistent through the year. The first few months will see a ramp-up of expenses designed to generate visibility at the beginning when HCM is just starting out.

### Monthly Expense Budget



**Table 4.3: Marketing Expense Budget**

Marketing Expense Budget	2001	2002	2003
Networking	\$1,560	\$1,700	\$2,000
Advertising	\$850	\$1,500	\$2,000
Career Service Networking	\$600	\$600	\$600
<hr/>			
Total Sales and Marketing Expenses	\$3,010	\$3,800	\$4,600
Percent of Sales	5.18%	3.46%	3.55%
Contribution Margin	\$52,185	\$100,545	\$118,480
Contribution Margin / Sales	89.82%	91.54%	91.45%

## 5.0 Controls

The purpose of HCM's marketing plan is to serve as a guide for the organization.

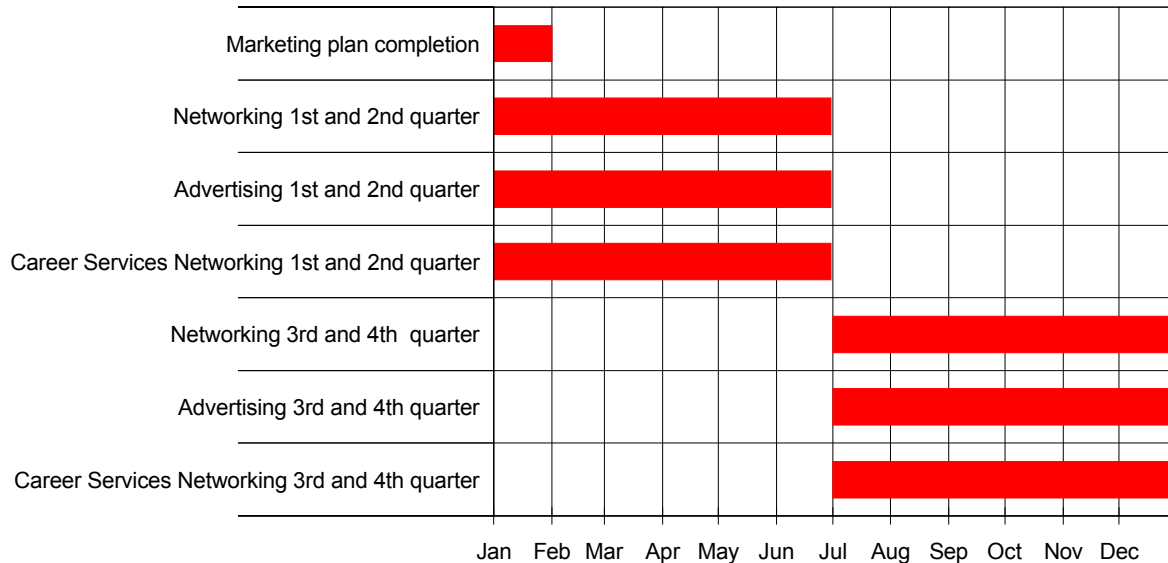
The following areas will be monitored to gauge performance.

- Revenue: monthly and annual.
- Expense: monthly and annual.
- Repeat business.
- Customer satisfaction.

## 5.1 Implementation

The following milestones identify the key marketing programs. It is important to accomplish each one on time and on budget.

### Milestones



**Table 5.1: Milestones**

Milestones	Plan	Start Date	End Date	Budget	Manager	Department
Marketing plan completion		1/1/01	2/1/01		Major	
Networking 1st and 2nd quarter		1/1/01	6/30/01	\$775	Major	
Advertising 1st and 2nd quarter		1/1/01	6/30/01	\$400	Major	
Career Services Networking 1st and 2nd quarter		1/1/01	6/30/01	\$250	Major	
Networking 3rd and 4th quarter		7/1/01	12/31/01	\$785	Major	
Advertising 3rd and 4th quarter		7/1/01	12/31/01	\$450	Major	
Career Services Networking 3rd and 4th quarter		7/1/01	12/31/01	\$350	Major	
Totals				\$3,010		

## 5.2 Marketing Organization

Major Adversity is primarily responsible for marketing activities, but will outsource all creative work.

## 5.3 Contingency Planning

Difficulties and risks:

- Problems generating visibility.
- An unhelpful capital market.
- Equity taken in the companies turns out to be worthless.

Worst case risks may include:

- Determining the business cannot support itself on an ongoing basis.
- The need to liquidate equipment, or intellectual property, to cover liabilities.

## Appendix: Human Capital Maximizers

**Table 4.2 Sales Forecast**

Sales Forecast	Plan											
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Emerging tech. companies	\$1,000	\$1,500	\$1,900	\$2,600	\$2,800	\$3,200	\$3,800	\$4,100	\$4,300	\$5,100	\$5,400	\$5,800
Emerging non-tech companies	\$400	\$600	\$760	\$1,040	\$1,120	\$1,280	\$1,520	\$1,640	\$1,720	\$2,040	\$2,160	\$2,320
<b>Total Sales</b>	<b>\$1,400</b>	<b>\$2,100</b>	<b>\$2,660</b>	<b>\$3,640</b>	<b>\$3,920</b>	<b>\$4,480</b>	<b>\$5,320</b>	<b>\$5,740</b>	<b>\$6,020</b>	<b>\$7,140</b>	<b>\$7,560</b>	<b>\$8,120</b>
<b>Direct Cost of Sales</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
Emerging tech. companies	\$50	\$75	\$95	\$130	\$140	\$160	\$190	\$205	\$215	\$255	\$270	\$290
Emerging non-tech companies	\$20	\$30	\$38	\$52	\$56	\$64	\$76	\$82	\$86	\$102	\$108	\$116
<b>Subtotal Cost of Sales</b>	<b>\$70</b>	<b>\$105</b>	<b>\$133</b>	<b>\$182</b>	<b>\$196</b>	<b>\$224</b>	<b>\$266</b>	<b>\$287</b>	<b>\$301</b>	<b>\$357</b>	<b>\$378</b>	<b>\$406</b>

## Appendix: Human Capital Maximizers

**Table 4.3 Marketing Expense Budget**

Marketing Expense Budget	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Networking	\$100	\$125	\$150	\$200	\$100	\$100	\$135	\$100	\$150	\$200	\$100	\$100
Advertising	\$50	\$50	\$50	\$150	\$50	\$50	\$50	\$100	\$50	\$100	\$50	\$100
Career Service Networking	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
<b>Total Sales and Marketing Expenses</b>	<b>\$200</b>	<b>\$225</b>	<b>\$250</b>	<b>\$400</b>	<b>\$200</b>	<b>\$200</b>	<b>\$235</b>	<b>\$250</b>	<b>\$250</b>	<b>\$350</b>	<b>\$200</b>	<b>\$250</b>
Percent of Sales	14.29%	10.71%	9.40%	10.99%	5.10%	4.46%	4.42%	4.36%	4.15%	4.90%	2.65%	3.08%
Contribution Margin	\$1,130	\$1,770	\$2,277	\$3,058	\$3,524	\$4,056	\$4,819	\$5,203	\$5,469	\$6,433	\$6,982	\$7,464
Contribution Margin / Sales	80.71%	84.29%	85.60%	84.01%	89.90%	90.54%	90.58%	90.64%	90.85%	90.10%	92.35%	91.92%