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**INFORMATION TECHNOLOGY BUSINESS PLAN
(COMPANY NAME)**

**(COMPANY NAME)
(STREET ADDRESS)
(CITY, STATE ZIP CODE)**

(CREATION DATE)

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TABLE OF CONTENTS

1.0	Executive Summary	5
1.1	Business Objectives	5
1.2	Mission Statement	6
1.3	Guiding Principles.....	6
1.4	Keys to Success.....	6
2.0	Company Description	6
2.1	Ownership	7
2.2	Legal Form.....	7
2.3	Start-Up Summary	7
2.4	Location and Facilities	7
3.0	Products	8
3.1	Products/Services Descriptions	8
3.2	Competitive Comparison	9
3.3	Product/Service Sourcing.....	10
3.4	Inventory Management	10
3.5	Warehousing and Fulfillment.....	10
3.6	Products/Services	11
4.0	Market Analysis	12
4.1	Industry Analysis	12
4.1.1	Market Size.....	13
4.1.2	Industry Participants	14
4.1.3	Main Competitors	14
4.1.4	Market Segments	15
4.2	Market Tests.....	15
4.3	Target Market Segment Strategy.....	15
4.3.1	Market Needs.....	16
4.3.2	Market Trends.....	16
4.3.3	Market Growth.....	16
4.4	Positioning	17
5.0	Marketing Strategy and Implementation	17
5.1	SWOT Analysis	17
5.1.1	Strengths	17
5.1.2	Weaknesses	18
5.1.3	Opportunities	18
5.1.4	Threats	18
5.2	Strategy Pyramid.....	18
5.3	Unique Selling Proposition (USP)	18
5.4	Competitive Edge.....	19
5.5	Marketing Strategy and Positioning.....	19
5.5.1	Positioning Statement	19
5.5.2	Pricing Strategy	19
5.5.3	Promotion and Advertising Strategy.....	19
5.5.4	Website	19
5.5.5	Marketing Programs	20

5.6	Sales Strategy	20
5.6.1	Sales Forecast	20
5.6.2	Sales Programs.....	21
5.7	Legal	21
5.8	Milestones	21
5.9	Exit Strategy.....	21
6.0	Organization and Management	21
6.1	Organizational Structure	21
6.2	Management Team.....	21
6.3	Management Team Gaps.....	22
6.4	Personnel Plan.....	22
6.5	Board of Directors.....	22
7.0	Financial Plan.....	22
7.1	Important Assumptions	22
7.2	Start-Up Costs	24
7.3	Source and Use of Funds.....	24
7.4	Break-Even Analysis.....	24
7.5	Projections.....	25
7.5.1	Projected Profit and Loss	25
7.5.2	Projected Cash Flow	26
7.5.3	Projected Balance Sheet.....	27
7.6	Business Ratios	28

1.0 Executive Summary

Prime contractors who receive job orders from the federal government often hire other companies to help ensure the fulfillment of the contract. If the government contract is greater than \$650,000, the federal government mandates the prime contractor to provide a plan for subcontracting a portion of the work to small businesses. **Information Technology Solutions** ('ITS'), is an information technology subcontractor that specializes in database management and application development support. ITS strives to provide the high quality technological business solutions with a concentrated focus on the energy and defense sector. ITS, established in 2010, is located in Charlotte, North Carolina. The company currently has five full-time staff members with expansion plans to add five more within the next three years.

ITS was formed in 2010 by Sara Jayne when she was downsized from Cap Gemini. Ms. Jayne has grown the company five-fold with the addition of five new employees and anticipates need for five more within the next three years. With over 20 years experience Ms. Jayne has successfully subcontracted with 20+ local contracts and has a pipeline of 10 more.

ITS focuses its efforts in two service areas: database and application development and support. ITS strives to foster and maintain solid relationships with its clients, fine tune its services, and continue to develop innovative business solutions that will improve the way their clients do business. Due to its small size, ITS has the unique ability to act quickly and easily meets or beats its deadlines. Its main limitation is its limited staff resources. ITS plans to expand personnel over the next three years to meet achieve a balance of supply and demand.

The purpose of this plan is to create a strategy for ITS that will increase its revenues annually by 20%, and simultaneously grow assets 25%. Overall, this business plan will provide an in-depth understanding of the company, along with a plan for growth in the future.

1.1 Business Objectives

The primary objectives of ITS are:

- 1 Provide custom solutions with outstanding customer service— which enhances its customer's efficiency and secures ITS long relationship via contracts and recurring projects.
- 2 Grow company in staffing to accommodate the growing need for services by offering a dynamic work environment with flexible hours, a commitment to ongoing education, and offer bonuses to commensurate with performance and earnings.
- 3 Focus on delivering contracts. ITS is small enough to turn 'on a dime' compared to its larger peers burdened with 'red tape' requirements. ITS has a can do attitude and is happy to get the deliverables in the most efficient manner to its clients.

1.2 Mission Statement

It is ITS mission to empower prime government contractors to meet their objectives. ITS strives to foster and maintain positive relationships with each and every client (both internal and external), by providing cutting edge technology services at reasonable and competitive prices.

1.3 Guiding Principles

Be Dedicated. Every day, consistency is key. ITS is dedicated to each and every job – down to the very last detail. It is this tenacity, attention and focus to detail on each and every project that defines the success of this organization.

Be Dependable. ITS believes that a commitment to meet all its obligations punctually, honestly and honorably. ITS believes that if you are the "go to" business, you'll never have to worry about having to generate extra leads or word-of-mouth referrals.

Give and You Shall Receive. Give the thing you want most and you'll be amazed at what you get in return. ITS firmly believes in this philosophy and that its efforts can be multiplied for the greater good of the company, its customers and the community.

1.4 Keys to Success

ITS considers the following factors to be the primary contributors of business success:

- Diversification of product lines and customer base
- A recurring revenue base
- Management with rounded skill set in business growth and marketing
- Sound financial management

2.0 Company Description

ITS strives to foster and grow empowered relationships with prime government contractors. While small in size, the ITS team of experts has collectively has over 60 years experience in computer problem solving and solutions. With its corporate office located at 1327 S Mint Street in, Charlotte, North Carolina, ITS easily targets local prime government contractors. ITS is established as a WOSB, that is a Woman Owned Small Business as classified by the Small Business Administration.

ITS seeks long term contracts with a focus on database management and application and development. Rather than casting a broad net, ITS targets two distinct government sectors: energy and healthcare. By specifically targeting these areas of interest, ITS is the industry expert and can truly not only understand its customers' needs but can identify solutions that are just as dynamic as the technologies and industries themselves. In turn, it is ITS belief that its customers will return time and time again for additional projects and long term contracts. ITS has future plans for some diversification and in the next ten year horizon plans to diversify its markets by incorporating the defense industry as well. In addition, the company plans to

ultimately become a prime government contractor and at that time will also hire a full-time RFP (Request for Proposal) writer to win the contracts.

ITS believes that because it is already established as a WOSB, this further enhances its position in the government contract market. The federal government has both prime contracting and subcontracting goals for small businesses. More specifically, 23% of federal prime contract dollars are currently awarded to small businesses, with individual prime and subcontracting goals for certain identified small business groups. Further, the federal government must award 5% of its prime and subcontract dollars to WOSBs.

2.1 Ownership

Originally formed as a sole proprietorship, ITS recently changed its status to a Chapter S Corporation. ITS is wholly owned by Sara Jayne. Sara Jayne is the President, CEO and CFO. Ms. Jayne graduated from Duke University with a degree in Sales. She is also the Project Manager for all government subcontracts. It is her proven extreme attention to detail and commitment to these contracts that gets the awards time and time again. She has ten years of experience in the technology consulting industry as a Network Engineer and ten years of experience as a Database Administrator with Cap Gemini. Ms. Jayne is a Microsoft Certified Systems Engineer. She is also 6 Sigma certified, meaning she has received extensive training in business process improvement.

2.2 Legal Form

ITS is a Chapter S Corporation formed in 2010 doing business in the State of North Carolina.

2.3 Start-Up Summary

N/A

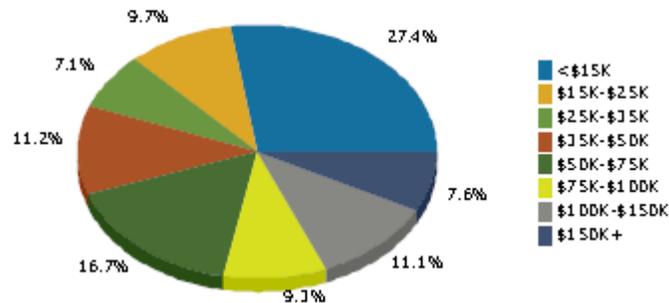
ITS has been operational for two years.

2.4 Location and Facilities

The corporate office of ITS is located in the heart of downtown Charlotte at 1327 S Mint Street, Charlotte, North Carolina. The city has a population of over 11,555 according to the 2010 U.S. Census Report. The residential population in the immediate area is comprised of a mixture of single family and multi-family housing. The median household income is \$38,895. Major employers include Bank of America, Wells Fargo, U.S. Airways, Carolinas Healthcare System, and Duke Energy.

Charlotte has a strong technology base and unlike its peers in other technology hubs, the lower cost of living and warmer climate make Charlotte the ideal location to find (and employ) talent.

2010 Households by Income



2010 Owner Occupied HUs by Value

The company leases 1,200 square feet on the third floor of a 34,000 square foot high rise office building. According to Charlotte's Chamber of commerce, the area comprising of zip code of 28202 employs some of the largest employee concentrations in the greater Charlotte MSA and is comprised of 2,388 establishments and employs a total of 51,825. Of these employees, the majority or 18,688 work in the service industry while 12,717 work in Finance/Insurance/ Real estate field. 4,560 are retail employees and 3,164 are employed in manufacturing. With easy access to Interstate 77 and U S Highway 74, the location provides easy access in the greater .

3.0 Products

3.1 Products/Services Descriptions

ITS partners with its prime contractors and assures the production of quality deliverables from each subcontract assigned, assuring the development of long term business relationships. ITS provides the following services:

- Analysis of the current technical environment,
- Analysis of business requirements relevant to the application architecture,
- Architecture definition,
- Application software requirements analysis,
- Application software testing,
- System level integration and testing

3.2 Competitive Comparison

The zip code 28202 is home to 15 information technology companies in addition to ITS. Because ITS is not limited to its physical location and focuses its source of business on servicing government contracts, the majority of these local companies do not compete directly with ITS.

However, due to their proximity to ITS and their similar background they are mentioned here:

Vialogix Communications Inc

501 N College St

Established in 1996, and operated by Robert Norris. The company has 20 employees and annual revenues of \$3.9 million. With a primarily focus in building websites. Vialogix does not directly compete with ITS. Vialogix primarily builds web sites, intranets, extranets, web-enabled applications, wireless applications and databases.

Data Recovery Charlotte

401 S Tryon St # 10

With 7 offices in the Charlotte region, 18 employees and annual revenues of \$3.5 million, Data Recovery competes indirectly with ITS. They are primarily computer forensic analysis and recover data that has been corrupted or intentionally deleted. They can identify how a 'hacker' got past the security checks and if fortunate enough, identify the individual who caused the damages.

William Ives Consulting

320 S Tryon St Ste 213

The company has 18 employees and annual revenue of \$2.7 million. The company has a primary focus on legal industry; however, they also provide automation with the way the clients chose to do business. They utilize groupware, document management and fax tools network platforms such as Microsoft Windows NT and Novell Netware.

Refresh Technologies

201 W Morehead St Ste 400

The company has 8 employees and annual revenues of \$1.5 million. This is a newly established company similar to ITS. The key principal, Fae Schaefer, has 10 years experience, comparable to Ms. Jayne's. Refresh Technologies focuses more on companies utilizing her contractors to free up their employee resource pool. Her company provides comparable services, by offering services remotely or within a hosted environment, data backup & recovery, business continuity, server and storage monitoring and management, managed security, email management, application and database monitoring and managed network services. The company also reportedly saves its customers an average of 40% when compared to its peers but this information could not be verified publicly.

3.3 Product/Service Sourcing

ITS' key to success thus far has been the creation of clear, unambiguous subcontracts. Each subcontract has a legally binding, written contract that defines the following items:

- a) The legal names of the parties involved in the contract will be specified.
- b) The scope of the contracted work in terms of:
 1. The responsibilities and authorities of each party to the contract,
 2. A clear definition of the deliverables and minimum content to be provided by the subcontractor,
 3. A clear definition of the services to be provided by the subcontractor,
 4. Any and all constraints imposed on the subcontractor by the prime contractor, such as schedule constraints, budget constraints, specific tools to be used, and
 5. A clear statement of requirements for quality of deliverables and services including the requirement to allow independent quality inspections of materials and processes.
- c) Appropriate terms and conditions which will be imposed on both the prime contractor and the subcontractor will be identified.
- d) The acceptance process will be clearly identified.

3.4 Inventory Management

ITS is primarily a service based company which carries no inventory.

3.5 Warehousing and Fulfillment

Ms. Jayne is the Project Manager and delegates the specific tasks to be completed. Each subcontract, although tailored for each client generally follows these standard guidelines:

Define Scope

The first step in the preparation of the Project Plan is the creation of the narrative description of the project. The narrative establishes the customer's ultimate system objectives and provides frame of reference for reviewing the balance of the plan.

Define Deliverable

The next step in the process is the definition of the deliverables. The deliverables should be defined in as much detail as possible. A well defined deliverable ensures a common understanding of what is to be delivered and establishes realistic expectations. If one of the deliverables is an operational system, a complete functional specification should be included. This will explicitly define the system for both the users and for the designers. This is important since it is the basis for measuring the success of the system. It also forces the users to ensure that all of the requirements have been included. Simply put, if the Project Plan does not define it, it will not be in the end-product.

Define the Methodology

Determine how the deliverables will be acquired or produced. Refine the methodology, whether it be the customer's or ITS', and make any modifications necessary due to specific project needs.

Establish Project Organization

The next step in the preparation of the Project Plan is the creation of a Project Organization Chart. A project will not be successful unless there is a clear understanding by all parties of who the deliverer and acceptor are. The completion and circulation of the Project Organization Chart will ensure that this takes place. The chart also identifies the other key project participants, the customer, and the project team members.

3.6 Products/Services

ITS' current focus is twofold: database management and application development.

Database Management

In general, the government sectors require old broken outdated software systems to be upgraded and stagnant legacy systems to be streamlined and operating more efficiently. Operating efficiency has become vital as the government seeks to get its arms around the largest databases in the country. The U.S. government's information systems are clogged with a variety of old and disparate sources. Legacy systems, databases, and data warehouses are 'clogging' the systems. As these sources and data volumes multiply, over time, it becomes critical to incorporate, regiment and apply rules of order to avoid further data 'glut'.

By creating a comprehensive data model, ITS offers insight into organizational needs and provides the roadmap for successful integration. Ms. Jayne leads teams with specialists in business process and data analysis, system design and integration, and business intelligence to develop solutions that deliver results.

Application Development

Application development, the creation of programs that perform functions for software and hardware, are in great demand for government entities. ITS can create many applications for example, that run behind-the-scenes for tracking inventory, maintaining account balances and billing clients automatically.

Once, applications focused primarily on functionality. Today, the most complex applications focus on elements such as speed, compatibility, security, scalability and customer experience. ITS strives to create the fastest and the most user-friendly applications to meet these needs.

Future Plans

ITS has future plans to expand into government contracts, and expects to hire a full-time proposal writer. Additional plans include diversification into other popular government

contracting sectors such as defense. Another goal is secure a recurring base, consulting, revenue to serve as a cushion against sales declines when the spending environment deteriorates. Long-term contracts provide revenue continuity: Contracts are often five to 10 years long, and are rarely broken.

4.0 Market Analysis

The global IT consulting & other services market had total revenue of \$515.6 billion in 2010, representing a compound annual growth rate (CAGR) of 3.9% for the period spanning 2006-2010. The integration & development services segment was the markets most lucrative in 2010, with total revenues of \$254.2 billion, equivalent to 49.3% of the market's overall value. The performance of the market is forecast to decelerate, with an anticipated CAGR of 2.7% for the five-year period 2010-2015, which is expected to drive the market to a value of \$587.8 billion by the end of 2015. (Data Monitor).

4.1 Industry Analysis

The U.S. information technology services industry includes about 100,000 companies with combined annual revenue of about \$290 billion. Major companies include Computer Sciences Corporation (CSC), Unisys, and the technology consulting arms of IBM and Hewlett-Packard. The computer facilities management segment of the industry is also highly concentrated: the 50 largest companies generate about 80 percent of revenue. The rest of the industry is concentrated: the 50 largest companies account for about 50 percent of revenue.

Worldwide IT services revenue is about \$800 billion. Leading exporters of computer and technology services include India, the US, Israel, and China, according to the World Trade Organization. Major companies based outside the US include Fujitsu (Japan), T-Systems International (a subsidiary of Germany's Deutsche Telekom), and Cap Gemini (France). (First Research).

The market is fragmented with small players competing alongside large, multinational companies. Buyers range in size: larger buyers, with greater financial muscle, exert more buyer power. Brand recognition is likely to be of significant importance to customers and they therefore often look to a reputable company for services. Entry to this market is increasingly achieved through the diversification of operations by existing companies from other fields. Rivalry between market players is alleviated to an extent with larger players operating in other markets or offering their services to a range of industries. Skilled employees, as suppliers of technical knowledge and expertise, are an important input. On the other hand, some companies show some backwards integration with their own hardware and software capabilities, which reduces their reliance on external suppliers. (Data Monitor)

IBM Global Services is the leading player in the global IT consulting & other services market, generating a 6.6% share of the market's value. Hewlett-Packard Company accounts for a further 4.5% of the market. (Data Monitor)

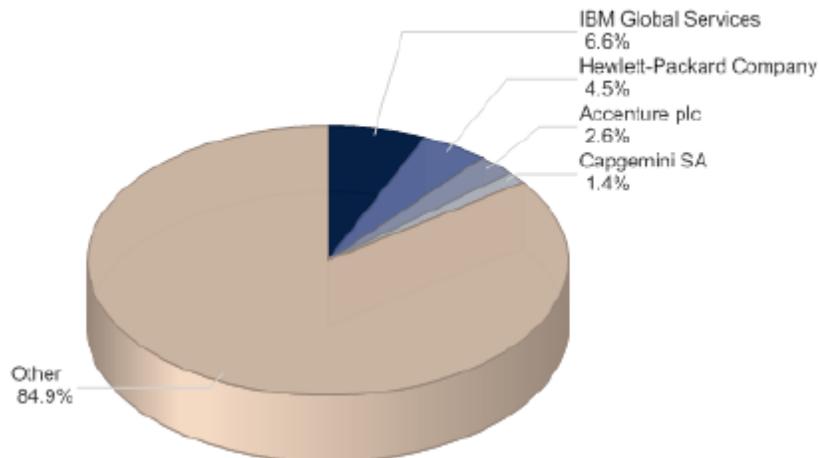
Global IT consulting & other services market share: % share, by value, 2010

Company	% Share
IBM Global Services	6.6%
Hewlett-Packard Company	4.5%
Accenture plc	2.6%
Capgemini SA	1.4%
Other	84.9%
Total	100%

Source: Datamonitor

D A T A M O N I T O R

Global IT consulting & other services market share: % share, by value, 2010



4.1.1 Market Size

According to the U.S. General Services Administration the Top 100 Contractors Report is a list developed annually and tracks U.S. federal government procurement. The Top 100 Contractors Report for Fiscal Year 2010 lists contracts totaling \$284.7 billion (2009: \$294.6 billion). In the same period, small business contracts totaled \$97.9 billion (2009: \$96.8 billion). In Fiscal Year 2011, the top five departments by dollars obligated were the Department of Defense (\$373.6 billion), Department of

Energy (\$25.1 billion), Health and Human Services (\$19.3 billion), Department of Veteran Affairs (\$17.4 billion), and NASA (\$15.4 billion).

4.1.2 Industry Participants

The subcontractor market is flooded industry participants.

ITS's primary competitors can be virtually almost business. In fact, any entity meeting the general requirements is a perspective competitor. The criterion to subcontract with the federal government is relatively simple. In order to do so, qualified candidates must 1) Obtain a small business certification from the U.S. Small Business Administration (SBA). The type of certification depends on the ownership, location or revenue of the subject business. Business certifications include HUB Zone, 8(a), small, women-owned, veteran-owned, Native American, Alaskan-owned and Native Hawaiian-owned. 2) The company must then register with the Central Contractor Registration, and complete an online training course. 3) The company must, be in business for at least two years prior to and apply through the Small Business Administration ("SBA").

4.1.3 Main Competitors

ITS does not have local competitors, however, due to their proximity to ITS and their similar backgrounds they are mentioned here:

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Established in 1996, and operated by Robert Norris. The company has 20 employees and annual revenues of \$3.9 million. With a primarily focus in building websites Vialogix does not directly compete with ITS. Vialogix primarily builds web sites, intranets, extranets, Web-enabled applications, wireless applications and databases.

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4.1.4 Market Segments

The US Government is as diverse as the U.S. secondly itself. However, with a few exceptions, the majority of the U.S. government contracts are awarded to the following industries: aerospace, telecom, automotive, defense, insurance and social service, energy and life sciences, banking/finance, rail/naval, distribution/sales assistance, aeronautics, space, and utilities.

4.2 Market Tests

While working as an independent consultant, Ms. Jayne focused her company's efforts on two highly sought after government contract areas: energy and healthcare. She began contracting for some of Charlotte's larger energy providers, providing them with IT services. She currently has 30 customers including: Duke Energy, Toshiba America Nuclear Energy, Westinghouse Electric, Power Group, and The Shaw Group.

To date ITS has been awarded two government subcontracts: 1) with the Betchel Group, and 2) with General Electric. Both projects are currently underway with all milestones to date meeting/exceeding expectations. Both prime contractors had a mandatory requirement to subcontract a portion of their work. The fact that ITS is a WOSB, combined with its proven track record, and ability to move quickly on short notice, made the award process that much more appealing to the conglomerates.

4.3 Target Market Segment Strategy

ITS' strategy is twofold: work directly with prime government contractors (such as Duke Energy) and obtain contracts indirectly (word of mouth) such as the their experience with Betchel.

4.3.1 Market Needs

In general, the government sectors require old broken outdated software systems to be upgraded and stagnant legacy systems to be streamlined and operating more efficiently. Operating efficiency has become vital as the government seeks to get its arms around the largest databases in the country. The U.S. government's information systems are clogged with a variety of old and disparate sources. Legacy systems, databases, and data warehouses are 'clogging' the systems. As these sources and data volumes multiply, over time, it becomes critical to incorporate, regiment and apply rules of order to avoid further data 'glut'.

4.3.2 Market Trends

Many areas of high technology are highly competitive and are subject to rapid, unanticipated changes. The dynamic business climate poses significant challenges requiring companies to adapt rapidly to evolving conditions. In addition, during sharp industry declines such as 2000-2001 or 2008-2009, cash balances can be depleted very rapidly. (Standard and Poor's)

While the timing of technological change and obsolescence is difficult to predict, rapidly changing technologies with marked potential for materially eroding companies' business and financial profiles are one of the few constants in the high technology sector. Cyclicity and technological change can create sharp declines and significant shifts in competitive dynamics, customer requirements, and buying patterns, which can rapidly reshape industry subsectors. The ongoing transformation of the data storage and semiconductor industry segments is an example of these market dynamics at work. (Standard and Poor's)

High technology companies' earnings and cash flows are subject to cyclicity created by the business and/or consumer cycles. In many developed countries in recent years, volatility in business/corporate sector demand has tended to be markedly greater than cyclicity in the consumer economy. Historical recessions have largely been business-driven, rather than consumer-led, but in the current recession, demand is down sharply across both consumer and business markets. (Standard and Poor's)

Consolidation remains a long-term trend in many high technology subsectors as growth rates have slowed. Managements of larger companies view their subsidiaries as components of a portfolio that should be actively managed, a strategy generating ongoing acquisition and divestment activity. Customers want integrated solutions; in response, high technology companies are broadening their offerings through acquisitions. (Standard and Poor's)

4.3.3 Market Growth

While prime contractors saw a decline in growth when comparing fiscal year 2010 to fiscal year 2009, sub-prime contractors actually grew over the same time period.

Sub-prime contracts were reported to be \$96.8 billion in year 2009 compared to \$97.9 billion in 2010 representing a 1.12% increase.

Based on the growth in this market and the current government mandates to award to small businesses, it is ITS' contention that annual growth of 20% in revenues and 25% in assets does not appear unreasonable. Further this aligns ITS with its peers of similar size which enjoy the same growth. ITS will achieve this growth with the addition of more staffing. With the addition of billable hours and the built in cushion ITS has in its billable hours, the company feels these are sound achievable financial goals. (For more information regarding this 'cushion' please refer to the financial analysis portion of this business plan).

4.4 Positioning

ITS has set itself apart from its competitors by 1) its narrow and targeted market focus (energy and defense) and by completely understanding industry trends. ITS is truly the market expert. 2) ITS' extreme attention to detail in its subcontracts and project planning sets them apart from their peers. 3) Because of its small size, ITS has the ability to not only meet /exceed deadlines, but they can adapt quickly as well and on short notice. 4) All these factors lead to cost savings which in turn are passed on to their clients.

5.0 Marketing Strategy and Implementation

In order to grow revenues 20% annually and to keep pace with peers, ITS must sell \$152,000 in new revenue or put another way, bill an additional 1,344 hours annually. ITS has built in cushions into its pricing model, which easily allows for just such an increase.

For example in proforma Year One, ITS estimates that it will bill 2,794 hours in billable revenue. (2,794 hours * \$113.07 hourly rate =\$315,917 in revenues). However, with a staff of 5 employees working 40 hours a week, the company has the potential for 9,600 hours annually. The additional burden of 1,344 hours could easily be absorbed by current staff. ITS, however, chose to keep a conservative estimate by basing the projected income and expenses similar to its peers.

5.1 SWOT Analysis

5.1.1 Strengths

1. By utilizing its lean experienced staff, focusing on specific target markets and providing detailed project outlines, ITS provides high end consulting services at a reasonable price.
2. ITS is flexible, able to 'turn on a dime' and meet / exceed deadlines and easily adapts to changes as needed.
3. ITS pursues a minimum of 20% of its revenues in the form of contracts – which provide income stability.

5.1.2 Weaknesses

1. Product obsolescence and technology changes.
2. Rapid life cycle; IT industry quickly can be subject to obsolescence with the advent of new technology.
3. Substitution – many of the services ITS provides can be mirrored by competitors – even worse, larger competitors although have longer turnaround times, may be able to offer lower prices due to larger economies of scale.
4. Customer base is limited with a potential for concentration risk should one sector become less than profitable.

5.1.3 Opportunities

- 1 ITS has already attained WOSB status, making them attractive to partner with in prime government contracts.
- 2 New technologies in cutting edge in energy and healthcare industry make the Charlotte market a robust one for subcontracting.

5.1.4 Threats

1. Cash flow will be critical if payment from the contractor is delayed for any lengthy time period.
2. National competitors might be able to reduce their prices due to efficient in economies of scale.

5.2 Strategy Pyramid

ITS plans on achieving a minimum of 20% of its revenues in the form of recurring consulting base, to cushion against revenue decline when the spending environment deteriorates. Long-term outsourcing contracts provide revenue continuity: Contracts are often five to ten years long, and are rarely broken. ITS plans on achieving this goal by providing top notch service to its customer base with detailed follow-ups and reviews. By keeping its narrow focus on target markets and needs, ITS can quickly alert clients of improvements and new technologies. With its commitment to training and education, ITS employees can readily adapt and perform routine upgrades. These services are often built into the contracts up front, automatically generating residual income.

5.3 Unique Selling Proposition (USP)

ITS has set itself apart from its competitors by 1) its narrow and target market focus (energy and defense). By completely understanding industry trends and trends ITS is truly the market expert. 2) ITS' extreme attention to detail in its subcontracts and project planning sets them apart from their peers. 3) Because of its small size, ITS has the ability to not only meet /exceed deadlines, but they can adapt quickly and on short notice. 4) All these factors lead to cost savings which in turn are passed on to their clients in the form of cost savings.

5.4 Competitive Edge

That fact that ITS works with both local government contractors, has a narrow, specific targeted customer base, combined with WOSB status and a proven track record, gives ITS an edge over the competition.

5.5 Marketing Strategy and Positioning

ITS is uniquely poised as government subcontractor by its narrow focus on the energy and healthcare sectors. This focus allows for detailed models, specifically targeted to these industries. ITS utilized a focus strategy – and positions itself to cater to the needs of a narrowly defined market.

5.5.1 Positioning Statement

ITS' goal is to be the premier subcontractor in the energy and healthcare sector. By, crafting detailed project plans, utilizing detailed models, defining the deliverables and anticipating the steps needed to complete each a and every project they undertake. ITS with its talented pool of in house talent perform all the work themselves, keeping overhead low and passing the savings onto their clients. ITS is not mired in red tape and can readily meets its milestones and deadlines and adapts easily to change. ITS motto is 'We don't just get the job done the first time, we get it done right'.

5.5.2 Pricing Strategy

ITS charges a flat rate of \$113 per hour

- One hour on-site minimum
- The flat rate does not increase because of emergencies

5.5.3 Promotion and Advertising Strategy

ITS relies primarily on direct marketing by word of mouth. Ms. Jayne is a member of the Charlotte Chamber of Commerce and has promoted the business by word of mouth and volunteering for many of the chamber events and sponsoring happy hours and corporate luncheons.

The company has a website which is another marketing tool.

ITS plans to join IT Energy Trade Groups and IT Healthcare Trade Associations.

5.5.4 Website

The ITS website identifies who the company is, a brief history, and services and products provided. The website has a "Who We Are" section featuring pictures and brief biographies of the ITS staff. The site has links to related sites such as SUB-net a database that lists all opportunities from government contractors and FedBizOpps.gov, the searchable federal opportunities database.

The website features case studies with actual clients with needs and benefit analysis.

5.5.5 Marketing Programs

ITS, with its limited budget, will rely heavily on face to face time with contacts. Through her extensive contacts while made working in the industry, Ms. Jayne plans to continue meeting directly with prospects. The IT community is close-knit and word travels quickly.

5.6 Sales Strategy

It is impractical to have a try before you buy in the IT field; however, ITS likes to present its prospects with the next best thing, an initial free consultation and evaluation. The potential client is given a detailed questionnaire to complete and forwarded to ITS for review. The questionnaire is invaluable and helps ITS determine options best suited for the client. ITS thoroughly believes that by truly understanding their customers, they can create custom Project Plans and win subcontracts.

5.6.1 Sales Forecast

ITS expects to grow revenues 20% annually over the next three years. In order to grow revenues 20% annually and to keep pace with peers, ITS must sell \$152,000 in new revenue or put another way, bill an additional 1,344 hours annually. ITS has built in cushions into its pricing model, which easily allows for just such an increase.

For example in proforma Year One, ITS estimates that it will bill 2,794 hours in billable revenue. (2,794 hours * \$113.07 hourly rate = \$315,917 in revenues). However, with a staff of 5 employees working 40 hours a week, the company has the potential for 9,600 hours annually (or \$1,085,472). The additional burden of 1,344 hours could easily be absorbed by current staff. This business plan however employs a more conservative approach with sales and assets reflective of industry peers.

Table 5.6.1 Annual Sales Forecast

Annual Sales Forecast	Year 1	Year 2	Year 3
Sales			
Revenues	\$315,963	\$437,129	\$618,878
Additional Revenues (Residuals)	\$78,996	\$109,282	\$154,719
Total Sales	\$394,959	\$546,411	\$773,597

5.6.2 Sales Programs

ITS awards its employees with a lucrative incentive package to include bonus and profit sharing. For the initial three years employees will receive small bonuses, but over time, bonuses and profit sharing will commensurate with annual revenues.

5.7 Legal

ITS is a Chapter S-Corporation doing business in the State of North Carolina. The company is wholly owned by Sara Jayne.

5.8 Milestones

Table 5.8 Milestones

The following milestones will assist ITS in gauging its target metrics.

Milestone	Date
Obtain WOSB status	Today
Grow revenues 20% and assets 25%	Year One
Secure 20% revenues in the form of recurring contracts	Year One
Hire five new employees	Year Three
Become a Prime Contractor	Year Four
Diversify sector – enter into defense (largest government contractor)	Year Four
Hire a full time proposal writer	Year Four

5.9 Exit Strategy

If revenues fall below break-even for four consecutive periods, the company will not have sufficient cash flow or working capital to meet operating needs. At such time, the company would require liquidation and disposal of assets, primarily the computers and hardware. Secured creditors would be paid first, then unsecured with the remainder to the investor(s).

6.0 Organization and Management

6.1 Organizational Structure

ITS is an S-Corporation wholly owned by Sara Jayne. She currently has five employees on her staff – including one database administrator and four programmers.

6.2 Management Team

ITS is a Chapter S Corporation wholly owned by Sara Jayne. Sara Jayne is the president, CEO and CFO of ITS. Sara graduated from Duke University with a degree in Sales. She is also the Project Manager for all government subcontracts. It is her proven extreme attention to detail and commitment to these contracts that gets the awards time and time again. She has ten years experience in the technology consulting industry as a Network

Engineer and ten years as a Database Administrator with Cap Gemini. Ms. Jayne is a Microsoft Certified Systems Engineer. She is also 6 Sigma certified, meaning she has received extensive training in business process improvement.

ITS will utilize a local accounting firm and outsource its payroll and taxes.

6.3 Management Team Gaps

ITS will utilize a local accounting firm and outsource its payroll and taxes.

6.4 Personnel Plan

The following table demonstrates the budget requirements for ITS staff over the next three five years.

Table 6.4 Personnel Plan

Annual Sales Forecast	Year 1	Year 2	Year 3
Database Administrator 1	\$69,030	\$69,030	\$69,030
Programmer 1	\$56,797	\$56,797	\$56,797
Programmer 2	\$56,797	\$56,797	\$56,797
Programmer 3	\$56,797	\$56,797	\$56,797
Programmer 4	\$56,797	\$56,797	\$56,797
Programmer 5		\$56,797	\$56,797
Programmer 6		\$56,797	\$56,797
Programmer 7			\$56,797
Programmer 8			\$56,797
Programmer 9			\$56,797
Total	\$296,216	\$409,809	\$580,198

6.5 Board of Directors

N/A

7.0 Financial Plan

The financial plan will cover the following:

- Required Cost of Start-Up
- Profit and Loss
- Cash Flow
- Balance Sheet
- Financial Ratios

7.1 Important Assumptions

M = 1,000

MM = 1,000,000

The estimated average billable rate: \$113.07 per hour; this analysis employs a conservative billing rate; this model can easily be adapted to demonstrate higher hourly billing providing additional 'cushion' to the financial analysis.

INCOME STATEMENT ASSUMPTIONS

The company currently employs one database administrator and four programmers.

Company plans to hire two additional programmers in Year Two

In Year Three, the company plans to hire three additional programmers

Estimate the company will grow revenues 20% annually and assets by 25% (coincides with industry peers).

The company assumes to generate additional 20% in revenue streams from residuals created by long term contracts

Advertising expense is estimated to be .93% of revenues

Accounting and Legal is estimated to be 4.76% of revenues. Primarily this will be attributed to a tax service for the purposes of payroll and income taxes.

Legal expenses will be minimal, but in the event the company creates a patent, then this expense could potentially increase.

Professional Fees represent s.57% of revenue and compares favorably with industry peers

Annual rent is \$9,600 or 2.43% of revenue in Year One. The company occupies 1,200 square feet of a 34,000 square foot building located at the desirable Mint Street location in heart of downtown, Charlotte, North Carolina.

Wages represent the largest component of annual expenses and are estimated to be \$296M in Year One, \$409M in Year Two, and \$580M in Year Three. Like its peers, the IT Company's largest expense is in the form of wages, salaries and bonuses.

BALANCE SHEET ASSUMPTIONS

The company was formed two years ago as a sole proprietorship and recently reorganized as an S-Corporation. Rather than owner's contribution, the owner advanced approximately \$33M in the form of loan to be repaid. The loan is fully amortizing based on a five year term.

7.2 Start-Up Costs

Although not technically a ‘start-up’, initial expenses include working capital and computer hardware and software.

Table 7.2 Start-Up Costs

Start-Up Expenses	Amount
N/A	
Total Start-Up Expenses	\$0
Start-Up Assets	
Computer Equipment and Hardware	\$11,309
Working Capital	\$22,439
Total Start-Up Assets	\$33,748
Total Required Start-Up Costs	\$33,748

7.3 Source and Use of Funds

The source of funds for the initial funding were in the form of owner contribution and loan to owner the loan is fully amortizing over at 6.25% over a five year term.

7.4 Break-Even Analysis

As a service provider, ITS has no cost of goods sold or overhead. Rather than try to consider employees wages as overhead, the break even chart below demonstrates the point where fixed costs less variable costs (in terms of billable hours) equals zero.

Table 7.4 Break-Even Analysis**7.5 Projections****7.5.1 Projected Profit and Loss**

Company's gross profit appears in line when compared with peers. As a service provider they have little or no overhead. In addition to billable hours, the IT Company needs to strive for residual income in the form of long term contracts. This repeat business will act as a cushion in the event of an economic downturn.

Over the three year estimate, the company's total expenses appear in line with industry peers based on same sized revenues and assets. Total expenses approximate 93% of total revenues.

Salaries, wages and bonuses represent the largest component of expenses. To retain talent and get the higher billable hours, comes with a price. Offsetting this however, is barring any unforeseen expenses; this industry enjoys high profit margins, typically above 6%.

Table 7.5.1 Pro Forma Profit and Loss

Pro Forma Profit and Loss	Year 1	Year 2	Year 3
Income			
Sales	\$315,963	\$437,129	\$618,878
Additional Revenues (Residuals)	\$78,996	\$109,282	\$154,719
Gross Profit	\$394,959	\$546,411	\$773,597
Expenses			
Advertising	\$3,673	\$5,082	\$7,194
Accounting / Legal	\$18,800	\$26,009	\$36,823
Insurance	\$900	\$1,125	\$1,406
Miscellaneous	\$3,661	\$4,394	\$5,273
Office Expenses	\$3,600	\$4,320	\$5,184
Professional Fees	\$6,072	\$8,184	\$10,836
Rent	\$9,600	\$9,600	\$9,600
Salaries	\$0	\$9,748	\$26,824
Travel/Entertainment	\$20,400	\$24,480	\$29,376
Utilities	\$3,600	\$4,320	\$5,184
Wages	\$296,215	\$409,809	\$580,198
All Other Operating Expenses (net)	\$3,160	\$4,371	\$6,189
Total Expenses	\$369,682	\$511,441	\$724,087
Net Profit	\$25,277	\$34,970	\$49,510

7.5.2 Projected Cash Flow

The statement of cash flow shows the incoming and outgoing cash of the business.

Table 7.5.2 Pro Forma Cash Flow

Pro Forma Cash Flow	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations	\$0	\$22,504	\$55,528
Cash Sales	\$394,959	\$546,411	\$773,597
Cash from Receivables	\$0	\$0	\$0
Subtotal Cash from Operations	\$394,959	\$568,915	\$829,125
Additional Cash Received			
Sales Tax			
Owners Investment			
Subtotal Cash Received	\$394,959	\$568,915	\$829,125
Expenditures			

Expenditures from Operations	\$0	\$0	\$0
Cash Spent	\$372,454	\$513,387	\$724,622
Bills Paid			
Subtotal Spent on Operations	\$372,454	\$513,387	\$724,622
Additional Cash Spent			
Sales Tax			
Loan Payment			
Subtotal Additional Cash Spent	\$0	\$0	\$0
Subtotal Expenditures	\$372,454	\$513,387	\$724,622
Net Cash Flow	\$22,504	\$55,529	\$104,504
Cash Balance			

7.5.3 Projected Balance Sheet

Liquidity is key in this industry. Cash and trade receivables represent approximately 53% of total assets, resulting in positive working capital and cash flow. Right now, this company is enjoying the benefits of positive cash flow, but as has been seen in the past, this industry is economically sensitive and the similar downturns such as those of as 2000-2001 or 2008-2009 could quickly deplete cash reserves. IT companies must also maintain liquidity to keep current with technology. As new technology advances, the IT Company must be prepared to keep pace and make smart purchases to partner with this technology.

Table 7.5.3 Pro Forma Balance Sheet

Pro Forma Balance Sheet	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	\$41,346	\$51,682	\$64,602
Accounts Receivable	\$58,485	\$73,106	\$91,382
Inventory	\$4,947	\$6,184	\$7,730
Other Current Assets	\$5,654	\$7,068	\$8,835
Total Current Assets	\$110,431	\$138,039	\$172,549
Long Term Assets			
Long Term Assets	\$29,861	\$37,326	\$46,657
Accumulated Depreciation	\$17,139	\$21,424	\$26,780
Total Long Term Assets	\$66,259	\$82,824	\$103,530
Total Assets	\$176,690	\$220,863	\$276,078
Liabilities and Capital			
Current Liabilities			
Accounts Payable	\$20,143	\$25,178	\$31,473
Current Borrowing	\$4,947	\$6,184	\$7,730
Other Current Liabilities	\$62,902	\$78,627	\$98,284
Subtotal Current Liabilities	\$87,992	\$137,487	\$0
Long Term Liabilities	\$33,748	\$42,185	\$52,731
Total Liabilities	\$149,657	\$187,071	\$233,839
Paid In / Invested Capital	\$27,034	\$33,792	\$42,240
Retained Earnings			
Earnings			
Total Capital	\$27,034	\$33,792	\$42,240
Total Liabilities and Capital	\$176,690	\$220,863	\$276,079
Net Worth	\$27,034	\$33,792	\$42,240

7.6 Business Ratios

Because of the high level of business risk, many IT companies' financial risk and leverage profiles tend to be more conservative, characterized by relatively high levels of equity capital, modest debt, and often substantial cash reserves accumulated because they need cash available to protect against cyclical and unexpected downturns in earnings. (Standard and Poor's)ITS' business ratios also demonstrates these attributes.

Table 7.6 Ratio Analysis

Ratio Analysis	Year 1	Year 2	Year 3	Industry Profile
Financial Ratios				
Quick Ratio	1.13	1.13	1.13	1.13
Current Ratio	1.26	1.26	1.26	1.26
Current Liabilities to Net Worth	3.25	3.25	3.25	3.25
Current Liabilities to Inventory	17.79	17.79	17.79	5.04
Total Liabilities to Net Worth	5.54	5.54	5.54	2.30
Fixed Assets to Net Worth	2.45	2.45	2.45	1.10
Collection Period				
Inventory Turnover	0.0	0.0	0.0	N/A
Assets to Sales	44.7%	40.4%	35.7%	44.5%
Working Capital to Sales	17.6	19.48	22.06	22.4
Accounts Payable to Sales	5.1%	4.6%	4.1%	2.8%
Return on Sales	6.4%	6.4%	6.4%	6.0%
Return on Assets	14.3%	15.8%	17.9%	14.39%
Return on Equity	93.5%	103.5%	117.2%	61.5%
Interest Coverage				
Income Statement				
Gross Sales	6.4%	6.4%	6.4%	6.40%
Gross Profit	100.0%	100.0%	100.0%	100.0%
Operating Income	6.4%	6.4%	6.4%	7.2%
Net Profit After Tax				1.6%
Balance Sheet				
Cash	23.4%	23.4%	23.4%	23.4%
Accounts Receivable	33.1%	33.1%	33.1%	33.1%
Inventory	2.8%	2.8%	2.7%	2.7%
Total Current Assets	62.5%	62.5%	62.5%	62.5%
Total Fixed Assets	16.9%	16.9%	16.9%	16.9%
Other Non-Current Assets	10.9%	10.9%	10.9%	10.9%
Total Assets	100.0%	100.0%	99.9%	100.0%
Accounts Payable	11.4%	11.4%	11.4%	11.4%
Total Current Liabilities	13.6%	13.6%	13.6%	13.6%
Total Long Term Liabilities	19.1%	19.1%	19.1%	19.1%
Net Worth	15.3%	15.3%	15.3%	15.3%

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