

Executive Summary

Computer Training Specialists is a new company that will rely on the proven skills of its founder to take advantage of the growing need for computer training. Violet Peabody, who brings over a decade of computer training expertise to the business, will lead the company as it establishes itself as a high quality computer training service provider in the Mount Pleasant metropolitan area. Computer Training Specialists (CTS) will initially limit its courses of instruction to Microsoft Windows 95, Excel, and Word (or Corel's WordPerfect). In 2000, CTS will begin offering classes, currently under development, on creating and maintaining web sites.

Constantly evolving technologies and software offer small businesses an opportunity to work smarter. But the increased opportunity comes at the expense of increased complexity. Substantial market research establishes that computer training is one of the country's fastest growing service industries. CTS is in a position to capture a significant portion of the local market for computer training. Further, CTS is projected to return a profit in its very first year of operations, due in large part to the size of the market and the relatively low investment required to begin operations. First year revenue is projected to exceed \$350 thousand.

CTS will differentiate itself from its competitors (generally larger firms) through lower pricing and the development of unique electronic workbooks that will serve as training aids. By specializing in just a few of the most popular software applications, CTS gains access to the largest segment of a growing market. This tightly focused approach also makes it easier for CTS to establish and retain a position as an industry leader.

Introduction

The Company

Computer Training Specialists is a dynamic technology corporation that is poised to capture substantial market share in one of the fastest growing service industries in the country, computer training. CTS is a Michigan corporation incorporated in 1998 and wholly owned by Violet Peabody. CTS will establish its base of operations in Mount Pleasant, Michigan. CTS intends to offer computer-training courses in several software packages that have been almost universally accepted by small- to medium-size businesses and by many individuals. These include Microsoft Windows, Excel, Word, and Corel's WordPerfect. Courses under development will be launched in 2001, providing instruction on how to create and maintain web sites on the Internet.

The owner and principal employee, Violet Peabody, has extensive experience as manager of the computer training and development department of his current employer, Computerized Business Machines. In addition, Ms. Peabody has developed a marketing strategy that is well suited to building a large market share in the small to mid-size business market. CTS has the potential to gain a reputation for offering quality courses in computer training that provide value long after the classes end.

Assisting Ms. Peabody will be Ms. Sue Howe, an independent contractor who helped train CTS's sales and customer service employees. Ms. Howe has considerable training experience and can meet the high standards that CTS has set for its training services.

The Service

CTS was created for the sole purpose of providing computer software training services in the Mount Pleasant metropolitan area. The courses in Microsoft Windows, Excel, and Word (or Corel's WordPerfect) are designed to provide employees and owners of small businesses with the skills they need to work efficiently in a computerized business environment. Training in web site development and maintenance, to be offered beginning in 2000, will enable small businesses to establish their own Internet presence for marketing and promotional purposes.

The training courses will generally be offered at a rented facility located in Mount Pleasant. The facility is easily accessible, has substantial parking, and is served by public transportation. Where appropriate, however, CTS will provide training at a customer's facility.

A key selling point will be the price CTS charges for its services. Because CTS has been able to negotiate a favorable lease and will have relatively low expenses, it will be able to offer customers a substantial discount compared to larger training companies.

The Workbooks

One method that CTS will use to distinguish its training courses from those offered by other companies is through the use of a group of electronic workbooks developed by Ms. Peabody. These workbooks, one for each application, will serve as a training aid during sessions, and as a valuable reference tool thereafter. The workbooks incorporate ideas and concepts proven successful during Ms. Peabody's tenure at CTS, coupled with innovative new concepts developed because of her insight into CTS's training operations.

The workbooks will be provided to CTS students on floppy disk or CD-ROM. They abandon the topical approach found in user guides and online help in favor of a workflow approach. Each workbook approaches the software as a user would, but brings them up the learning curve far faster than any tutorial can. The material in each workbook is laid out in a logical and easy-to-follow format. They clearly illustrate the commonly used features of each application, providing numerous examples and shortcuts that apply to a variety of different business and personal situations.

Industry Analysis

Ms. Peabody undertook substantial research prior to forming CTS. The focus of this research was on the growth of computer training in general and on the geographic market she plans to serve. The research results were quite encouraging. Computer training is at the beginning of a period of great expansion, according to the findings of several respected industry trade journals. Because of the great technological innovations being made in personal and business application software and the anticipated impact of the Internet on daily life, many individuals and businesses are finding themselves overwhelmed with the possibilities that these new business tools offer.

The Management and Decision Information Systems Institute (MDISI) recently conducted a national study of small business training needs. The study indicates that 85 percent of 1500 business owners polled anticipated an immediate need to have one or more employees trained in the use of the popular spreadsheet and word-processing software packages developed by Microsoft. Computer industry figures suggest that computer use in the Midwest does not deviate substantially from the national average. Thus, the findings of the MDISI study are useful in establishing the number of potential students that CTS might serve.

Customers and Market Analysis

In area information compiled by the Northern Michigan Chamber of Commerce reveals that there are 20,000 businesses that are classified as small to midsize (one to 50 employees). The average number of employees is 15. This means that, in the target market that CTS hopes to serve, there are approximately 300,000 potential students. Because CTS is implementing a marketing strategy that stresses quality training at an economical cost, the company will capture a substantial portion of the target market from the larger, more expensive, regional and national training firms. By offering the same or higher quality training at a cost 25 percent less than the larger chains, CTS will be perceived as being in step with the information, time, and budgetary need of small to medium-size businesses and individuals.

According to a recent article in PC World, "Since the need for computer literacy is rising, the demand for PC training and education is also growing. Whether they hire computer-training

centers or have their own in-house training program, local companies are realizing that investing in hardware is not enough. For a firm to truly be in the information technology mainstream, it must invest in its most precious resource, its people.”

Competition

In the local computer consulting business, there seems to be four major classes of competition. First there are the in house MIS consultants, which are usually employed by larger companies that can afford the cost of a salaried or hourly employee. Second are the individual proprietors and smaller consulting firms. The bulk of yellow page advertising consists of this type. Third are the larger network and telecommunications consulting firms specializing in providing total MIS services to larger companies that decide to outsource. And fourth are the computer and electronics stores offering consulting services.

As mentioned previously, a key selling point will be the price charged for services that will be substantially lower than the competition. CTS also intends to use the contacts Ms. Peabody developed as a technical support manager at CBM to obtain access to small businesses purchasing computer systems.

Marketing Strategy

Essentially, CTS will market itself as offering the same or higher quality computer training than its larger competitors, but at a more reasonable price. CTS will forego many of the trappings of higher priced competitors, such as fancy imprinted folders, complimentary mouse pads, etc. Instead, CTS will sell to the small business market by emphasizing value and by identifying with their information, time, and budgetary needs.

As part of this strategy, CTS will advertise in several local small business and home office magazines. In particular, Ms. Peabody has received reasonable advertising estimates from the Mount Pleasant Small Business Monthly. For \$250 per month, the Mount Pleasant Small Business Monthly will run a half-page ad. After the initial six-month period, CTS is also considering running a full-page ad for \$350 per month in the Degage Home Computing Journal.

The preferred mode of advertising is word-of-mouth. CTS hopes to hold information seminars on computing tips at all the chamber of commerce luncheons within a 30-mile radius of the business. In addition, Ms. Peabody has begun writing several articles for small business publications. Research results in the MDISI report suggests that this type of marketing initiative can generate a significant amount of business through referrals.

CTS also intends to utilize the vendor contacts Ms. Peabody developed as the technical support manager at CBM in order to obtain access to those small businesses that are purchasing computer systems. Ms. Peabody will also approach business owners in person in order to identify their computing needs and how he might satisfy them. Ms. Peabody will utilize her own experience, training, and understanding of clients' needs to generate new clients and keep the old ones. She will not rely on a sales force to generate business.

Pricing strategy

CTS will charge significantly less for training services than the larger computer-training firms because CTS will have lower overhead expenses and fewer employees than the larger firms. Based on a survey of computer training firms in Mount Pleasant and its surrounding suburbs, training firms charge, on the average, \$220 per person for a six-hour training session in Microsoft Word or Excel. For approximately \$450, a student can receive three six-hour sessions that include basic computing, Word and Excel.

Since CTS hopes to appeal to the cost conscious small business owner, it anticipates offering a six-hour training session in Windows, Excel, and Word (or WordPerfect) for \$155 to beginners. Advanced classes for these software packages will be offered for \$165 per student. A total package, including beginning or advanced training in Word or Word Perfect, Excel and Windows, will be offered for \$380. This represents a substantial discount over the competition, regardless of whether clients select training in a single software application or training in multiple applications.

Human Resources

CTS plans to keep wage and salary expenses low, at least initially. To achieve this objective, CTS will hire just two employees, Violet Peabody and June Kelvin. Ms. Kelvin will work part-time and function as a training and office assistant. They will be assisted, during busy periods, by a part-time trainer, Ms. Sue Howe, who is an independent contractor. Ms. Howe will function as an additional computer trainer for evening classes and weekends. Based on the schedule Ms. Peabody has prepared, Ms. Howe will generally not be needed during the business' "slow" periods during the summer and winter holidays.

Ms. Howe also has received extensive training that will allow her to review and evaluate new software and network products. While working at CBM, she earned a certificate as a Microsoft Certified Systems Engineer. As a result she has developed expertise in planning, implementing, maintaining, and supporting information systems including, Microsoft Windows NT, BackOffice and various other server software. In addition, she has earned training certificates from the Institute for Technology Training in Microsoft Word, Windows, Excel, PowerPoint and Windows.

CTS and Ms. Howe have agreed on the following compensation arrangement. Ms. Howe will receive \$180 for every three-hour "beginners" class she teaches. This payment will increase to \$200 for advanced three-hour classes. During the busy months, when Ms. Howe teaches two three-hour classes and two advanced classes every week, she will receive \$760 per week.

The training and office assistant, June Kelvin, has five years of experience working as an office manager for a large computer training firm as well as extensive training in most common software packages. This training will provide a benefit to the CTS when the instructors need some extra help with larger classes. CTS has offered Ms. Kelvin \$8 per hour for general office duties and \$12 for any time spent in training classes assisting the instructors. Ms. Peabody estimates that, in an average week, Ms. Kelvin will perform 10 hours of general office duties and six hours of training assistance. Accordingly, her weekly wages should average about \$200.

Violet Peabody is the owner and manager of CTS. She has significant computer software experience and management skills developed as the manager of the Technical Support and Training (TST) group for Computerized Business Machines. She plans to utilize this experience in preparing and presenting computer-training programs.

Ms. Peabody was a technical support technician and in-house training instructor for eight years before becoming manager of TST three years ago. She holds degrees in both education and electrical engineering. In addition to installing software and assisting in setting up networks, Ms. Peabody oversaw the development of a series of comprehensive computer training programs for beginning, intermediate, and advanced computer software users. The innovative process of combining personal instruction and hands-on training will be adopted in CTS's computer training programs.

As the manager for TST, Ms. Peabody coordinated a staff of five instructors who trained company employees in various Microsoft software packages such as Word, Excel, PowerPoint and Windows. Ms. Peabody also taught a number of these courses. Utilizing this experience, Ms. Peabody will coordinate the training efforts of a part-time instructor and a training assistant

in order to provide CTS's students with the greatest amount of access to the training personnel.

Ms. Peabody also managed a group of six computer technicians who performed all types of repairs to computers and printers. Because Ms. Peabody has a technical background, his staff often consulted with him when complex repair issues arose. This experience will prove to be especially valuable in day-to-day operations. Computer downtime will be minimized because Ms. Peabody can make at least minor repairs rather than waiting for a computer technician.

Operations

Tuition collection

CTS will require that a non-refundable deposit be sent when a student registers for classes. Full payment will be required at the time a student shows up for class. Payments for classes may be made with cash, credit cards, or personal checks. CTS will offer deferred monthly billing to those corporate clients with 20 or more employees. Since the revenue generated from this client segment is expected to be small, and the risk of nonpayment is small, the accounts receivable and bad debt expense should be no more than 3 percent of all net monthly sales.

Expenses

After salaries, the cost of computers and the cost of obtaining a training facility will be the largest expenses that CTS will face.

Computer equipment: Following an exhaustive analysis of the financial and other implications of buying, renting, or leasing, CTS has decided to lease its computers and printer. A factor that played a large part in that decision was the likelihood that any purchased equipment will become obsolete in a relatively short period of time. CTS must have available computers that are at least equal in sophistication to those used by its customers. The substantial initial cash outlay required to purchase 15 computers also played a part in the decision to lease or rent.

CTS obtained estimates from a number of computer hardware distributors for the purchase of 15 500 MHz Pentium III computers with 64 MB of RAM, 10 gigabyte hard drives, and all necessary software. The most competitive price that CTS found was \$2,699 per machine and \$3,000 for the printer. The total purchase price would be \$46,855 including sales tax.

Based on estimates obtained from several leading computer rental firms in Mount Pleasant, CTS can expect to pay approximately \$140 a week to rent the same computers. CTS anticipates that it will offer two classes of no more than 15 students each per week. Accordingly, the monthly cost of renting these machines, including one laser printer, will be \$8,450.

Finally, in order to lease 15 similar computers and a laser printer, the best price quoted by a local distributor was \$33,500, which includes all maintenance of the machines. The lease would run for 36 months with interest at an 11 percent annual rate. The total of the 36 monthly payments would be \$37,855. The lease payment of \$3,154 per month is more than \$5,000 less than the monthly rental alternative.

Training facility: CTS considered several options regarding the type of service to offer to its clients. First, CTS could avoid the expense of paying rent on a training facility and restrict its training efforts solely to a client's home or place of business. In the alternative, CTS could rent a training facility and conduct training sessions at this facility in addition to offering training at the client's premises. Because Ms. Peabody does not wish to tie up funds on a long-term basis, the purchase of a training facility was not considered a reasonable option.

The first option, while reducing costs, is not a viable one for CTS. The company hopes to generate most of its income through large classroom training sessions. This is more

advantageous because it involves almost the same amount of work for the trainer to teach a group as it does to teach an individual. However, a group setting generates a much larger amount of training revenues at one time. For example, even if CTS doubled its single application tuition from \$155 to \$310 to provide on-site training, it would still generate less revenue than the \$1,600 that CTS would make training 10 students at \$160 per student for the same time. However, in order to accommodate clients and establish good will, CTS will, on occasion, offer on-site training at a premium price when requested to do so by customers.

CTS has negotiated a favorable lease with the property management firm that manages the strip center in which the training facility will be located. The firm has offered CTS a three-year lease with a three-year renewal option. The monthly rent is \$1,500 for the first year, \$1,700 the second year and \$1,900 for the third year. During the three-year renewal period, rent will increase by 5 percent per year. This rental amount includes water, waste removal, and all maintenance costs.

Financial Projections

Based on a survey of 100 computer training firms in Midwestern cities, including Cincinnati, Indianapolis, and Detroit, it was determined that a computer training facility with one full-time and at least two part-time staff members can be expected to train 30 new students every week. Of this number, it is expected that 25 percent will be repeat customers. That means that CTS can expect to generate 120 new students and consult with 30 previous students every month.

The percentage breakdown of the number of students who will select either a single course or the total package is based on statistics provided in the MDISI study and a report included in The Journal of Computer Training and Development, May 1995, Vol. 12. The findings of both of these reports reflected the fact that individuals who have taken previous computer training courses are more likely to pursue additional training to gain even greater proficiency and expertise in different software applications. Using these statistics, CTS estimates that gross revenue in the first year will be \$351,840, or an average of \$29,340 per month. This monthly estimate can be broken down as follows:

50% of all new students taking one session	\$7,335
50% of all new students taking three-session package	\$15,485
70% of previous students taking three-session package	\$5,420
30% of previous students taking one additional session	\$1,100

Because the demand for CTS computer training services is expected to grow in the second year of operation, gross revenue for the second year is expected to increase by 28 percent to \$450,878.

While these calculations are based on an average of all the gross profit or loss by month, CTS, like many businesses in the computer training industry, will be subject to common business cycles. Based on the above-mentioned study done by The Journal of Computer Training and Development, market research shows that the number of students participating in training courses January through March will increase by 10 percent to 25 percent. During the spring and summer months of May through August, the number of students drops off by approximately 20 percent.

Computer training firms can expect a 20 percent to 30 percent increase in the number of students during the fall months of September through November. As with other non-retail businesses though, December sessions usually drop by 25 percent. One way that CTS will try to counter the "holiday slump" is by offering training gift certificates to be given as holiday presents. CTS would provide gift-wrapping and delivery to any location within the Mount Pleasant area. This sales promotion is expected to offset the December decrease by 10 percent.

In the second year of operations, CTS plans on offering a class in developing and maintaining an Internet home page. The class will also focus on how small businesses can profitably use the Internet to market their products. Violet Peabody is currently heavily involved with developing Internet home pages at her current job with CBM. She feels that the cost of Internet connect time can be passed on to students as part of their registration fee. Thus, CTS will incur little additional expense by offering this new course and still generate an additional 20 percent in revenues every month.

Based on discussions with a number of vendors that provide software to computer training firms, a computer training business just starting up can expect at least a 15 percent to 20 percent monthly increase in student enrollment in year two over year one. Accordingly, CTS is planning for a 15 percent increase in student enrollment in year two. For a detailed analysis of the actual monthly gross income for the first two years of operation, review the profit and loss statements provided in the financial projection section.