NPower Basic
Business Plan
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Submitted to:
The Yale School of Management
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Partnership on Nonprofit Ventures

Putting technology know-how in the hands of Non-Profits.

Table of Contents

1. Executive Summary

NPower-Basic ("NP-Basic") combines a successful workforce development program for disenfranchised youth with an all-in-one technology service that uses a *"hub and spoke"* model to meet the basic technology needs of nonprofits. Staffed in part with graduates of NPower's workforce development program, the service offers a network and preconfigured and software-loaded desktop computers and provides installation, monitoring, maintenance, remote support, a helpdesk and onsite technical assistance visits. NP-Basic offers critical products and state-of-the-art support at low prices by achieving economies of scale and receiving direct donations of expensive software and hardware from Microsoft and Cisco.

The service's social value is reinforced by its commitment to hire staff from New York City's underserved communities. NP-Basic recruits entry level staff from a workforce development program known as the Technology Service Corps (TSC), that is run by its parent organization NPower NY. TSC is a 12-week intensive training program that teaches urban young adults aged 18-24 a unique combination of technical and professional skills, and provides mentoring by NPower NY's senior consulting staff and hands-on service to the nonprofit community. Since 2002, TSC has graduated and found jobs for nearly 100 out-of-school youth who were previously in low-wage, dead end jobs or who were unemployed, incarcerated or even homeless. TSC has been the ticket to a meaningful future for these individuals and a path to a lifelong career. Typically wages rise approximately 133% to over $26,000 post-program and on an hourly basis, post-TSC wages ($12.75/hour) are 113% higher than minimum wage ($6/hour) in NYS.

NP-Basic's social return on investment is 16. This means that for every dollar invested in NP-Basic, more than 16 dollars are returned to the community in the form of more productive nonprofits and more jobs for previously disenfranchised youth.

Earned income for this venture is generated by charging low set-up and maintenance fees for each installation. NP-Basic's target customers are the decision makers at the nearly 3,500 small NYC nonprofits that have fewer than ten staff and operating budgets of less than $1,000,000. Organizations ranging from small community-based social service organizations to local performing arts groups will be the initial target audience for NP-Basic.

Key Objectives

❑ To help resource-strapped nonprofits obtain the technology support they need while saving money that can be applied to further their organizational missions.

❑ To gain a 3% market penetration of the initial target market for NP-Basic by Year Three (approximately 100 NYC nonprofits). The total spending power of these 100 nonprofits is $50 million -$100 million, and together they employ 300-500 people.

❑ To provide a supportive work environment for graduates of NPower NY's workforce development program, TSC. NPower-Basic will provide 22[1] six-month rotations through its helpdesk for TSC graduates.

By leveraging potential underwriting, corporate affiliations and TSC, **NP-Basic delivers a critical high-quality service at an affordable cost with important community benefits.**

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[1] This is a total over the three-year period.

Potential competitors include Dell, Value-Added Resellers (VARs), other management service providers, consultants, small organizations offering information technology (IT) services ancillary to their primary missions, and savvy internal staff who by default, or in rare cases by design, have taken on an IT management responsibility.

NP-Basic enjoys key competitive advantages over these alternatives including: 1) access to broader resources available through NPower NY such as software & product donations, foundation support for technology capacity building, and a steady labor pool of entry-level technicians from its TSC program; 2) proven experience and strong relationships with small nonprofits through NPower NY's four years of successful and well-regarded service to these customers; 3) the lowest pricing available to this segment; 4) a comprehensive service offering that includes hardware, software and services; 5) technologically advanced information protection through state-of-the-art server back-ups. 6) a strong history of customer service that focuses exclusively on nonprofit organizations; and 7) a compelling social value through its incorporation of TSC and provision of affordable technology services to nonprofit organizations.

The marketing plan for NP-Basic is designed to acquire new customers through a combination of print and electronic media, including advertising, sponsorship of technology events, and promotion through its website. NP-Basic also will target the NPower NY client base, its foundation supporters, additional foundations that support small nonprofits, umbrella nonprofits, and nonprofit incubator groups to market the service.

NP-Basic is run by the Director of Services and Strategy who has more than 13 years of managerial, service, and operational experience. Additionally, the Senior Manager of Service Delivery has 19 years of technical and business expertise having worked at prominent private sector technology companies including Microsoft, EDS, and Razorfish. NP-Basic also benefits from a strong commitment from NPower NY's Board of Directors and senior management who bring a successful fundraising track record, sales expertise, workforce development skills, and technical leadership, as well as critical shared resources for marketing, finance, and human resources that keep operating costs at a minimum.

NP-Basic operations takes place in three places: shared space at NPower NY headquarters, its client sites, and, most significantly, cyberspace. Typically, the process is as follows: nonprofits place orders with an NP-Basic sales person, an on-site assessment is done, computers and other hardware are ordered and configured with software, the system is installed at the client site, and services start immediately with constant monitoring, maintenance, and customer support through a helpdesk and via remote support. From start to finish this process can take as little as seven days although the processing of the donations may lengthen it somewhat. The team meets on a weekly basis to review key metrics and goals.

NP-Basic projects a three-year Pro Forma Statement of Activities indicating earned revenue growth of 61% in its second year and 103% in Year Three reaching revenues of $588K in Year Three.

Major risks include not being able to reach sales targets, higher-than-anticipated costs, being unable to sustain the service at a price that small nonprofits can afford, providing inconsistent quality of service, and being unable to retain a high-performing management team. Careful growth, management and cost control will mitigate each of these risks and allow the venture to remain sustainable and successful even while managing multiple and, often times, unpredictable risks.

2. Description of Social Business Venture

NP-Basic is an all-in-one business solution that uses a "hub-and-spoke" model to meet the basic technology needs of small nonprofits. It has three main components:

- It delivers pre-configured and software-loaded desktop computers, printers and network to nonprofit clients.
- It services clients through remote support and onsite visits.
- It staffs its entry level helpdesk by recruiting from NPower NY's workforce development program, Technology Service Corp (TSC). TSC recruits urban young adults aged 18-25 from the city's underserved communities and trains them to become junior technology support staff.
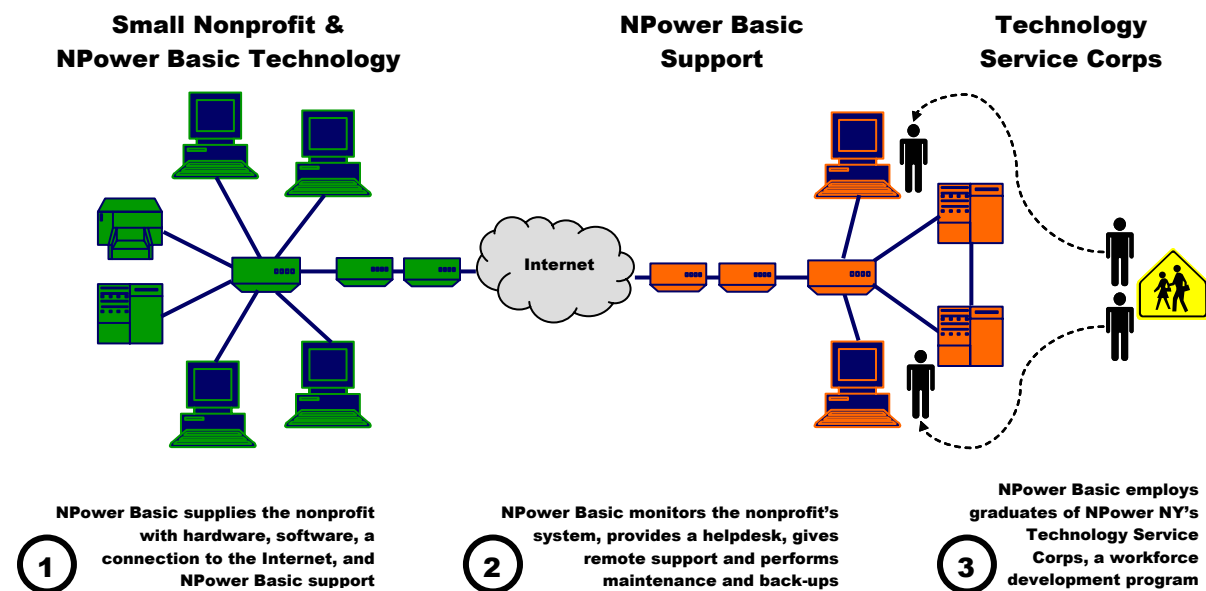
Figure 1. The NPower Basic Solution

NP-Basic is being developed by NPower NY, the largest affiliate of the NPower network. NPower NY's mission is to provide technology know-how and support to other nonprofits in New York City. The NPower network has a mission to ensure all nonprofits can use technology to better serve their communities and operates in 12 cities.

2.1 Rationale

Computers and computer networks need to be maintained and the data on them needs to be protected. Software upgrades need to be installed, anti-virus protection must be refreshed, data must be backed up, and spyware must be removed. All of this preventive maintenance keeps a network running smoothly and enables nonprofits to focus on their mission rather than be hampered by system crashes, poorly performing computers and vulnerable mission-critical data. NP-Basic is an information technology support service designed to use cutting-edge service to meet the technology needs of nonprofits.

When a nonprofit chooses NP-Basic it essentially is outsourcing its technology infrastructure support, pooling its limited resources with other small nonprofits, and obtaining better service at a lower cost. As the outsourced provider, NP-Basic can meet the needs of many nonprofits simultaneously and thereby take advantage of economies of scale and scope.

2.2 Mission

NP-Basic's mission is to deliver a high quality, affordable basic IT support service to resource-strapped nonprofits that results in maximum reliability and usage of their technology tools. NP-Basic creates a worry-free technology environment that allows nonprofit staff to concentrate on their clients and their missions instead of wrestling with ever-challenging technology. NP-Basic also is a service that employs skilled disadvantaged youth in entry-level IT jobs.
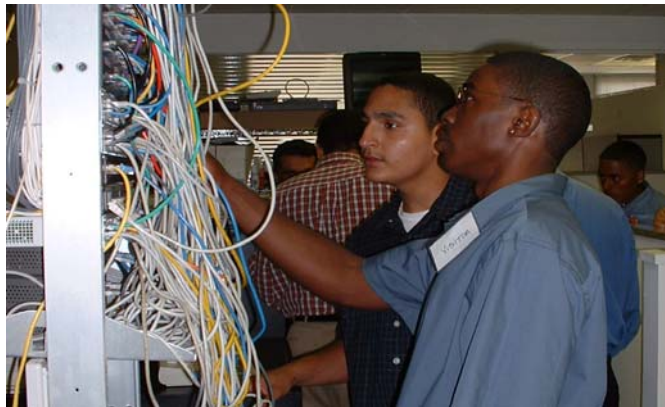
Photo 1. "TSC is the preseason for success . . . It trains you to train yourself and gives you a spot on the playing field as a rookie. It's up to you to stay on top of your game and to stay in the game."
– Ethan Richards, TSC graduate, Class 7

2.3 Target Market

The initial market for NP-Basic is the nearly 3,500 NYC nonprofits[2] that have less than ten paid staff and operating budgets of less than $1,000,000. This market has self-identified services such as helpdesk support, back-ups, anti-virus updates, and application patches as the key offerings small technology-constrained nonprofits look for in a provider such as NPower[3].

The target market is consistent with NPower NY's current client base where 42% are categorized as small nonprofits with budgets of less than $1MM. Through several market research studies, NPower NY and its sister affiliate in Seattle have concluded that IT support is the number one technology service that small nonprofits want and need. This need exists regardless of the nonprofit's mission and geographical location.

2.4 Business Model

NP-Basic's business is to deliver a high quality state-of-the-art IT support service for nonprofits. The solution will bring in a steady revenue stream by charging setup and ongoing maintenance fees to its customers. In addition, the number of customers served by this solution can reasonably and cost effectively scale because the solution primarily is supported remotely (as opposed to being supported

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[2] These nonprofits do NOT include very small (<$150K budget), volunteer driven nonprofits such as garden clubs and little leagues, nor do they include 501C6 membership/association organizations.
[3] NPower NY market analysis conducted in spring 2003; NPower Seattle business planning conducted summer 2004.

on-site, which requires travel time). NPower Basic's technology and service level agreements rival its private-sector counterparts and, in some cases, exceed the service levels offered by larger providers.

An example of superior service is NP-Basic's *hourly* back up of all new data on client machines both on their local server and off site at NPower, a level of service considered "state-of-the-art," even for corporations.

In addition, NP-Basic's monitoring system will prevent most viruses from spreading once they enter a single machine. If a problem is detected, often before the client even notices, NP-Basic can apply antivirus patches and prevent its wide-scale spread and resulting downtime.

With NPower Basic's remote support, 80% of problems can be addressed within 20 minutes, dramatically reducing client response time.

NP-Basic's ability to attend to most client needs remotely will reduce response time dramatically; without the need for technicians to visit the client site, the time needed to spot, assess, and fix IT problems will be cut by hours and also will keep costs down.

The costs of the service are kept low by leveraging partnerships that are available only because the service's parent, NPower NY, is a nonprofit. Specifically, the service will benefit from the direct donation of expensive software and hardware from Microsoft and Cisco, respectively. These donations drastically reduce the upfront cost of an average three-PC network. Microsoft and Cisco has each stated their enthusiasm for the program and that they intend to continue their commitment as the NP-Basic customer base grows.
(See Appendix for support letters from Microsoft and Cisco.)

CASE STUDY
From Prison to NP-Basic: A TSC SUCCESS STORY

When Robert Bonds was in high school, he dealt drugs and tried to emulate the high-end lifestyle he saw on magazine covers and videos.

Eventually, it caught up to him, and he found himself arrested for drug dealing and serving a three-and-a-half year arrest sentence. In 1999, Robert was in jail, disconnected from society, and feeling like he was in a downward spiral.

Ironically, it was while serving his sentence that Robert was introduced to the organization that turned his life around: Binding Together (BT).

One of NPower NY's Technology Service Corps' partner agencies, Binding Together provides vocational and job training to individuals who have economic or educational barriers to employment.

It didn't take long for the staff at BT to recognize Robert's potential and suggest that he apply to TSC. He seized the opportunity and was accepted into the program.

Robert went through three intensive months of technology training through the TSC program where he not only learned new skills in technology, but also found his confidence growing, his personality emerging and his curiosity insatiable. Robert successfully graduated from the program twelve weeks later.

Robert's first day of work took place at the Vocational Foundation, Inc. (VFI), a $3MM nonprofit that helps disadvantaged young adults achieve success through job training, placement and counseling. After years of intermittent IT, VFI's technology problems were outpacing their ability to react quickly to fix them, and they weren't able to proactively prevent mishaps from occurring.

Robert, with his supervisor and mentor Richard Brigandi, went right to work troubleshooting VFI's most urgent problems. They found computer lab problems, pervasive software viruses, spyware, and unreliable data backup.

"Robert's arrival couldn't have been more timely" said Mr. Brigandi, "I needed an assistant and his skills and thirst for learning were the perfect match for me and for VFI." After six months, Robert's commitment and performance earned him a promotion and a raise.

Today, Robert is a powerful role model for all of VFI's students as well as the students and alumni of the TSC program, VFI is anxiously awaiting the time when NPower-Basic will be.

NP-Basic will eventually complement and enhance the work that Robert and his supervisor perform on a daily basis. Organizations like VFI are already outsourcing routine maintenance, freeing up staff like Robert and his supervisor to proactively plan and prepare to support the organization's future growth plans.
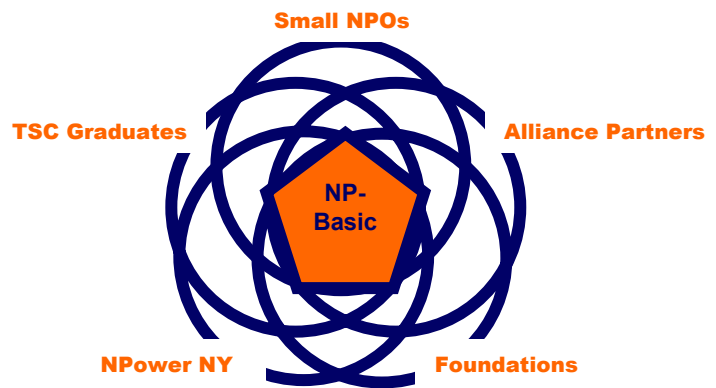
Another important feature of NP-Basic – one delivering added social value – is the convergence of NPower NY's workforce development program, TSC, with its Services division which operates NP-Basic. NPower NY is planning to hire graduates from its TSC program to work in its Services division for the first time under the NP-Basic banner.

Photo 2. Graduates from NPower NY's workforce development program, Technology Service Corps, will staff NP-Basic's help desk.

2.5 Value Proposition

NP-Basic's business model features a unique "quintuple-win" strategy. Each of the following five primary stakeholders achieves significant value through the program: client nonprofits; alliance partners; supporting foundations; TSC graduates and NPower NY – NP-Basic's parent organization. Table 1, below, describes the value propositions for each of the five stakeholders.

In particular, the commitment to provide employment opportunities to NPower NY's Technology Service Corps graduates is central to our strategy and value to the nonprofit community. This opportunity will strengthen the on-the-job experience of each graduate, boosting their chances of being placed after the rotation in a full time position at a nonprofit.

Figure 2. The unique quintuple-win strategy for NPower Basic provides strong value for each of its five stakeholders

Stakeholder	Value Proposition
1. Small Nonprofits Clients	Basic "lights on" state-of-the-art technology support at high quality and low cost. This includes multi-layered technical support, automatic back-ups, system monitoring and virus and application updates.
2. Alliance Partners (e.g., Microsoft and Cisco)	Expansion and enhancement of current donation programs by directly supporting a service that is delivered by a nationally-branded nonprofit technology service provider.
3. Foundations	Foundations can pool their technology support dollars to achieve higher investment returns and contribute to creating an economic approach to IT support. Options for supporting NP-Basic include: (1) Purchasing the service outright for their grantees as a critical capacity building investment in their grantee portfolio. (2) Funding the basic startup costs for NP-Basic (3) Supporting TSC and the social goals embodied by NP-Basic.
4. TSC graduates	Gain early job experience in a supportive employment setting, strengthening their skills in a real work experience. These skills will make graduates more marketable, increasing placement rates by 13% in jobs paying an average of 133% higher than pre-TSC salaries.
5. NPower NY (parent)	Achieves its mission by establishing the foundation of a reliable IT infrastructure within nonprofits. By offering this critical service more efficiently and effectively NPower NY also increases its own long term financial sustainability.

Table 1. Value Proposition for Key Stakeholders

2.6 Social Return on Investment

NP-Basic achieves its Social Return on Investment (SROI) by (1) helping nonprofits become more productive and efficient by maintaining their technology infrastructure and keeping their data safe and (2) impacting the lives of students who are trained through TSC by putting them on a career path in the growing field of technology. NPower NY developed an SROI analysis designed to measure the monetary social benefit of both aspects of NP-Basic.

Nonprofit SROI

One of the primary goals of NP-Basic is to help nonprofits spend more time on mission-critical work and less time on internal technical issues. Productivity loss that is triggered by an unstable technology infrastructure can substantially impact an organization and can even be dangerous given the mission-critical work in which many nonprofits engage. The example in the sidebar demonstrates how NP-Basic will help.

Anecdotally, NPower NY staff have heard countless stories of what a dysfunctional IT infrastructure can do to a nonprofit:

"I lay in bed at night praying for two things: that my baby daughter will be healthy and happy and that my technology will work when I turn it on tomorrow morning," said the Executive Director of an association nonprofit.

Using self-reported historical data from consultants on NPower NY's Scheduled Support service the amount of downtime averted by a nonprofit that had a regularly monitored and maintained infrastructure was estimated. It was assumed that as technology downtime declined the nonprofit was more productive and saved money by reducing idle time of staff.

"Last week our network crashed and fifteen staff ended up playing cards for a full day while waiting for email and other software applications to be restored. There was nothing productive they could do without the technology."
-- Program manager of a community development corporation

Effect of NP-Basic on Staff Productivity

Typical Small Nonprofit (without NP-Basic)

Problem with Computer[1]	Lost Productivity per Problem	Computers per Small Nonprofit	Lost Hours/Yr
12 x yr	**5 hrs[2]**	**3**	**180**

Typical Small Nonprofit (with NP-Basic)

Problem with Computer[3]	Lost Productivity per Problem	Computers per Small Nonprofit	Lost Hours/Yr
3 x yr	**2.5 hrs[4]**	**3**	**23**

1 Problems typically include getting a virus, having a software error, having a spyware issue, or – less frequently – having a hardware issue.

2 Assuming the problem lasts an average of one week (40 hours), reduces productivity by 10%, and takes one additional hour to actually fix.

3 NP-Basic monitors system and software errors, automatically updates anti-virus and anti-spyware definitions, and only allows pre-approved software installations.

4 Because NP-Basic will help fix problems faster via helpdesk and remote support, productivity lost should be conservatively reduced by 50%.

Example 1. Staff Productivity with and without NPower Basic

Technology Service Corps SROI

In order to calculate a SROI for the impact that NP-Basic has on TSC's overall effectiveness, we first assumed that as TSC graduates are placed in full time jobs, their dependence on public support declines as their contribution to society increases (this assumption seems valid based on profiles of students' pre-program lives conducted by TSC program staff).

After analyzing the placement experiences with our past graduates, staff further believes that NP-Basic, and the supportive employment opportunity that it affords the graduates, will increase their "employability" and increase the program's overall placement rate from 72% to 85%. In addition, during the NP-Basic rotation, students are paid a competitive wage and pay taxes.

Conservative estimates were used for this analysis because, as part of the original program design, pre-screening of every TSC student for specific life circumstances was not done. Instead, since TSC staff often plays the role of social worker, mentor and coach throughout the program, staff used their best knowledge of the individual students' lives to make conservative assumptions.

Overall SROI

Overall, the SROI for NP-Basic is 16. This means that for every dollar invested in NP-Basic, more than 16 dollars are returned to the community in the form of more productive nonprofits, more jobs for previously disconnected youth and more economically stable lives for TSC graduates.

NP-Basic is a huge SROI "win-win" that provides a tangible, critical service to nonprofits while employing disadvantaged youth. As the appetite for services like NP-Basic grows in the nonprofit sector, its ongoing commitment to providing opportunities for TSC will ultimately put more youth on a path to a lifelong career in technology. (See appendices for the full SROI analysis.)

"Now I know this training was more than technical skills or professional development, it's about changing the way you and other people view you, It's about making your son proud to say that his dad is a network administrator. It's about my mother no longer asking me 'what are you going to do with your life?' I am a role model – my sister looks up to me and now she's more interested in computers and technology. There's a feeling of pride and a sense of accomplishment."

-- Michael Douyon, TSC graduate, Class

Overall SROI

$16

For every dollar invested in NPower Basic, more than 16 are returned to the community.

$1

| Dollars Invested | Social Return on Investment per Dollar Invested |

Figure 3. NPower Basic's Social Return on Investment

2.7 Business Objectives

The following is a list of the significant business objectives of NP-Basic:

❑ To help resource-strapped nonprofits get the technology support they need while saving money that can be applied to further their organizational missions.

❑ To gain a 3% market penetration of the initial target market for NP-Basic by Year Three (approximately 100 NYC nonprofits). The total spending power of these 100 nonprofits is $50 million -$100 million, and together they employ 300-500 people.

❑ To provide a supportive work environment for graduates of NPower NY's workforce development program, TSC. NPower-Basic will provide at least 22[4] six-month rotations through its helpdesk for TSC graduates.

2.8 Track Record

As the largest nonprofit technology advisor and provider in New York, NPower NY has developed and honed its expertise in delivering high-quality, low-cost technology solutions to the nonprofit sector. Currently in its fourth year of operation, NPower NY delivered over 10,000 hours of hands-on technology assistance in 2004 and has a membership of 250 nonprofits and other stakeholders from throughout the city.

NPower NY's Board of Directors is comprised of executives from among the premier technology companies, law firms, private equity firms, nonprofits and foundations in the city. Likewise, its staff is comprised of seasoned professionals from the for-profit and nonprofit sectors. In just four years the staff and board have successfully raised nearly $7MM in private and public support from such notable sources as The Robin Hood Foundation, Starr Foundation, Altman Foundation, JPMorgan Chase Foundation, Accenture, Microsoft and the New York City Council.

"We love NPower. We first heard about what they were doing with inner-city kids, and we were intrigued. Then we used them, and they have been terrific – great prices, great service, great people."

– Harlem-based housing provider

A significant number (42%) of NPower NY's clients are small nonprofits with budgets of less than $1MM. NPower NY developed its deep understanding of small nonprofits as a result of rendering thousands of hours of hands-on consulting, support and training hours to this segment. NP-Basic is a service that represents NPower NY's ongoing commitment to this group of nonprofits.

NP-Basic also will utilize TSC graduates as entry-level helpdesk staff. NPower NY's TSC has been an outstanding success in its first three years of implementation. The program is designed to train out-of-school youth from throughout New York and place them in jobs, primarily in the nonprofit sector. Graduates from the program have excelled in their jobs at nonprofits such as the NY Founding

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[4] Each TSC graduate will serve a six-month rotation on the help desk; this is a total over the three-year period.

Hospital, Union Settlement and the Community Food Resource Center. In addition, Accenture was recently so impressed with the performance of two graduates during their internships with Accenture clients that they agreed to hire them full-time.

2.9 Leadership Team

Because it considers itself a nonprofit with an entrepreneurial culture and significant earned revenue potential, NPower NY has built a staff and board that reflect the critical business and nonprofit experience needed to run this social venture nonprofit.

Jeffrey Walker is NPower NY's Board Chair and this submission's Board Designee. Jeff currently is the Managing Partner of JPMorgan Partners (JPMP), JPMorgan Chase's $25 billion global private equity group and member of the Executive Committee and Vice Chairman of JP Morgan Chase.

Barbara Chang is NPower NY's executive director and this submission's Project Champion. Barbara has over 20 years of experience in the nonprofit sector and was the founding director of NPower NY. During her tenure, NPower NY has grown from a seed startup to a mature, $3 million, 20-staff nonprofit with extensive service-delivery and community-support divisions.

Simon Moloney, NPower NY's Director of Services and Strategy, comes to NPower NY from Accenture where he was a Senior Manager in the Communications & High Tech Industry Practice. He brings more than 13 years of managerial experience in Business Development, Program Management, Solution Delivery, Systems Strategy and Architecture, Product Development and Requirements Definition.

Scott Morgan, NPower NY's Senior Manager of Services, brings more than 19 years of technical and business leader expertise having worked at large technology companies, including Microsoft, EDS, and Razorfish.

2.10 Critical Success Factors

NP-Basic's long-term success will be determined by several critical factors:

- NPower NY's ongoing learning and understanding of the small nonprofit segment.
- Affordable price points.
- A satisfying customer experience.
- Brand recognition and high visibility within the target market, alliance partners and the broader nonprofit community.
- Excellent customer service and long-term customer relationship management.
- A positive and enriching employment experience for TSC graduates.
- Maintaining a consistent "quintuple win" among the five primary stakeholders: client nonprofits, alliance partners, supporting foundations, TSC graduates and NPower NY.

3. Industry and Market Analysis

NPower NY has extensive experience with NY-area nonprofits. This section will provide an overview of the overall nonprofit market and the initial segment on which the program is focused (small technology-constrained nonprofits without a designated IT professional). This section will also define the characteristics of this market, detail how the program has come to focus on this market, share the basis for market acceptance, and review potential competitors and NP-Basic's competitive advantage over these competitors.

3.1 The Target Market For NP-Basic

The Nonprofit Sector in New York City
New York City has 27,474 registered nonprofit organizations, of which 9,078 file annual reports to the IRS. These 9,078 nonprofits deliver information, products, and services to the public. Although they are only a share of the total nonprofit universe, they are what are commonly thought of when one refers to *nonprofits*. They include hospitals, day care centers, dance companies, and the entire gamut of organizations serving people on a nonprofit basis.[5] Most notably, approximately 7,000 of the 9,078 nonprofits have budgets of less than $1 million and a subset of this group represents the target market for NP-Basic.

The Target Market for NPower Basic
The target market for NP-Basic is the approximately 3,500 nonprofits whose budgets fall between $100K and $1MM. They include grassroots community organizations, arts and theater groups, after-school programs, and social justice organizing groups. The 3,500 very small nonprofits with budgets of less than $100,000 and staffed by volunteers (such as Little League teams and garden clubs) are not part of the initial target market. Future plans include marketing to medium and large organizations (budgets of less than $25MM) and – due largely to its remote capabilities – marketing to like-size nonprofits in the greater New York region. This larger group will sweep in most of the remaining 2000 nonprofits in New York City as well as thousands more on Long Island, Westchester and Northern New Jersey.

845 Large Nonprofit

Very Large Nonprofits.
• $5m+ annual revenues, 50+ staff, multiple sites.
• Effective in- house IT, access to commercial support.
• Healthcare, large arts, large social service orgs.

1345 Med NPOs

Medium Nonprofits (the secondary target).
• Between $1m-$5m revs. < 50 staff, multiple facilities.
• Some in-house IT support, can purchase support.
• Mid-size performing arts, CBO's, social service orgs.

**3362 Small Nonprofits
The Target Market**

Small Nonprofits (the target market).
• Up to $1m revs, <10 staff, single facility.
• No in-house tech support, low access to support.
• Small arts groups, advocacy groups, CBO's.

3526 Very Small Nonprofits

Very Small Nonprofits.
• < $100K revs. None/one staff, no facilities.
• No or low computer needs.
• Garden clubs, youth sports leagues.

Figure 4. The New York City nonprofit market.

Virtually all of these organizations use computer technology for email and reporting, budgeting, databases and inventory, and marketing and advertising[6]. Reliable technology is critical to achieving their missions with shoestring budgets.
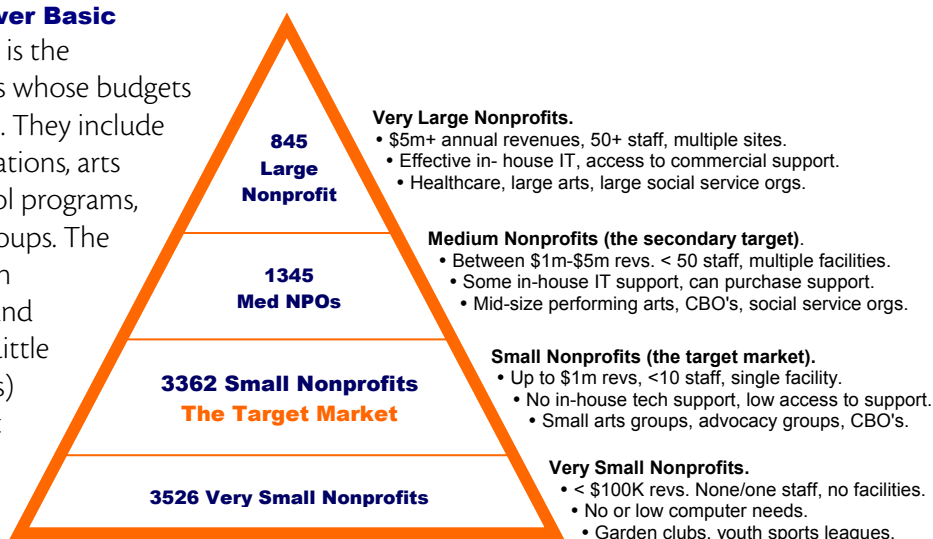
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[5] NYC's Nonprofit Sector – John Seley and Julian Wolpert May 2002
[6] Ibid

Few of these nonprofits have or need in-house technology personnel. In fact, only about one percent of all tax-exempt organizations list a top technology position on their IRS Form 990[7]. In small organizations, technology support can fall either to "accidental techies" (i.e., staff members with some computer knowledge who, in addition to their primary roles, inadvertently wind up supporting the organization's technology infrastructure), or to volunteers who work sporadically and have varying skill sets. The growing number of small nonprofits who eventually seek services from NPower NY report that they are tired of the inconsistent, sub-par technical support they have been receiving and are ready to make the necessary commitment to secure reliable, robust support.

Small nonprofits generally spend less than 2% of their annual operating budgets on technology, or an average of less than $10,000 per year[8], and NP-Basic is being designed to achieve more effective utilization of those limited dollars. Currently, much of this spending is self-described as "ad hoc,"[9] but with NP-Basic, the limited technology resources will be spent on prevention and support rather than on high-priced emergency services or software virus mitigation.

Nonprofits "most likely" to purchase NP-Basic will share the following characteristics.

- **The nonprofit has leadership that considers IT support a necessity rather than a luxury**. NPower NY's experience has shown that for many nonprofit leaders, IT support is analogous to a maintenance contract for telephones or a copy machine. Leaders with this attitude toward IT support should be more inclined to purchase NP-Basic.
- **The nonprofit currently is spending or is willing to spend money on IT maintenance and support**. NPower NY is targeting nonprofits that are currently paying for this service as it indicates that a real value has been placed on the technical skills required for IT support and on the benefits realized by such a service.
- **The nonprofit has aging hardware that it acknowledges must be replaced**. Nonprofits who are replacing or purchasing hardware are prime candidates for NP-Basic from a front-end capital investment perspective.

The NP-Basic service and pricing model was designed to provide a commercial-quality level of support to small nonprofits at a price that is within their current IT budgets. NP-Basic should *replace* much of that existing spending. A typical three-workstation environment with a server will cost approximately $5,000 per year which includes Internet access, support, monitoring, and maintenance.

3.2 Segment Analysis

In the first quarter of 2003, NPower NY conducted a survey within its 250-member base as well as with non-members to better understand the demand for its services. One of the most interesting findings of that study was that the majority of small nonprofits (those with ten or fewer staff and budgets under $1mm) were interested in finding ways to more effectively support their IT and, as importantly, were willing to pay for it. Virtually all the interviewees acknowledged that their missions were being hurt by inefficiencies caused by technology difficulties.
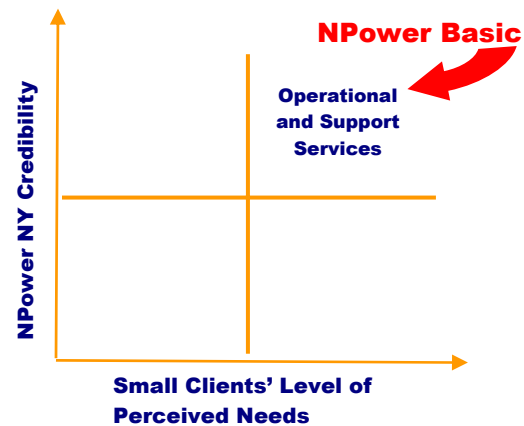
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[7] Guidestar
[8] NPower NY Survey, Fall 2004
[9] NPower Seattle round II business planning survey results

This study further revealed another valuable way for NPower NY to segment its audience. The study revealed that NPower NY's customers consisted of nonprofits in four major segments:

1. *Small nonprofits without IT support* (fewer than 10 staff).
2. *Medium nonprofits (often with IT support):* These organizations usually have just one or two IT staff, sometimes supported by interns or vendors.
3. *Umbrella nonprofits*: These supporting nonprofits may provide IT services to their member nonprofits.
4. *Large nonprofits.* These organizations typically have robust IT departments that support their activities.

Of these segments, the "small nonprofits without IT support" is the logical target for the NP-Basic service. This segment consistently expresses a strong and singular desire for basic technology support services and *views NPower NY as a highly credible supplier*.

Figure 5. Small nonprofits had high need for NPower's Operational/Support services and gave NPower high credibility in offering them. NPower Basic is positioned to capitalize on this.

3.3 Market Acceptance

The concept behind NP-Basic has been validated several times with market research, and through sales and service experience. Specifically these include: (1) several market studies, including a recent study completed this spring by independent consultants, (2) NPower NY's active effort to sell the service (which is operating now in the "beta" phase), and (3) its experience with an offering called "Scheduled Support."

In each market study, conducted at different points in the development of the service, the opinion of the organizations surveyed was overwhelmingly in favor of the pricing and services included in NP-Basic.

In the most recent study of 35 NPower NY members, non-members and users of its Scheduled Support service, participants were asked about critical factors in choosing IT services. By far the most important factor for small nonprofits is price, with 19 out of the 35 ranking this as the most critical component in any buying decision. Pertinently, service responsiveness was ranked as the second most important factor. After briefly describing NP-Basic during the phone interview, over 77% expressed an interest in learning more and wanted to be contacted when that information was available. NP-Basic pricing was tested and fell well within the comfort zone of the sample. As importantly, over half of the sample said they were likely to sign up for the service.

During October and November of 2004, NPower NY actively entered the marketplace seeking trial customers for the service. Response to the sales effort was very encouraging. Of 15 small nonprofit customers contacted, nine agreed to hear a presentation on the benefits of the program and several were eager to sign a contract. To date, NP-Basic has three clients up and running in the beta phase

with several more reviewing contracts. Once the beta clients have been successfully serviced for three months, aggressive marketing of the service to the broader community will begin.

> *"NPower Basic is a tremendous asset for Rehabilitation International. NPower Basic provides the equipment, knowledge and technical support that allows RI to work more efficiently, better serve our 700 member organizations in more than 80 countries and focus on our mission of promoting the rights of people with disabilities."*
>
> *—Tomas Lagerwall, RI Secretary General*
> *NP-Basic customer*

Finally, NPower NY has been running a Scheduled Support service for the last three years. The Scheduled Support service involves an on-site visit by an NPower NY consultant who, on a bi-weekly or bi-monthly basis, maintains the organization's workstations and networks. Currently, 63% of NPower NY's 50 scheduled support clients are nonprofits with budgets of less than $1MM.

Each year for the past four years, the Scheduled Support service has grown by double digits, and it consistently has been the number-one service demanded by small nonprofits. In fact, the primary comment from members is that they want more – more helpdesk support and more emergency support when they experience technology outages. These comments, along with significant thought and analysis, were the primary factors that led NPower to conceive, develop, and launch NP-Basic.

As the premier nonprofit technology assistance provider in NYC, NPower NY is uniquely qualified to launch this service. Its experience in delivering the Scheduled Support service has met with high demand from small nonprofits and has been one of NPower NY's most successful offerings.

3.4 Competitive Analysis

Analysis of our known competition (e.g., technology providers we know to be offering service to small non-profits) and our potential competition (e.g., technology providers who may in the future offer services to small non-profits) yielded five primary competitors types for the kind of service that NP Basic offers. In all cases, NPower NY's NP Basic service was a more competitive offering for the small nonprofit.

NPower NY's Five Primary Competitor Types

Large Original Equipment Manufacturers (OEMs) / Computer Manufacturers: A growing number of manufacturers of desktop computer systems and network servers offer varied levels of support packages. Some of these organizations offer attractive pricing for these support services. In the case of Dell, for example, the entry price for managed desktop support is $408/yr (plus $149 for setup).). While this class of competitor has the capability to deliver services for their customers in local, national and – in some cases – global settings, they typically do not serve companies/nonprofits that have less than 1000 desktops.

Value-Added Resellers (VARs) or IT Management Service Providers: A number of VARs and other management service providers have started to focus on businesses that have limited IT resources and are looking to control their IT costs. The services most available from this group of providers include a technical field force performing desktop and network support, basic helpdesk support and remote

fileserver backup. This class of competitor is delivering services to local, regional and nationwide settings. Typically, the prices offered by VARs are not affordable for small nonprofits.

Individual or Small One to Three-Person Technical Support Consultants: These consultants deliver a narrow range of services consisting primarily of technical field forces performing desktop and network support. They deliver services almost exclusively to local organizations. However, their skill sets are often limited and the offerings are rarely comprehensive.

Small For profit or Nonprofit Organizations offering Helpdesk / Technical Support: These organizations also offer a limited range of IT services (helpdesk and technical support) that may be a small component of a larger, non-technical service offering. Customers usually use these providers on an ad-hoc basis for technical or network support. They also deliver their services almost exclusively to local organizations. As with the consultants, above, their skill sets are often limited and the offerings are rarely comprehensive.

Internal IT-savvy Staff within the Nonprofit: Many small nonprofits will have one or two individuals who by default – or, in rare cases, by design – have taken on IT management responsibilities in addition to their other duties. In most cases, these organizations subcontract more specialized IT tasks to technical support services providers or limit the organization's IT capability to the available skills.

3.5   Summary of Major Competitors

The following chart summarizes competitors' abilities to meet the unique needs of the target customer and the major barriers for them in the small nonprofit segment.

Type	Examples	Market Reach	Targeting Small NONPROFIT Segment?	Ability to Meet Needs of the Small NONPROFIT Customer?	Major Barriers to Competitor Success
NPower NY	**NPower Basic**	**Local**	✓	✓	**n/a**
OEM / Manufacturer	DELL	National	✗	✓	• Not targeting nonprofits • No access to donation & discounts for nonprofits
Value Added Resellers or IT Management Service Providers	MindShift, Everon Dynamic Solutions Associates	Regional / Local	✗	✓	• Higher priced services • Not targeting nonprofits • No access to donation & discounts for nonprofits.
Individual or small 1-3 person Technical Support Consultancies	Various	Local	✓	Partial	• Higher priced services • Limited services offered • No access to donation & discounts for nonprofits.
Small non–profit(shown) or for-profit (not shown) organizations offering Helpdesk / Technical Support	Fund for City of New York Nonprofit Helpdesk	Local	✓	Partial	• Higher priced services (for profit) • Limited services offered • Limited access to donation & discounts for nonprofits.
Internal IT-savvy staff within the nonprofit organization	Various	Local	n/a	Partial	• Limited skills • Lack of time and focus

Table 2. Source: NPower NY Market Research

3.6 Competitive Advantages

As a nonprofit organization that is singularly focused on assisting its colleagues in the nonprofit sector, NPower NY holds a unique position versus its competitors. The advantages specific to NP-Basic are detailed in this section.

Lowest Pricing Available
- Donation and pricing strategies ensure that products and services offered by NPower NY are at the lowest price available to small nonprofits. See section on "Pricing" for more information.

Nonprofit Parent (NPower NY)
- NPower NY provides access to software & product donations, foundation support for technology capacity building and first-hand knowledge of the market that commercial competitors cannot match.
- NPower NY has gained, from hands-on experience, deep in-house knowledge and expertise in delivering technology support and serving small nonprofit organizations.
- NPower NY has a steady labor pool of entry level technicians from its TSC program.

Focus on and Commitment to Nonprofit Sector
From inception, NPower NY has focused exclusively on serving the nonprofit sector. Its services and solutions are developed to meet the specialized needs of under-resourced, mission-based organizations.

Proven Experience and Strong Relationships with Small Nonprofits
- NPower NY is a trusted partner to small nonprofits who are already customers, with strong positive reputation through word of mouth,
- NPower NY has an established customer base from existing technical support activities, consulting practice and TSC program.
- NPower NY has a proven business model.
- NPower NY has an experienced management team.
- NPower NY is part of a network of NPower affiliates bringing access to nonprofit resources unmatched by other competitors.

Comprehensive and Superior Service Offering
- The offering features delivery of preconfigured and software-loaded desktop computers, printers and network in conjunction with services including onsite and remote support, automatic back-ups, anti-virus and software updates, and remote monitoring and maintenance.
- The offering takes advantage of key product donation and discount relationships with Cisco and Microsoft.
- The offering provides hourly back ups of all new data on client machines both on their local server and off-site at NPower NY.

Market-Leading Customer Service
- NP-Basic provides installation, customer service and technical support with hardware and software, a unique "packaged" combination.
- NP-Basic is designed to focus exclusively on nonprofit organizations.
- NP-Basic takes advantage of NPower NY's deep experience delivering technology support.

- NP-Basic capitalizes on NPower NY's extensive understanding of the specific needs of small nonprofit organizations.
- NP-Basic dramatically eases both customer service and technical support.
- NP-Basic and its staff will adapt to changing client requirements.
- NP-Basic features "always on" monitoring of customer's environment in addition to helpdesk support to ensure service responsiveness.

Social Return on Service Offering
- All other aspects being equal, the utilization of trained workforce whose graduates originate from NYC's underserved communities is compelling to many nonprofits.

3.7 Summary of Competitive Advantages

The following chart summarizes the ability of each competitor type to compete with NP-Basic for customers:

Type	Exclusive Non-Profit Focus	Strategic Alignment	Lowest Pricing Available	Comprehensive Service Offering for Small NPOs	Market Leading Customer Service	Proven Experience with Small NPOs
NPower Basic	✔	✔	✔	✔	✔	✔
OEM / Manufacturer	✘	✘	✘	✘	✔	✘
Value Added Resellers or IT Management Service Providers	✘	✘	✘	✘	✔	✘
Individual or small 1-3 person Technical Support Consultancies	✔	✔	✘	✘	✘	✔
Small for profit or non–profit organizations offering Helpdesk / Technical Support	✔	✔	✘	✘	✘	✔
Internal IT-savvy staff within the nonprofit organization	n/a	n/a	n/a	✘	✘	✔

Table 3. Source: NPower NY Market Research

4. Marketing Plan

This section will describe the marketing plan for NP-Basic.

4.1 Marketing Objectives

The objectives for the initial marketing plan are as follows:

1. To reach 9,000 New York-based nonprofits through print and electronic media (email, newsletters, partner announcements, NPower NY website).
2. To reach 250, or 100% of NPower NY current clients and members to introduce them to NP-Basic (not all clients are within NP-Basic's target market, but the early awareness campaign among all members will be important for future sales efforts).

3. To reach 25, or 100% of current NPower NY funders regarding NP-Basic.
4. To have 13 meetings with umbrella groups/associations of nonprofits with an overall reach of over 2,500 nonprofits to discuss discounts and special offers for their members.
5. To secure 30 clients within Year One, building to 100 clients by the end of Year Three. These estimates are conservative and thus serve the planning process well. There is a good possibility that sales will exceed these targets based on the early research conducted.
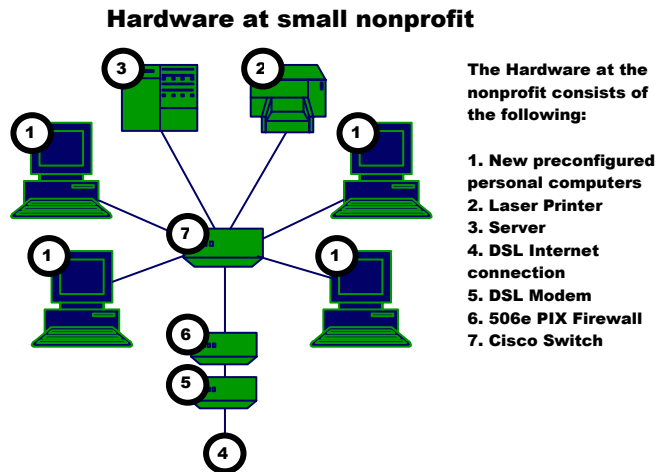
4.2 Product

Hardware at small nonprofit

The Hardware at the nonprofit consists of the following:

1. New preconfigured personal computers
2. Laser Printer
3. Server
4. DSL Internet connection
5. DSL Modem
6. 506e PIX Firewall
7. Cisco Switch

Figure 6. Hardware and Network at Client Location

The NP-Basic Characteristics
NP-Basic is a package of hardware, software, and services that delivers and efficient and scalable IT maintenance and helpdesk support to small nonprofits.

Hardware
In order to deliver high quality, low cost services to this segment, NP-Basic will *proactively* define the environment in which it works. By defining an IT environment, the service can be delivered more effectively. Hardware with pre-loaded software typically is part of the bundled service, but existing client desktops that meet the comparable HW requirements, or a minimum standard, may be used in lieu of purchasing new desktops.

The hardware in the package consists of the following:

- New, pre-configured personal computers (PCs) pre-loaded with software (or existing personal computers that meet minimum hardware requirements.)
- Laser printer
- Preconfigured server loaded with software that allows for shared printing and files
- High speed (DSL) connection to the Internet
- DSL modem allowing communication with the Internet
- 506e PIX firewall that secures data from external intrusion
- Cisco switch that allows all the hardware to be networked together

Software
Bundled, pre-loaded onto the system and pre-tested are the following software products:

- Microsoft Office XP Professional
- Windows XP Professional (operating system)
- Windows Server 2003
- Other crucial software (some of this still is to be determined, but includes free or donated anti-virus software, a reader for PDF files (like Adobe Acrobat), and an Internet browser)

Services

Finally, the services include:

- Installation of the network at client location
- Data migration (note: time allocated to data migration is capped.)
- Helpdesk by phone for fast service
- Remote Support where trained professionals can "take over" a client's computer and fix problems while the user observes
- Automatic software patches
- Automatic anti-virus updates
- Automatic <u>hourly</u> back-ups
- Remote monitoring and maintenance of hardware and software
- Onsite support –for emergencies only
- Set up, installation, and training

Note: As is evident, much of the support will be conducted remotely – that is, from the offices of NPower NY and facilitated by a secure tunnel to the clients' desktops and servers. Remote support not only is effective in handling most support activities (typically up to 80% of IT problems can be handled in this fashion), but also is much more time- and cost-effective for the nonprofits and NPower NY.

The NP-Basic solution also will eventually offer "add-ons" based upon small nonprofits' needs and available funds. Add-ons will include basic website and hosting, fundraising applications, and accounting applications. Each add-on will be carefully vetted by NP-Basic staff to ensure that the product is relevant for the nonprofit and does not create instability in the IT environment.

4.3 Placement and Distribution

Foundation Network

NPower NY is supported by nearly 25 foundations and other stakeholders in NYC and has an excellent relationship with its local umbrella group for foundations, the New York Regional Association of Grantmakers (NYRAG). It is its intent to reach each of these supporters with marketing material and presentations about NP-Basic. The portfolios of these foundations and agencies cover virtually all of the nonprofits in New York.

NPower NY has already presented the NP-Basic solution to several foundations. So far three foundations (Robin Hood Foundation, New York Foundation, Blue Ridge Foundation) have agreed to introduce NP-Basic to their grantees, and at least one foundation has agreed to pay for the hardware conversion and service for the first year.

Incubator Groups

New nonprofits who are about to make their first technology purchase are ideal candidates for the NP-Basic service. By fostering relationships with nonprofit incubator organizations (e.g., Blue Ridge Foundation), NP-Basic will be able to target this extremely attractive group.

NPowerNY.org and Other Media

NPower NY has extensive communications channels for its members and the larger nonprofit community in New York. Current clients will be introduced to NP-Basic in various ways including NPowerNY.org (where traffic averages 6000 hits per month), NPower NY staff, the weekly member e-

newsletter, a quarterly general newsletter (which reaches 5000 nonprofits), and other NP-Basic specific marketing materials.

Nonprofit Associations and Umbrella Groups

Reaching large numbers of nonprofits at once, NP-Basic will leverage a "wholesale" approach to its marketing by targeting several umbrella nonprofits to discuss special pricing for their small members in exchange for a critical mass of clients. This opportunity represents a major distribution channel for NP-Basic by leveraging the access and special relationships that associations and umbrella groups have with their memberships. The table below lists just a few of the many umbrella groups and associations that NP-Basic will target.

Name of Membership Association	Number of Members/Network Affiliates
Nonprofit Coordinating Committee	1,300
Alliance of Resident Theatres	400
Federation of Protestant Welfare Agencies	300
Catholic Charities	137
Human Services Council	100
UJA-Federation	85
Enterprise Foundation	85
Hispanic Federation	81
Asian-American Federation	36
United Neighborhood Houses	35
Local Initiatives Support Corporation	35
Junior League of New York	29
Associated Black Charities	20

Table 4. Umbrella organizations in NYC.

4.4 Pricing

NP-Basic's goal is to provide its technology support package to nonprofit organizations with the best possible products, service, and support at an affordable price. Many nonprofits will pay for this service themselves, some will seek foundation support on their own, and still others will be granted support from their foundation partners.

There are four components to pricing for any particular client (or foundation covering the cost to the nonprofit): (1) the cost of the hardware; (2) the cost of the software; (3) the cost to install the hardware and infrastructure, and (4) the cost of the ongoing service (including DSL connection).

The current pricing is targeted as follows:

Hardware
Typically prices will fall into the following ranges but can be lower or higher based on customer preferences and special requests:

$550 per PC, preconfigured and loaded with software.
$1000 for the following

- Server
- Network
- DSL line
- Printer
- Cisco equipment
    - PIX 506E firewall -- $85 admin fee (list price: $900)
    - Catalyst 2950 24-port switch – $60 admin fee (list price: $629)

Note: existing PCs that meet the comparable HW requirements or a minimum standard may be use in lieu of purchasing new PCs.

Software
- Microsoft Office XP Professional – FREE (list price: $450 per desktop)
- Windows XP professional (operating system) – FREE (list price: $309)
- Windows Server 2003 – FREE (list price: $709 + $22 per user license)

Installation
$200 per PC.
$2000 for the server, network, the DSL connection and the remote connectivity.

Ongoing service fees
$150 per month for the network
$100 per month for each PC

One of the reasons that NP-Basic's prices are so low is that all of the software and some of the hardware (routers) are either free or will be acquired and distributed through a partner program with Microsoft and Cisco. Administrative fees for handling may be incurred with the donation.

The considerations for the installation and service pricing include, but are not limited to, salaries and other overhead, customer service costs, monitoring and maintenance costs, onsite visit cost structures, and sales and marketing costs. Assumptions about the frequency and the staff time allotted to each of these segments factored directly into the pricing.
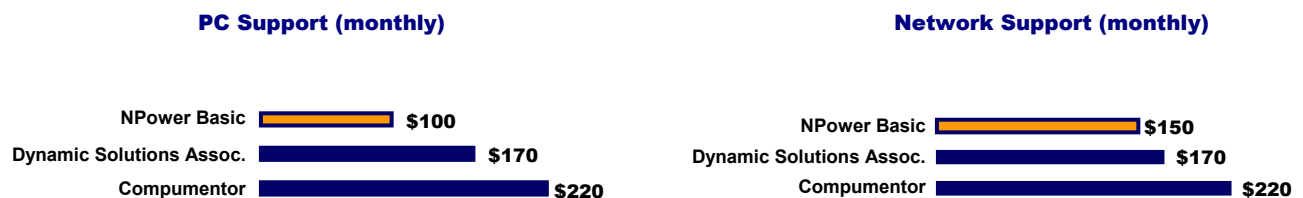
PC Support (monthly)

NPower Basic	$100
Dynamic Solutions Assoc.	$170
Compumentor	$220

Network Support (monthly)

NPower Basic	$150
Dynamic Solutions Assoc.	$170
Compumentor	$220

Figure 7. NPower Basic's prices are well below the prices of other vendors, making the service even more compelling for very small nonprofits.

A competitive pricing analysis was conducted in spring 2005 and the results show that in every category, NP-Basic's prices are well below prices of other vendors. This is largely due to the donations of software and hardware that NP-Basic is able to secure for its clients through its corporate partners Microsoft and Cisco. Specifically, NP-Basic's standard desktop price ($550) is less than half of the price

of a comparable desktop from the nearest competitor surveyed ($1037). In addition NP-Basic's total price for PC and server support is 19% lower than the nearest competitor. For more details of the pricing survey please see the appendix.

4.5 Promotions Plan

This promotion plan highlights our key marketing strategies. These strategies are designed to reach NP-Basic's target audience as well as the nonprofit audience as a whole using a mix of marketing vehicles and messages.

Sales Personnel

A critical part of the promotion plan is a dedicated sales person who will leverage NPower NY's existing nonprofit, funder, and association relationships to identify potential clients for the service. NPower NY believes that it can successfully market in the general small nonprofit segment by arming its sales staff with responses to what it anticipates will be common concerns.

Customer Concern	NPower Basic Response
"We can't afford to spend money on technology"	"Help me understand more about your technology and let's walk through what happens to your clients when your infrastructure goes down"
"I have a cousin who does this type of work and he charges nothing"	"We're professionals providing services at subsidized rates… we're here to support you for the long run"
"Our budget isn't big enough for hardware/software purchases, let alone support"	"Without proper infrastructure and support, hardware/software purchases will provide only a limited benefit"
"Our needs are very basic... we only need email and internet"	"What would happen if your email went down for two days... there are serious productivity implications"
"Additional infrastructure would waste more time in transition than it would save"	"What are your most critical pieces of data that would need to be transitioned…What would you estimate the value in time alone would be lost if you lost all of your mission critical files?"

Table 5. NPower Basic responses to common customer concerns

4.6 Performance Milestones

The impact of the marketing plan will be measured against certain performance milestones:

Performance Milestones	
# Customers	30 at end of 2005, 50 end of 2006, 100 end of 2007
Earned Revenue Growth	49% in 2006, 106% in 2007
Average annualized revenue per customer	$5229 in 2005, $5490 in 2006, $5,765 in 2007
Social Impact	Provide 22 six-month rotations over the first three years for TSC graduates at the NP-Basic helpdesk.

Table 6. Performance Milestones for NPower Basic

5. Management Plan

NP-Basic management supplements its nonprofit know-how with vital expertise from the business world. Key positions are staffed with business professionals equipped with the experience and skills

necessary to successfully run a professional service business, its inventory management, its customer service operations, and the training of its consultants. They also are experienced and capable of establishing and managing the strategic relationships with leading technology corporations that will be crucial to the venture's success.

5.1 NP-Basic Team (Year One)

Simon Moloney (10% of time)
Simon Moloney is the Director of Services and Strategy. Simon has overall accountability for the Services division and, more specifically, will be overseeing the pipeline and sales for NP-Basic. Prior to joining NPower NY, Simon was a Senior Manager with Accenture's Communications & High Tech Industry Practice. He brings more than 13 years of managerial experience in business development, program management, solution delivery, systems strategy and architecture, product development and requirements definition.

Recently his responsibilities included the creation of a strategic alliance and sales pipeline for Accenture and a global communications provider. Simon was responsible for the definition and implementation of the go-to-market planning, offering development as well as new account development.

Scott Morgan (10% of time)
Scott Morgan is the Senior Manager of Service Delivery. Scott is accountable for project delivery and resource management for the Services division and, specifically, for NP-Basic. Scott brings more than 19 years of technical and business leader expertise having worked at prominent private sector technology companies including Microsoft, EDS, and Razorfish. Prior to joining NPower NY Scott held the position of Enterprise Services Manager at Microsoft for three years. During his fourteen years at EDS, Scott held several roles.

Relevant to NP-Basic, Scott was Systems Engineer Manager at EDS where he was responsible for regional financial systems performance, stability and end-to-end cycle delivery. His functions included setting team direction, day to day system operations, maintaining strong customer relationships, development of new leaders, P&L responsibility ($12MM annual revenue), identifying and implementing new business opportunities, and expanding team capabilities on the account and to other areas of the financial division.

Theresa Stroisch (100% of time)
Theresa Stroisch is Base Services Manager at NPower NY. Theresa joined NPower NY in 2002, and over the past two years she has worked predominantly with NPower NY's small nonprofit clients. As Base Services Manager, Theresa is responsible for the sales, daily management, and on-site assessments for NP-Basic.

Prior to joining NPower NY, Theresa worked at the Gates Foundation, where she developed her skills as a trainer on the foundation's Library initiative. Theresa honed her relationship building skills in that position as well as developed her personal commitment to under-resourced nonprofits. During her tenure at NPower NY, Theresa has been a stellar relationship manager and has rapidly developed and mastered project management skills.

Frank Rosado (50% of time)

Frank Rosado is the Level III (LIII) Consultant and the main technical lead charged with designing the NP-Basic solution. Frank currently is NPower NY's Technical Consulting Manager and has held the position since early 2003. Prior to joining NPower NY, Frank worked at Marsh Inc. where he oversaw the technical support department for its corporate headquarters. Once NP-Basic comes out of beta testing, Frank will serve as the Level III helpdesk resource as well as overall technical lead and trainer on NP-Basic. Frank's experience of running Marsh's corporate helpdesk coupled with his passion for the nonprofit sector and our TSC graduates makes him an excellent candidate to lead this effort.

Technical Associate LI (Helpdesk) (2 FTE TSC rotations – Year One)
Two full-time TSC-graduates for one rotation each in Year One. In addition to staffing the helpdesk, these positions will also be procuring and configuring hardware and software for new clients.

Technical Consultant LII (Helpdesk) (50% of time)
A mid-level helpdesk II staffperson will be available to handle escalations from the TSC graduates. This position will also handle training for new clients.

5.2 Commitment and Coordination with Parent Nonprofit (NPower NY)

Achieve Community Impact
through targeted use of technology solutions in service delivery

Increase Nonprofit Effectiveness
through use of technology applications

Create Organizational Stability
by building the technology floor of day-to-day operational efficiency

Figure 8. NPower NY's Mission Pyramid

NPower NY and NP-Basic are intrinsically linked by mission and business objectives. NPower's first four years of working with nonprofits in New York City provided solid evidence of the need for high quality IT support for nonprofits in all segments of the sector. Seventy-five percent of its project work in the first three years can be categorized as "infrastructure-related" and IT support was and continues to be a majority of that work. NPower NY believes that IT support is the foundation of a solid IT strategy within nonprofits. Figure 8 describes NPower NY's approach and how IT support furthers its mission and helps nonprofits reach their full potential through the use of technology.

The NPower NY Board of Directors and its executive management team fully endorse NP-Basic as a core service of NPower NY. In fact, the business concept for NP-Basic was conceived at a board meeting and was further validated by a technical advisory group comprised of some of Accenture's New York-based Partners.

NPower NY received some of its most objective feedback and seasoned expertise toward the design and development of NP-Basic from its board of directors. Specifically, Jeff Walker, Barbara Chang, Chris Wearing, general partner of Accenture's New York City office, and Jerry Colonna, former partner at the venture capital firm Flatiron Partners, all lent their experience and insight toward the design of the solution.

6. Operations Plan

NP-Basic's operations are defined by its staffing plan, its plan for implementation, its plan for maintaining service quality and finally its plan for learning and continuous improvement. NP-Basic is located within the office of its parent organization, NPower NY. The backbone of the technology system already exists at these headquarters.

6.1 Staffing

Staffing for NP-Basic consists of both full-time dedicated staff and part-time staff allocated to the service from other parts of the organization. The team will be led by senior-level managers whose key responsibilities include sales, staff scheduling and management, client and contract management and overall client satisfaction for the NP-Basic service. For more details on how the team will be managed please see the organization chart in the appendices.

Initial Team

The initial team consists of two TSC graduates who hold the title of Technical Associate and who will take all Level-1 helpdesk calls (Level-1 is the most basic of technical problems). These positions will also be involved in procuring and configuring hardware and software for new clients.

The Technical Associates is supported by one part-time Level II Technical Consultant who is able to provide higher levels of technical support for clients as well as coaching and mentoring for the Technical Associates. This position will also conduct training for new clients.

One part-time Level III Consultant is dedicated to address issues that the Level I and II Technical Consultants cannot resolve and be involved with some training. Overall, this initial level of staffing will support up to 30 clients with an average of three PC's each.

All staff members are bound by stated service level agreements to ensure proper escalation of unresolved technical issues in a timely manner. All Level III issues and highest severity levels are communicated to the Base Service Manager.

Finally, one full-time sales professional is responsible for service sales, marketing, and on-site assessments and the management team for the program consists of one part-time Service Manager and one part-time Director. The program ultimately reports to the Executive Director

6.2 Implementation

At the point that a sale is "closed" via a signed contract, the implementation process will proceed as follows:

a) NP-Basic will conduct an on-site assessment with the client to:
- Review the physical environment including wiring, potential server placement, and security.
- Take an inventory of existing hardware and software.
- Review existing data to estimate migration effort required and initial backup time.
- Review existing service agreements with high speed (DSL/Cable) Internet Service Providers.

- Establish client point person for implementation process.

b) NP-Basic will document findings and create a summary to be used for ordering new equipment, software, new or different services (DSL) and set up the client at the NPower NY management center.
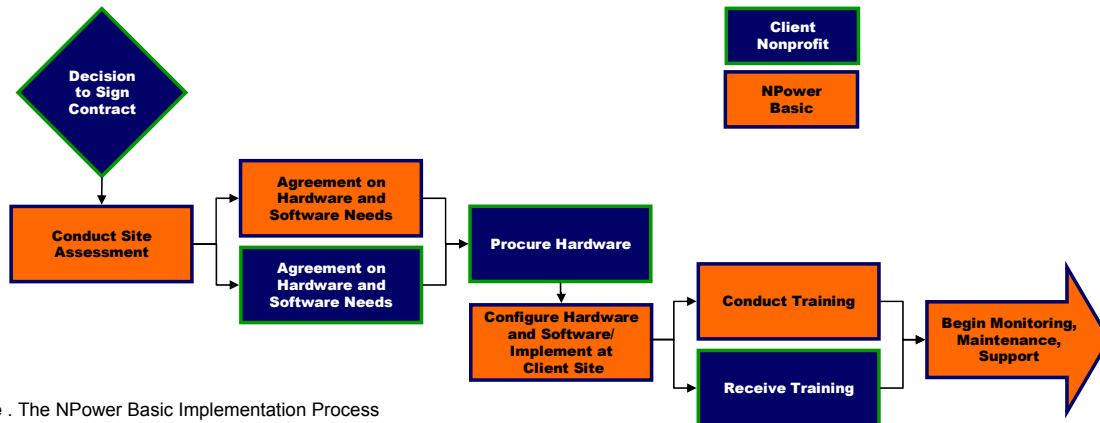

Figure . The NPower Basic Implementation Process

c) NP-Basic will work with the client to order proper equipment and request donations from alliance partners.

d) When equipment arrives, NP-Basic staff will program each desktop with a standard configuration. NPower NY will ensure that the Internet service is up and running and that the client site is ready for installation.

e) Once a client site is ready, NP-Basic staff will install the equipment at the client site. The network will be set up, and connectivity and monitoring tests will be conducted to ensure that remote monitoring is functioning properly. Basic user training will be delivered as will technical documentation which describes how the service works and how to access the helpdesk.

f) Once the network is successfully installed, NPower NY will immediately begin monitoring the new client environment. Within seven days of installation, the Base Services Manager will call the client to gauge satisfaction and reinforce client support. This call will be followed by an on-line survey to solicit feedback on the implementation process.

6.3 Ongoing Services

As part of its routine service, NP-Basic will deliver the services noted above which include remote monitoring of PCs and server hardware, software, and the network printer(s). Full data backups will occur weekly with incremental backups occurring daily and hourly. Through its remote monitoring capability, NP-Basic staff will be alerted of key events including hardware failures, pending failures, software crashes, device disconnection and network outages and will be able to address most of them remotely, even before the client notices a problem. Note that existing PCs that meet minimum requirements used at the nonprofit may not have alert capability, however these PCs can still be managed remotely when a client calls into the help desk with an issue or problem.

When an alert or incident is received, either through remote notification or directly to the helpdesk, the Level I Technical Consultant will use a case tracking system to log the incident and will follow its course to resolution.

For all NP-Basic clients, specific documentation gathered during the initial assessment and throughout the deployment will be stored centrally and will be accessible by all NP-Basic staff. This information will facilitate helpdesk and remote resolution as it will contain the technical specifications of the network, network diagrams, and other key support data.

6.4 Internal Operations and Continuous Improvement

The network operating center will be managed and maintained as any commercial grade operations center. The system will be highly secure and all desktops and servers will be managed tightly. Any changes to the system will be pre-scheduled with the client and will occur during off business hours.

NP-Basic will institute its own quality assurance plan and will monitor and report on its own performance and operations to NPower NY executive management. It will monitor, among other things overall network usage and performance and server usage and performance at the client site. NP-Basic staff also will monitor the number of incidents/month/customer, the number of common incidents by date/customer, average time between incidents by client, and average time to resolution by case.

These metrics will be expanded and trended to ensure staff are resolving problems at their root causes and to ensure a high level of customer satisfaction.

NPower NY evaluates customer satisfaction on every engagement and every client with which it has an active project. An online survey is issued annually to each scheduled support client and that practice will continue with NP-Basic. In addition to emailing each customer with the online survey link, an NPower NY staff person follows up with each client to answer any questions or concerns that the client may have and to ensure that the survey is completed. Results of these surveys are reviewed by management and incorporated into ongoing improvement for customers.

6.5 Sales Management and Oversight

Sales objectives for NP-Basic are modest with a goal of implementing 30 new and converted clients in year one (including converting current small Scheduled Support clients), 20 new clients in year two and 50 new clients in year three. Sales objectives will be monitored semi-monthly via pipeline management meetings that review leads, where they are in the sales cycles, and what is required to convert opportunities into sales. Depending on each situation, staff will leverage senior management or existing relationships to close sales that are in the pipeline.

In addition to taking advantage of the marketing plans, staff will work to convert existing Scheduled Support clients that fit the NP-Basic profile as their contracts come up for renewal. Additionally, any new requests or unsolicited leads for Scheduled Support will be directed to the Base Service Manager

for opportunity development. Eventually, as NP-Basic is able to accommodate larger clients, the Scheduled Support service will be phased out or only available to nonprofits at a higher price.

In the event that NP-Basic is not meeting sales goals, marketing efforts will increase. Additional staff will be deployed to outreach including staff from NPower NY's Community Investment department. Staff hiring for service delivery on NP-Basic will adjust according to customer volume. If the service is exceeding sales goals staffing can accelerate to meet demand. After startup and stabilization, NP-Basic is assuming staffing will increase by one full-time staff for each additional 15 clients.

7. Financial Plan

NP-Basic is projected to become sustainable and to begin generating positive cash flows for its parent organization in its first year of operation. The three-year Pro Forma Statement of Activities (Income Statement) for NP-Basic indicates that the earned revenue for the program will grow from $179,991 in its startup year to $289,792 in Year Two and $587,755 in Year Three. The program also anticipates contribution revenue from foundations and the City of New York of $300,000 in Year One and $125,000 in Year Two, and ceasing thereafter. Growth in earned revenues will grow from several activities, including the migration of current NPower customers to the NP-Basic service, active marketing to the New York City non-profit community and sales through foundations to their grantees.

7.1 Pro Forma Statement of Activities

	FY Yr One Forecast	FY Yr Two Forecast	FY Yr Three Forecast
Operating revenue			
Contribution Revenue	$300,000	$125,000	$ -
Earned Revenue	179,991	289,792	587,755
Total Operating Revenue	**479,991**	**414,792**	**587,755**
Cost of Services			
Salary & Benefits	153,667	253,575	307,598
Overhead	30,000	31,500	33,075
Infrastructure Costs	25,000	30,000	31,500
Total Cost of Services	**208,667**	**315,075**	**372,173**
Gross Profit	**271,324**	**99,717**	**215,583**
Expenses			
Depreciation	25,000	25,000	25,000
Start-up Costs	117,000	-	-
Total Expenses	**142,000**	**25,000**	**25,000**
Net Income/(Loss)	**$129,324**	**$74,717**	**$190,583**

Key Assumptions – Statement of Activities

Contribution Revenue: NPower anticipates contribution revenue support for the program of approximately $300,000 in Year One. Of this, $200,000 has already been committed, in the form of a $100,000 NYC Capital Fund grant, and a $100,000 grant from the Starr Foundation (letter attached in Appendices). We anticipate raising an additional $100,000 in Year One. Starr has committed an additional $100,000 to the program for Year Two, and we anticipate raising an additional $25,000 for Year Two.

Earned Revenue: NP-Basic will earn revenue through the sale of service to our clients. This model assumes a total of 30 clients served by the end of Year One, 50 by the end of Year Two and 100 by the end of Year Three, each purchasing a standard configuration of three workstations and a server, with associated support. We assume an even distribution of new clients over the year. The cost for hardware and software is paid directly from the non-profit to the hardware or software vendor and is not included in our revenue estimates.

Software & Hardware Donations: NP-Basic will make use of the generous software and hardware donation programs of major corporations such as Microsoft and Cisco. The program will use donated copies of Microsoft Windows XP Pro as the operating system for the workstations and Microsoft Windows Server 2003 as the server operating system. Microsoft Office 2003 Standard Edition will be installed as the productivity software on each client workstation. The total average Microsoft donation for each NPower Basic client will total approximately $2,700. The program also will use a Cisco Pix Firewall and Cisco Router donated through the TechSoup program, with a total value at each client of approximately $1,000.

Salary & Benefits: Salaries for NP-Basic staff are based on current salary figures for comparable skill levels in other NPower service lines, with benefit expenses estimated at 25% of base salary. Growth in salary and benefits is based on two factors: 1) a 5% annual cost-of-living increase, and 2) an annual increase in the number of helpdesk engineers, sales staff and managers in order to sell and deliver the services. The total headcount is three at the end of Year One, five at the end of Year Two and seven at the end of Year Three.

Marketing: NP-Basic will use a fulltime marketing and sales staff person to sell the service to non-profits. This will constitute the bulk of the marketing expenses for the program, which total $75,000 per year. As with other NPower programs, it also will be promoted through our newsletters, promotional materials and partner organizations.

Overhead: Overhead represents a pro-rated portion of the total NPower NY overhead, including facilities, fixtures, insurance, utilities and office management.

Infrastructure Costs: Infrastructure costs are related to ongoing costs necessary to provide the NP-Basic service but separate from the operations of NPower NY, including telecommunications, backup tapes, software and hardware support for backup and networking equipment to NPower (where it cannot be donated) and professional services.

Startup Costs: Startup costs include those necessary to begin offering the NP-Basic service, including the purchase of hardware and software, facilities reconfiguration, office supplies, provisioning of additional telecommunications and marketing and PR. Startup expenses were significantly reduced due to donations of hardware, software and professional services received from its supporting partners including Microsoft, Cisco and Accenture.

7.2 Pro Forma Statement of Financial Position

	Year One Forecast	Year Two Forecast	Year Three Forecast
Assets			
Current Assets			
Cash and Equivalents	$2,466	$93,538	$232,071
Accounts Receivables	36,026	45,754	123,316
Total Currents Assets	38,491	139,291	355,387
Fixed Assets (net of depreciation)			
Furniture & Fixtures	40,000	30,000	20,000
Hardware	60,000	45,000	30,000
Total Fixed Assets	100,000	75,000	50,000
Total Assets	**$138,491**	**$214,291**	**$405,387**
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	$ (9,167)	$ (10,250)	$ (10,763)
Total Current Liabilities	(9,167)	(10,250)	(10,763)
Total Net Assets	**$129,324**	**$204,041**	**$394,624**
Retained earnings			
Opening balance	-	129,324	204,041
Net Income for year	129,324	74,717	190,583
Closing balance	**$129,324**	**$204,041**	**$394,624**

Key Assumptions – Statement of Financial Position

Receivables: Receivables are assumed to be Net 60 days.

Payables: Payables are assumed to be paid Net 60 days and are calculated on Overhead and Infrastructure, but exclude Startup Costs.

Fixed Assets: Fixed assets include computing gear, fixtures and furniture, and are depreciated over five years.

7.3 Pro Forma Statement of Cash Flows

	Year One Forecast	Year Two Forecast	Year Three Forecast
Cash Flows From Operating Activities			
Unrestricted Grants	$300,000	$125,000	$ -
Client Support Services	179,991	289,792	587,755
Increase in Accounts Receivable	(36,026)	(9,728)	(77,562)
Increase in Accounts Payable	9,167	1,083	513
Total Cash Received	**453,132**	**406,147**	**510,705**
Gross Increase To Cash Reserves	**453,132**	**406,147**	**510,705**
Cash Paid:			
Salaries	153,667	253,575	307,598
Overhead and Infrastructure	55,000	61,500	64,575
Start up costs	117,000	-	-
Total Cash Paid	**325,667**	**315,075**	**372,173**
Net Cash Provided By Operating Activities	**127,466**	**91,072**	**138,533**
Cash Flows from Investing Activities			
Capital Investments	(125,000)	-	-
Net Cash Used in Investing Activities	**(125,000)**	**-**	**-**
Net Increase in Cash and Cash Equivalents	**2,466**	**91.072**	**138,533**
Cash and Cash Equivalents, beginning of year	-	2,466	93,538
Cash and Cash Equivalents, end of year	**$2,466**	**$93,538**	**$232,071**

Key Assumptions – Statement of Cash Flows

NP-Basic will generate net positive cash flow from operating activities during its first year of operation. NP-Basic's parent organization, NPower NY, will provide $100,000 to the program to cover cash requirements necessary to setting up the service and before it earns revenue, including the acquisition of equipment, professional services and staff salaries. A monthly cash flow analysis shows a maximum net negative cash flow of approximately $115,000 in month two of year One, with month-end cash and equivalents turning positive in month 12 of year one. See Appendix for a table of projected monthly cash flows.

8. Risk Assessment, Sensitivity Scenarios & Contingency Plan

NP-Basic represents a new technology infrastructure solution for small nonprofit organizations. As with anything new it brings with it a number of risks. NPower NY's approach to address what it believes are its primary risks, is detailed below.
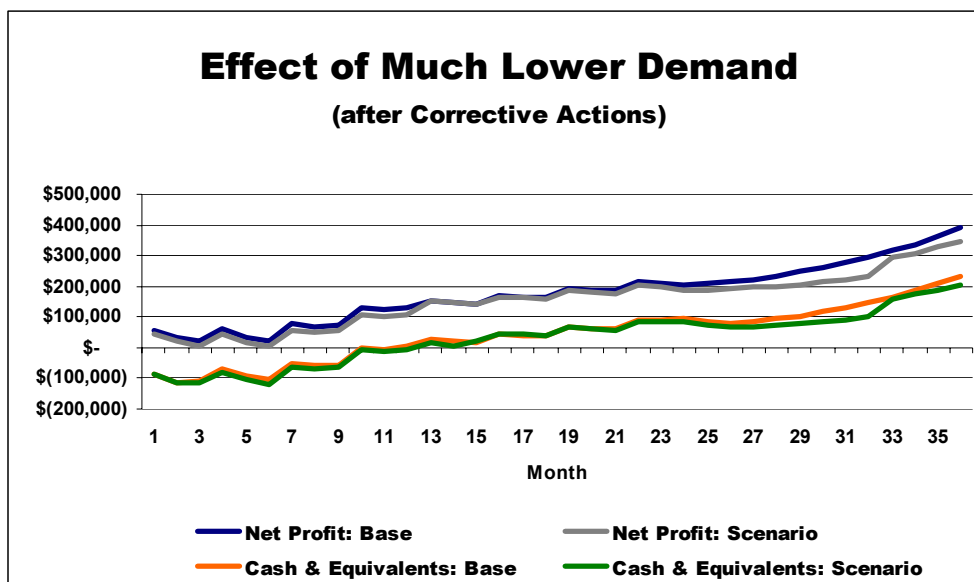
Scenario 1: Lower-than-expected Market Demand

NPower NY may have overestimated the market demand for the NPower Basic service, potentially leading to lower revenues. This may be due to many reasons, such as unexpected competition, installation complexities resulting in slower deployment to client sites, inability of non-profits to pay

for the service or operational problems that negatively effect NPower NY's reputation. In these or similar cases, market demand and corresponding sales may drop sharply.

In the event that market demand is lower-than-expected and the program brings in only 50% of estimated revenues, the effect (before taking any other corrective actions) is that the program's cash requirements will increase, and month-end cash and cash equivalents will fall to negative during the program's third year.

NPower NY would address this risk by: a) examining ways to improve its sales approach and sales training; b) reassessing the need to hire additional support staff (since the primary driver for "cost of goods sold" in this venture is salaries for helpdesk engineers); c) re-visiting pricing of the services; d) looking to increase contributed income from funders. The table below shows the effect after corrective actions, including lowering prices (through a discount program) and raising an additional $50,000 in contribution revenue

Figure 10. Much lower demand than anticipated will be corrected by lowering prices and raising additional contribution revenue, which keeps both cash and profit positive.

Scenario 2: Higher-than-expected Cost of Delivering Service

NPower NY may have under-estimated the required hours of service necessary to delivery NP-Basic to a client. Many of the cost assumptions for the program are based on the average expected time necessary to complete a task, such as backing up a workstation. Although NPower NY has extensive experience with these tasks, we have somewhat less familiar with performing them over a remote connection. Also, we estimated how many on-site visits will be necessary to support the service, instead of the regular remote support. We may have underestimated the number of visits necessary to adequately support a client.

In the event the average hours necessary to support an NPower Basic client is 25% greater than estimated, and before taking any corrective actions, the programs cash requirements will increase during its second year of operation and month-end cash and cash equivalents will fall to negative. In

this scenario the program will become profitable during the third year of operation. There are several corrective actions which would be open to NPower NY after a period of operating experience with the service.

In the event the average hours necessary to support an NPower Basic client is 25% greater than estimates, NPower NY's mitigation plan would involve: a) reducing the number of planned TSC rotations for helpdesk engineers; b) looking for increased contributed income from funders; c) looking to increase automation of data migration (e.g. provide customers tools to help pre-prepare their data and systems for migration); d) adjusting the helpdesk pricing plan to charge customers additional monies once they have reached a level of usage during a certain time-period. The following table shows the effect on Gross Profit and Cash Flow of 25% greater hours after mitigating steps were taken, including raising an additional $50,000 in contribution revenue.
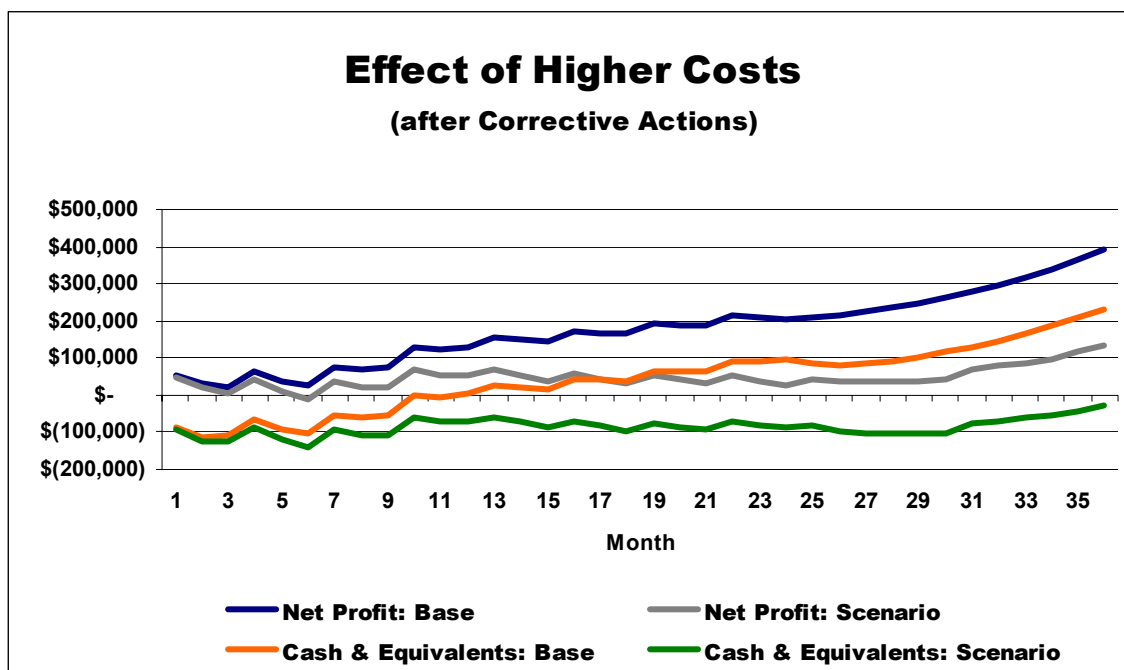

Figure 11. Higher costs result primarily from more staff hours, and they will be mitigated by numerous steps taken together. This scenario imagines a highly unlikely 25% increase in costs.

Scenario 3: End of Software and Hardware Donation Programs Moderately Lower Demand

NPower Basic is fortunate to be able to leverage existing hardware and software donation programs from major vendors, including Microsoft and Cisco. Although these programs are long-standing and we expect them to continue, it is possible they will be discontinued. In the event that this happens, the overall cost of the program to potential clients will increase, likely lowering overall revenues. If both Microsoft and Cisco end their programs, the total average additional cost of NPower Basic to non-profits will be approximately $3,700, a significant sum to our target market. This will likely serve to delay the adoption of the program for some organizations, although most will eventually need to invest in computing equipment to continue operating.

If the overall effect of the end of software and hardware donations reduces revenues by 15%, the effect would not fundamentally alter the program success. Month-end cash and equivalents would continue to be positive and growing after the programs third year.
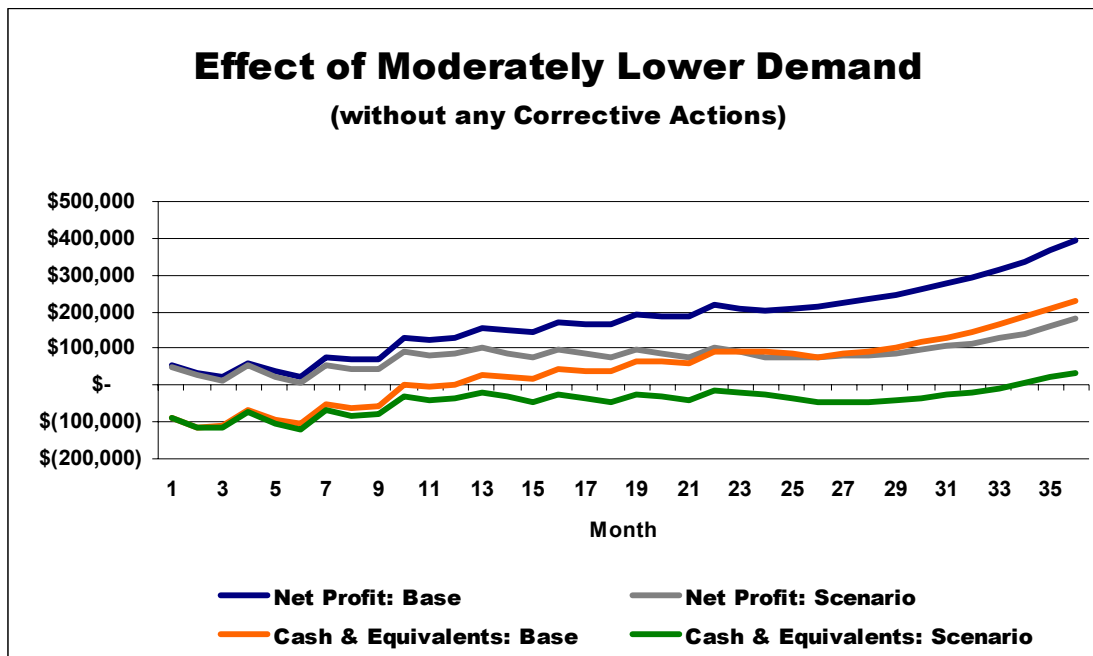
Figure 12. Demand that is only moderately lower than anticipated needs no corrective actions for cash and profits to stay approximately break-even.

What is the service's greatest obstacle to success?

NPower NY believes that the greatest obstacle it may encounter is convincing a nonprofit that the superior stability and service embodied in NP Basic is worth the expenditure and is preferable over their current mode of patched together IT support (if there is any support at all). Another obstacle will likely be the required front end investment in hardware. NP Basic believes its sales plan and incentives anticipates these concerns and early sales calls are very positive. In addition it will specifically target small nonprofits that fit the following profile:

- **The nonprofit has leadership that considers IT support a necessity rather than a luxury.** NPower NY's experience has shown that for many nonprofit leaders, IT support is analogous to a maintenance contract for telephones or a copy machine. It believes that leaders with this attitude toward IT support would be more inclined to purchase NP Basic.
- **The nonprofit currently is spending or is willing to spend money on IT maintenance and support.** NPower NY is targeting nonprofits that are currently paying for this service as it indicates that a real value has been placed on the technical skills required for IT support and on the benefits realized by such a service.
- **The nonprofit has aging hardware that it acknowledges must be replaced.** Nonprofits who are replacing or purchasing hardware are prime candidates for NP-Basic from a front-end capital investment perspective.

How will the venture ensure a high quality of service delivered consistently?

NPower NY will ensure that clients receive a consistently high quality level of service via:

1. Standardization of products and services;
2. Delivery of comprehensive training to sales, service support staff and the technical teams working with the small nonprofits;
3. Enforcement of process with a focus on evaluation and improvement;
4. Use of technologies such a CRM tools to manage and evolve relationships with customers;
5. Evolving the services based on feedback it gets from customers, the membership base and other nonprofit community resources.

How will the organization address potential management team attrition?

Typically, nonprofits have difficulty recruiting and retaining top level management talent. NPower NY can face this challenge confidently. First, NPower NY is committed to offering competitive salaries to its staff. Second, the NPower NY Board is comprised of leaders from both the corporate and nonprofit community bringing not only credibility to the organization but also access to management talent from both sectors. Third, while NPower NY is a nonprofit organization its service model in large degree mirrors aspects of corporate services businesses and therefore has created an attractive working environment that draws top talent from like-type businesses. Fourth, retention and development of staff is a priority area within NPower NY and the organization has already put initiatives in place for continuing management training and development. Last, NPower NY's track record of retaining staff has been excellent. On average staff have been with the organization two-and-a-half years (out of a total of four years of operating).

9. Appendices

The following are appendices to this business plan:

- Organization Charts
  - NPower NY organization chart
  - NPower Basic organization chart
- NPower NY General
  - Board members
  - NPower NY Overview
- Technology Service Corps
  - NPower Technology Service Corps Overview
  - Program Statistics
- NPower Basic Team Resumes
- NPower Basic Support Process Flows
- NPower NY 2004 Audited Financial Statements (recently completed)
- SROI analysis
- Survey results
  - Customer Survey
  - Pricing Survey
- Partner Letters
  - Funding Commitment Letter from The Starr Foundation
  - Microsoft letter of support
  - Cisco letter of support
- Thirty-six month Cash Flow
- NPower Basic Customer Materials
  - Sample promotional brochure
  - Sample Service Level Agreement