

KATY LINN  
JOEY CORDES  
ROHIT KABRA  
TIM SIMPSON

## MISSION STATEMENT

We help young, service-oriented companies increase the value of their offering and distinguish themselves in the market by creating superior customer experiences.

## PRODUCT SUMMARY

We design experiences that customers love. To understand exactly what Service Design is about, we look to the canonical example of the Starbucks cup of coffee: Why will people pay so much more?

The answer is in the design of their services. When you buy their coffee, you buy into more than just their product. You buy into their branding, their service, and the entirety of the experience they have invented around the purchase and consumption of a simple cup of coffee. That experience is what creates the added value, allowing them to charge almost double the competition.

## CASE STUDY

Apple is an example of a company that understands the Service Design methodology we offer. Although we are not accustomed to thinking of a company that markets consumer electronics products as a service, we see a lot of the same principles at work. They have redefined the experience of computer shopping and ownership. Apple iPods, MacBooks, desktops, displays, and even iPhones are designed to work together as products and as software platforms. Software like Mac OSX, iTunes, Apple TV, and the App store all link these products together. Then service environments and delivery systems like the Apple Store, Genius Bar, Apple Care and MobileMe provide a physical link between product, software, and service. This results in a comprehensive experience that goes far beyond the computer itself. Apple has truly succeeded at turning products into a service, and the resulting service into a dynamic experience that builds customer satisfaction and brand loyalty.

## SUMMARY

At Mercury Design, we seek to create solutions that are more than useful, usable, and efficient. Part of that work is to embrace a cultural shift in the field of design focusing more on intangible concepts: Dreaming, Aesthetics, Beauty, Poetry, Vision, Culture, Emotion, Behavior, Passion, Humanity, Magic, and so on. These are the qualities of a service that distinguish it from the competition, increase the value of an offering, and make customers say "Wow!" We apply innovative interaction design techniques to the Service Design space, working with our clients to create a deliberately crafted customer experience model that meets their business, branding, and cultural needs.

## MARKET

- 28.8 billion in venture capital funding is distributed every year in the US.
- 1/3 of it is in the San Francisco Bay area - that's 9.6 billion every year.
- Regionally, this is 2 new start-ups a day, receiving an average of 11.3 million in funding

### SUMMARY OF PRIMARY MARKET

Our primary market is venture capital funded start-ups in the San Francisco Bay Area. The domain of Service Design also leads to our specialization in the service area because we focus on customer experiences. Services account for 79.2% of the economy and we could potentially work with any type of service to improve the experience of customers.

### KEY SEGMENT

However, a focus on venture capital funded start-ups is our actual specialization - new start-ups often need assistance forming strong relationships with customers, and they also have the funding and flexibility that makes them perfect clients for Service Design providers. Many of them will be working on services or products that incorporate a service element, and our expertise in shaping improved service experiences will provide them the improved distribution that they need to become successful companies. Our geographic location contributes to this focus on companies funded by venture capital because of the high concentration of funding in this region.

### GROWTH

While we anticipate the flexibility of Service Design to allow us to work with all service-oriented businesses, small businesses are struggling and lending is down. However, there is so much venture capital funding that there is still a huge market for us there. Venture capital funded start-ups have comparatively high financial resources and are more likely to be able to afford our services than many other small or recently started companies. We will start in the San Francisco Bay area where a large number of clients exist, every year there are over 850 venture capital deals made in this region alone. Still, growth in this market is directly proportional to access to clients. Our expansion depends on our ability to network with new clients entering the region, so instead of investing in advertising or marketing we will focus on maintain relationships with existing clients, providing a service experience that will foster continuing growth in our target niche as our reputation expands.

## KEY FACTORS FOR SUCCESS

### TIMING

We will need to line up clients consistently. Though we only need 4 clients a year, we need to have consistent work at all times of the year. We are only able to serve one client at a time for the first two years, after which we can only serve two. This means that our clients need to be queued consecutively, which is not a disadvantage as long as we have many options and flexibility in when we can work on projects. If project opportunities do not line up, especially if the quarterly budgetary limits of our clients dictate when we can be paid or lead to quarters that clients favor to do business with us, it may cause problems for sustaining our budget. However, our location close to a lot of venture capital activity and our focus on helping new businesses provide quality customer experiences will give us many opportunities to sustain business from this constantly refreshing client base.

### PROXIMITY

We will be located in the San Francisco Bay area. One third of US venture capital funding goes through this region, allowing us to form a stable client network that constantly refreshes with over 850 new venture capital funding deals occurring every year. Our geographic location is likely to be a key advantage affording us a strong reputation with those looking to fund ventures in the region, affording us repeat business with successful ventures and an advantage when contacting new companies entering the region.

### FOCUS

We will focus on customer service, specifically on forming experiences that increase customer satisfaction and their attachment to new services. This focus gives us a precise advantage in satisfying new ventures - many new companies fail not because they lack innovation, quality, or an available market, but because they lack the distribution systems that allow them to successfully differentiate them from their competitors and acquire the lifeline of a reliable customer niche. This is an advantage none of our competitors can match.

### QUALITY

To succeed we will have to provide quality in our services, our relationships with customers, and in the customer pool we gain as a result. We want clients to go back to us over and over, and we want their success to spur ours. If they do well, we will be able to acquire more clients. Additionally, helping our clients take big steps pulls us along with them, because as their network of customers expands our reputation spreads, and as their size increases they require more of our services. Taking a selective approach to clients is essential - we need quality clients that are good return customers, because the quality of our clients determines how we are perceived and whether we can retain them as clients. Spending our time on a low quality clients is a waste so we need to be able to drop them and deal only with the customers that actually help us back. We are looking at talent the same way an agent looks at talent - we need to make the right decisions when choosing clients. As an end result of this superior relationship with the venture capital community, we will be able to demonstrate our strong understanding of our customers, providing the customer service expertise that will ultimately lead to Mercury becoming the only truly experienced trusted name in Service Design.

## COMPETITION

There are only a handful of Service Design firms in the world, and only three which operate in the United States. As such, competitors are few and have minimal market saturation. Because we have such a specific target market, we have little direct competition with these firms but we are aware of their work and business models. We have just as much of an advantage as our competitors because we come from Carnegie Mellon, one of the universities that started Service Design, and our proximity and focus will allow us to develop the strong reputation and client network to provide strong differentiation from our competition.

### PINK\*

Pink\* is a 3 person firm based in Pittsburgh that was started in the Summer of 2008 by Carnegie Mellon HCI and Design Alumni. They have no business plan and are just getting by. Our business planning gives us an important strategic advantage. They come off a little naive and easily lose sight of the client's needs. We have an immediate advantage over them if we focus on communicating potential revenue gains to our clients.

### FRONTIER

Frontier is a 5 person firm based outside of Philadelphia that was started in the Spring of 2008 by an entrepreneur that saw an opportunity for business to business profit. They do a great job of communicating the value that Service Design can bring to their clients' bottom lines. They don't have any background or expertise in design thinking or design methods, but they have an estimated \$300,000 annual revenue.

### IDEO

IDEO brings its huge name and experience to Service Design. They come with a big pool of Fortune 500 companies under their belt and a proven expertise in design methodologies. They are headquartered in the Bay Area but they do not customarily work with the market we are targeting, local startups. They have an estimated annual revenue of \$19,500,000.

Design consulting has been around since the early 1900's, but Service Design only emerged as a specific academic discipline in 1991. Last year Pink\* and Frontier became the first two Service Design firms in the United States. In the coming years, we'll see a trend towards dedicated Service Design firms as design consultants recognize the waning margins in traditional product design and the extent to which America's economy is now service based.

## CUSTOMERS + DISTRIBUTION

Our target customers are unestablished, venture capital funded companies in the San Francisco Bay region. These companies are working with products or services with a customer interaction element that could become an experience. They are still in the formative stage and could use additional help at honing their services to please customers. They need assistance crafting a positive customer experience in order to help them gain market share and differentiate themselves from competitors.

### CUSTOMER TYPES

Our customers break down into the following types, ranging from the most general possible customers [1] to those most specific to us [4]:

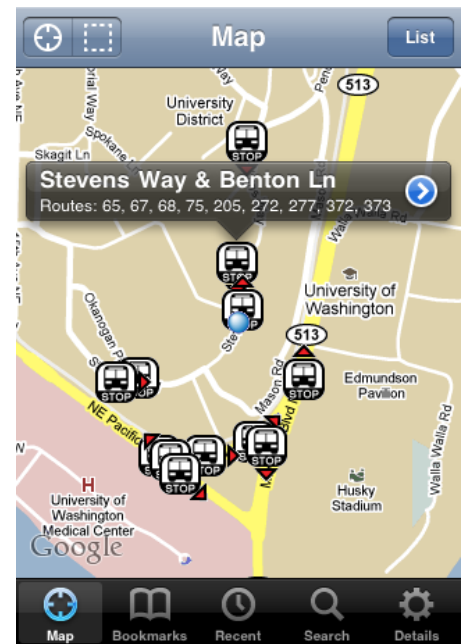
1. Small to medium sized companies working with products or services that have a customer interaction element
2. Companies attempting to specifically improve customer interaction
3. Unestablished companies attempting to gain market power by improving customer interaction
4. Unestablished, venture capital funded companies attempting to enter the market by improving customer interaction

### REACHING CUSTOMERS

We will sell and distribute to this market by finding clients that grow our professional network. As graduates of Carnegie Mellon we have access to an extensive business network through both the University and our peers. Many of our graduates go on to form entrepreneurial start-ups and we will be marketing to many of them. From the word of mouth and client referrals that result from our quality of service and expanding reputation, we will find clients that we are not in contact with already.

Our services are provided directly to the client via a personal relationship, and our geographic proximity to them in the bay area will be an important part of that. Thus, we will take the approach of minimizing marketing and advertising costs and focusing on gaining reputations with the venture capital community - we will work with the companies that others will want to work with, so everyone will want to work with us. Our strong relationships with the business community will ultimately establish us as a high quality, unparalleled business opportunity for new venture capital funded firms entering the region.

## CUSTOMER PERSONA



The Transit Tracker Group is a joint venture between three recent college graduates: one business graduate and one computer science graduate from CMU, and another business graduate from Stanford. They recently received venture capital funding to develop a new bus tracking system that encourages people to take public transit. They've developed technology that combines traffic data, bus schedules, bus tracking and phone GPS units to predict when a person needs to walk out the door to catch the next bus to their desired location. Their hope is that this will reduce the frustration associated with the bus travel experience and encourage more people to take advantage of public transit.

They have opened their office in San Francisco, hoping to take advantage of the various internet and mobile technology providers in the area, as well as other support providers such as marketing and programming resources, to complete their product, find customers, and polish their distribution. They know that their current plans for distributing this service are not going to differentiate their product from competitors. Their technology does not have a versatile or intuitive to use interface, and they do not know how to deliver their product to customers. They need a comprehensive, all-inclusive design for their service that will incorporate all of these needs in an effective package that users will love, fostering a demonstrable shift in customer satisfaction, resulting in increased customer retention and user-to-user promotion that results in viral growth of the product.

## SELLING SERVICE DESIGN

### CUSTOMER PERSPECTIVE

In order to sell to our clients, we will lead them to understand that customer interaction can become an experience, and that turning it into an experience can make them a better and more competitive company as a result. They will go from knowing that customers appreciate a quality experience, to knowing that customers should have a quality experience, to knowing that they should seek to provide a quality experience in order to please these customers. Our reputation for providing quality service and catering to the needs of clients, as well as crafting customer experiences that put new ventures on the map, will ensure that customers trust us to deliver. We only need to demonstrate our knack at understanding clients and prove the merits of a superior customer experience in order to sell them.

Our services can appear costly, but targeting venture capital funded companies should lead to customers that have an easier time with this buying decision. Venture capital funded companies have the financial resources to pay for our services. They are also motivated, confident, and savvy, considering they were able to attain funding by demonstrating high value as an investment. They will understand that our services are an opportunity to make quicker and more significant return on the venture capital investment, and will understand the worth in pursuing them. They are also likely to be innovative and experimental, considering their idea was good enough to merit venture capital investment. They took the risk of acquiring funding, and will have less hesitance at spending these resources on our services. These companies needed funding to ensure their success, and that is why purchasing our brand of service design is a worthwhile investment for them: we simply enhance their success.

### APPROVAL AND PERCEPTION

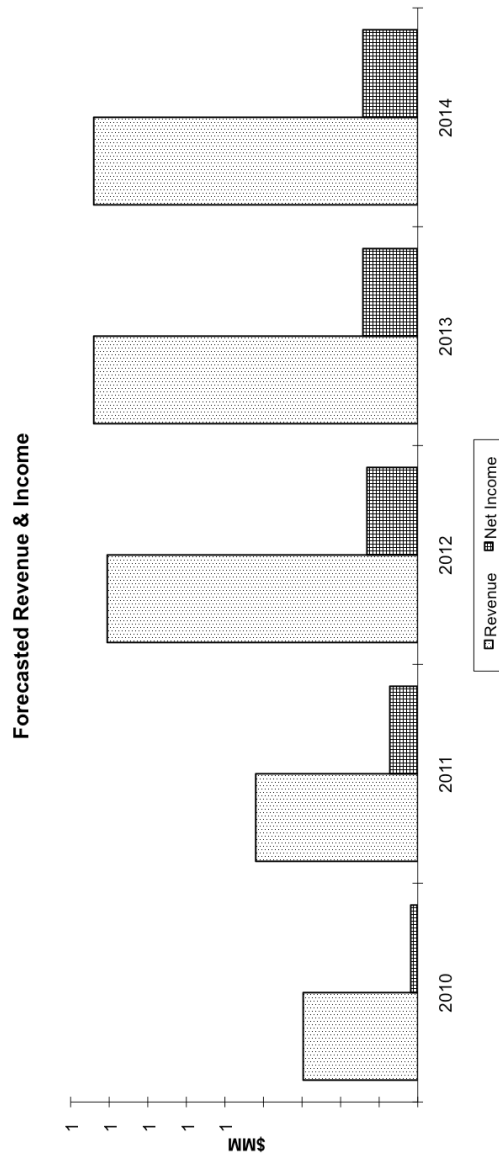
Our customer strategy is more of domino approach since we are a new discipline. It is impossible to acquire numbers for our target market, especially concerning Service Design. As Service Design is a brand new discipline of business, few have heard of it and those that do know of it have heard little more than that it is innovative. It is up to us to attain our first clients, gain repute for Service Design, and convince others that it is useful. While it may be difficult in the beginning, the advantage of Service Design is that everyone is a potential customer: nobody else provides Service Design, so it has yet to fail them or make a negative impression. It is completely up to us to make a reputation for Service Design through our success as a company: we will substantiate these numbers firsthand, and if we can dictate the perception of Service Design through our pitch, our reputation, and our client relationships, many of the potential customers in our market will be positive when it comes to purchasing Service Design from Mercury.



## COST / MARGIN STRUCTURE

We expect to be cash positive by the end of our first year.

While our revenues should exceed our costs even in our first year, we still have two forms of starting capital. \$16,000 of existing cash found in the form of even \$4000 investments from each partner. We also require a \$20,000 long term loan to be paid back by January 2012. These cash investments will insure the continuation of Mercury Design through the first year if project revenues do not meet expected values. Also having these funds covers many of the fixed startup costs such as office supplies, software, computers, furniture, and web development.



	2010	2011	2012	2013	2014
Project Revenues	\$297,000	\$420,000	\$805,000	\$840,000	\$840,000
Existing Cash	\$3601	\$68957	\$172,121	\$313,491	\$456,676

## PRICING STRATEGY

The long term price for our services is averaged at \$105,000. This is for a project at an industry average length of 3 months (12 weeks)\* with payments made in 3 increments of \$35,000. The first payment is expected as a down payment after acceptance of the Mercury design proposal. The second payment is given after research is completed and concrete solutions are developed. The final payment is made upon completion of the project. The price is calculated as following:

$$\begin{array}{r r r r r r r r r r r} \text{service charges (55\%)} & + & \text{operating expenses (28\%)} & + & \text{profit (18\%)} & = & \text{Quote} & + & \text{Add'l Requests} & = & \text{Price to Client} \\ \$57,600 & & \$29,5000 & & \$17,900 & = & \$105,000 & + & \$15,000 & = & \$120,000 \end{array}$$

**Service Charges** - We charge an hourly rate of \$30/hr to undercut competition that normally charges \$35/hr. This rate at 40 hr/wk, 12 wks, for 4 full time workers equals \$57,600.

**Operating Expenses** - This is a sum of all expenses to the firm. This figure includes rent costs, travel and meals for employees, incentives to employees, conference attendances, furniture and office supplies, software costs, and other minor charges such as phone and postage.

**Profit** - We intend the firm to grow and thus hope to steady at 18% growth continually.

**Quoted Price** - This is the initial price estimate, given to the client with the project proposal.

**Additional Requests** - We provide supplementary services that can be added to the original proposal. Examples include a website or interior redesign. The client will be charged the costs of these work items, plus a premium service charge. This service charge is given as commission to the firm.

## DURATION OF PROJECT

Duration is an average term we expect for projects based on industry standard. We expect to handle 4 projects a year for years 2011 and 2012 and when including approximately 4 weeks off for holiday each project takes 12 weeks.

Pricing and working exception: Clients 1 and 2 in 2010 (year 1)

In our detailed financial sheet attached you will notice that year 1/2010 has a different pricing strategy that what is stated above. The pricing strategy for our first two clients will be \$96,000 over 4 months (17 wks). This rationale for this decision was is twofold. First, lowering our price and devoting more time to initial clients will help us find clients easier as well as gain their trust and respect. Service Design marketing is heavily base on portfolio work and word-of-mouth recommendation. We rely heavily on repeat clients and referrals. This makes the performance on the first two projects extremely important. Second, we must perfect a Mercury Design work process. Therefore the first two clients will be used to learn, understand, and refine our process. After 8 months and two projects, we expect the 4 partners to be experts in this young field, allowing for quicker completion of future projects at a higher overall quality.

We expect zero revenue in our first month, January 2010. The 4 partners will be working on business proposals and securing a future for Mercury Design.

## MANAGEMENT + OPERATIONS

The 4 partners hold 4 specific jobs in the company. All 4 partners will share roles throughout the first couple years and have a say in every major decision. All 4 will also be involved with drafting proposals. These roles help develop better logistical work flow with projects.

### CREATIVE DIRECTOR

The Creative Director is responsible for overseeing the creative direction of all projects and ensuring that the company is adhering to the principles of Service Design and the strategy that Mercury has designed. The Creative Director has a background in design and a strong understanding of user experience and user studies. He is in charge of all research and works very closely with the client, actively seeking out solutions.

In year 3 (2012) we expect to hire a Jr. Creative Director to tackle the additional work of serving multiple clients.

### PROJECT MANAGER

The Project Manager connects the Creative Director with the rest of the team, and ensures that the project is running on time and according to the standards the company has set. He works extremely closely with the Creative Director, handling projects and assisting with design. The Project Manager is in charge of hiring all contract work.

In year 3 (2012) we expect to hire a second Project Manager to handle individual projects.

### CLIENT RELATIONS LEAD

The Client Relations Lead has two primary roles. He is the face of the company when speaking to clients, and organizes the client recruitment effort. He is also responsible for communication (progress reports, clarifications, et al) between the company and client. He schedules client meetings and oversees proposal development.

### BUSINESS MANAGER

The primary role of the Business Manager is to ensure the smooth operations and consistent growth. The Business Manager handles all financial, political, and legal concerns. All purchases are approved by the Business Manager. He has the final say on project quotes. He leads companies business development efforts.

### CONTRACT WORKERS

If a project requires an expertise that Mercury does not have, contract workers will be hired on an as-needed basis. By year 3, we will be hiring contract workers on a regular basis, hoping to recruit our favorites as full-time employees.

## THE NEXT 5 YEARS

The future of Mercury is not determined by our growth in 5 years, but our reputation. We are not looking to take over the world of Service Design, but to become an experienced and trusted name. We expect to grow by handling 2 clients at a time, expanding our core staff to 6 people with a project manager and executive assistant hired by 2012. We expect to continue our growth by hiring 2 junior designers by 2014, but the company wishes to continue to focus its efforts and resources on only one or two clients at a time. Therefore, the revenue stream levels out at year 5 and we expect to sustain our size at that level.

## NEXT STEPS

1. Create an explicit model detailing the methods, deliverables, and work process.
2. Define the standards of ethics.
3. Form a 4 person team that includes expertise in business, technology, psychology, visual design, and Service Design.
4. Design our client interaction.
5. Design our work environment.
6. Set up a professional website that demonstrates our values and design focus: creating experiences that customers love.
7. Rent a workspace.
8. Hire a lawyer with experience with LLCs and consulting contracts.
9. Register as an LLC.
10. Land the first client!

Finding the first client is the biggest hurdle. Selling expertise without experience is difficult. There are two factors that define success in starting a consultancy: a first-class reputation and a large business network. We inherit both of these keys to success, the moment we walk across the stage when we graduate from Carnegie Mellon. No school has a better reputation for turning out industry-ready professionals with the practical training to hit the ground running on day one. Not enough can be said about the opportunities gained through the resources, network, and knowledge we receive along with our diplomas. Because of this reputation for excellence, Carnegie Mellon attracts some of the world's most gifted minds, who bring years of industry leading experience, and the reputation and contacts that come along with it. This fosters an incredible network of professional trust, which we can leverage as we seek opportunities.

## FINAL THOUGHTS

The point is not to be millionaire CEOs. The point is to do what we love and have an impact on the lives of real people. Service Design is about to explode in the United States. This gives us plenty of opportunity for business development and growth. However, Mercury is deliberately designed to experience only moderate growth. This reflects the founders' value on creating experiences people love. The small size allows the founding members to remain involved in the design work, continuing to define the way people experience the world around them. As a company, we envision a future where all products are for services and all services are for people. Our goal is to put the experience into that service.

## REFERENCES

### CONSULTANT INTERVIEW

1. Alyssa Hagen, The Conciergerie Seattle, Owner/Founder
2. Jenna Date, Fit Associates, Co-Founder/Partner

### BOOKS

3. The Inmates Are Running the Asylum: Why High Tech Products Drive Us Crazy and How to Restore the Sanity, Alan Cooper.
4. Designing for Interaction: Creating Innovative Applications and Devices, Dan Saffer.

### WEBSITES

5. <http://www.bayareafirst.org/>
6. [http://en.wikipedia.org/wiki/San\\_Francisco\\_Bay\\_Area](http://en.wikipedia.org/wiki/San_Francisco_Bay_Area)
7. [http://en.wikipedia.org/wiki/San\\_francisco](http://en.wikipedia.org/wiki/San_francisco)
8. <http://www.startupwarrior.com/>
9. <http://www.coroflot.com/designersalary/>
10. <http://www.designsalaries.org/>
11. <http://www.stc.org/confproceed/2002/PDFs/STC49-00051.pdf>
12. <http://www.consultantjournal.com/blog/setting-consulting-fee-rates>
13. <http://www.service-design-network.org/>
14. <http://pinkservicedesign.com/>
15. <http://www.popcitymedia.com/features/pink052009.aspx>
16. <http://redjotter.wordpress.com/2009/01/14/elliott-talks-pink/>
17. <http://www.frontierservicedesign.com/>
18. <http://www.ideo.com/thinking/focus/services/>
19. [http://www.fastcompany.com/fast50\\_09/profile/list/ideo](http://www.fastcompany.com/fast50_09/profile/list/ideo)
20. <http://www.manta.com>

### LECTURES

21. On Hiring Design Graduates; or, how to graduate from the HCII and get a sweet job making boatloads of money and building...  
Jon Kolko, Creative Director of Frog Design.  
<http://www.hcii.cmu.edu/news/seminar/tba-1>
22. Starting a Design Firm right after graduation  
Elliot Williams, of Pink Service Design.  
<http://www.hcii.cmu.edu/news/seminar/starting-design-firm-right-after-graduation>