



# Vertical Focus Drives Stellar Growth

This managed services provider (MSP) has used a keen vertical and vendor focus to fuel growth more quickly and more profitably.

BY GENNIFER BIGGS

**F**or several years, Erik Nachbahr, founder of Helion Technologies, ran an IT business that was chugging right along. It was profitable and could support a handful of employees. But when Helion made the strategic decision to go vertical, all that changed. “We grew slowly and organically until about 2005, when we had five employees,” explains Nachbahr. “Since then, we’ve had double-digit annualized growth each year, and we now have 60 people.” All of that success can be traced back to the point where the MSP found its niche — a vertical it has learned to specialize in and now services across the nation.

## Don’t Rush Growth Once Vertical Focus Identified

For Helion, the evolution of its customer focus followed the acquisition of its first car dealership client. That job turned into a referral, and before Helion knew it — it had a vertical focus. “We started recognizing that each of those dealerships had the same challenges, and that started to evolve into solution sets for us,” explains Nachbahr. For example, Helion found that nearly every dealership suffered from unreliable Internet connectivity, clearly an issue when a salesperson was sourcing financing or attempting to find a particular make and model of car for a customer. Having a game plan for resolving that issue became a selling point for Helion. While auto dealerships remain Helion’s strongest vertical, the solutions provider has started to cultivate others, such as graphic design and advertising agencies, which need high-capacity, highly available storage solutions and specialty support for the Apple products they prefer.

Once Helion identified its niche, it took about two years before it had what Nachbahr considers a full vertical focus. In part, he explains, because he wanted to give his company time to grow properly rather than pushing into the market with heavy-handed marketing. “I believe your infrastructure needs to lead the revenue so that you are ready to do the work when it comes in,” he explains. “Developing people, solutions, and processes takes time, and I prefer not to push it.” Therefore, Helion’s vertical growth was primarily fueled by referrals. Nachbahr found that growth was manageable; Helion had time to work out the kinks in its vertical solution set before scaling out.



“ONCE YOU KNOW THE CHALLENGES OF THAT VERTICAL, THEN YOU KNOW HOW TO START THE CONVERSATION WITH ANY POTENTIAL CUSTOMER, WHETHER THEY ARE A REFERRAL OR NOT,” SAYS ERIK NACHBAHR, FOUNDER OF HELION TECHNOLOGIES.

### Selecting Your Vertical Takes Diligence

One challenge with assuming a vertical sales focus is determining where you should focus. How do you know that new client, the first in a new vertical market, is the cornerstone for your company’s vertical focus? Nachbahr says there are some indicators. First, does the vertical value IT? Are they investing money in reliable infrastructure and keeping their networks current? Second, determine what size of company is typically found in that vertical. “We’ve found that any client where the monthly recurring revenue is less than \$2,000 isn’t worth having for us; they cost more than they bring in,” explains Nachbahr. If you know where that line is for your managed services business, then make sure companies in the vertical you are considering fall into that sweet spot. Third, consider the size of the market. Look at how many businesses in that vertical are close to your office, and compare that with your expansion plans. “Do you want to be local, regional, or national? Each has a different impact,” says Nachbahr. “Being local means coming home for dinner each night. Regional means you’re living in your car, and national means days away and a lot of time spent on planes.” He says no one choice is right or wrong, but each MSP must understand its individual goals. For Helion, the choice was national, and its choice of vertical — auto dealerships — reflects that choice. Sometimes your location will help you make the choice: If there are only 5 dentists in your town, but 200 dental offices in the region, the opportunity may shape your growth goals in terms of expansion. How do you find out that information? It can be as old school as phone book listings or as simple as a Google search, or you can invest in listing and market research. Nachbahr cautions against lists; they can be vague, inaccurate, and pricey. Helion took the path of using an advertising agency to do the research. While

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ERIK NACHBAHR, HELION TECHNOLOGIES

the MSP invested about \$25,000 in that effort, the project also included marketing collateral and partnership with a large marketing firm. It is quite likely that MSPs will find a single, smaller market research project would cost significantly less. Nachbahr’s fourth suggestion is to examine competition in your area in terms of the vertical you are considering.

Once you’ve determined your particular vertical focus, it is time to put your consultative sales skills to work. Nachbahr talks openly and often with his vertical clients to fully understand their business needs and unique problems. In addition, he recommends subscribing to and reading as

many industry publications as possible. “It may be boring — trust me, *Automotive News* isn’t fun to read — but it is extremely valuable,” says Nachbahr. “You get a real sense of what their challenges are as an industry, and that helps you shape the solutions you offer.” Another challenge is raising awareness of your services within the vertical you have targeted. Helion has tackled that by focusing on events that draw its clients, from trade association events and conferences to golf outings. “At first you’ll have to put time into tracking those events down,” advises Nachbahr. “But then as you gain traction, your customers will recommend you for events [perhaps as a presenter at conferences], and you will start to be seen as the expert, and that further fuels referrals.”

## Vendor Focus Supports MSP’s Vertical Focus

Managed services provider (MSP) Helion Technologies has a strong vertical focus on automotive dealerships, as well as a handful of other smaller industries. Founder Erik Nachbahr says he believes a key component to a successful vertical business model is

vendor focus. “Our product line is broad with the manufacturers we carry, but limited in how many vendors we get involved with,” explains Nachbahr. For example, Helion supports Cisco firewalls, nothing else. “We don’t have a single client without a Cisco firewall, and if we start with a new client and they don’t have Cisco, they get one.” He explains that by narrowing its vendor focus, Helion has built efficiencies and deep product expertise around the solutions it supports. “We limit our product partnerships to gain depth of knowledge.”

Among the vendors that Helion partners with is Kaseya. The MSP started working with that vendor

three years ago when it was looking for a way to remotely manage its customers’ servers. “Today, I cannot imagine running this organization without Kaseya,” says Nachbahr. Helion uses all of Kaseya’s available functionality, including its remote monitoring and management tool, scripting engine, auditing tools for licensing and hardware, antivirus suite, and more. “When we chose Kaseya, we felt it had the strongest architecture, and we also found its Web-based application appealing.”

However, Nachbahr says it is the efficiencies he can create with Kaseya that truly hooked him as a partner. “The most powerful part of this tool is the ability to do things on a large scale, such as rolling out a software package to thousands of computers with a click. That is the key.” For example, when Helion used another vendor for security solution and the newest version of that software hit the market, the MSP was forced to dedicate an engineer to roll out the new software and all the updates — a process that took a year. “With Kaseya, you click the clients in the control panel, and you roll it out. Done. Automation like that helps us create bigger margins.”

[www.kaseya.com](http://www.kaseya.com)

## Advantages Of Vertical Focus Clear For MSPs

One of the key reasons IT solutions providers lean toward having a vertical focus is the easier path to sales. Obviously, referral business provides an advantage, but a vertical focus also provides a running start at cold sales calls as well. “Once you know the challenges of that vertical, then you know how to start the conversation with any potential customer, whether they are a referral or not,” says Nachbahr. “We lead with the knowledge we have about this industry. We can go in and say, ‘So, you are a car dealership, and I bet you have these problems.’ When they smile and agree, we are on our way. Then it becomes a conversation about the challenges they have and how we solve those problems for other dealerships, and that puts us at a whole different level from competitors.” That ability to understand and resolve problems common to a vertical is the key differentiator, says Nachbahr, and provides instant credibility. “We know what you are struggling with, and here is how we will solve it — that makes for a compelling presentation,” he adds. Plus, having a laundry list of references in the same vertical only reinforces your expertise and further shortens the sales cycle.

Nachbahr says an often-overlooked value of vertical focus is service delivery — making sure you are providing the same customer service on a routine basis. Having a vertical focus allows solutions providers to develop a process for the common solutions, allowing a jump start on each new customer. “If you are on your game and you have good solutions for the basic needs, then you know you can concentrate on the issues specific to each client,” says Nachbahr. “You can take that knowledge you have and move on without having to reinvest and without having to recreate the wheel each time. That allows for more and more efficiency.”

Don’t be blinded by the positives; there are downsides

to having a vertical focus. Nachbahr warns that while a solutions provider can quickly earn referrals with a solid solution set, it can just as quickly get a bad reputation. “All the elements that make it easy to ramp up in a vertical can be a double-edged sword; everyone is talking about you in that vertical — good or bad.” For example, when Helion had a blip in its service delivery, another customer called to let Nachbahr know he was the topic of conversation in the industry, and the chatter wasn’t positive. “You just need to be aware that the same ties that help build your reputation in a vertical can spread the bad news just as quickly.” Also, a vertical

**MoreInfo** ▶ Read about other approaches to a vertical focus at <http://bit.ly/f2AFgl>.

focus doesn’t protect you from the ebbs and flow of business; solutions providers will still struggle with tracking down the right decision makers, tackling the ups and downs in the sales cycle, determining the best funding options, etc. “You don’t get rid of those hurdles, but again, the referrals within your vertical will help you overcome those issues more quickly,” advises Nachbahr.

**Going Vertical Delivers Growth In Managed Services**

With its vertical focus in place, Helion has enjoyed an annualized growth rate of 58% over the last three years, and Nachbahr says with certainty that success is due to the company’s verticalization. “I think the biggest impact is how price-competitive we can be due to efficiencies, so while our revenue is probably a little lower than some MSPs, we can handle more seats and stay competitive on price, which means we can bring in more customers,” he says.

The next step for Helion is national growth, which has already begun. “Our long-term growth plans are to continue as the industry leader in our vertical and continue to grow nationally in the car dealership vertical, but also to stay focused on other verticals and repeat our success in those areas,” says Nachbahr.

His best advice for those interested in a vertical focus? Don’t miss the point of “focus.” Start with one vertical in mind, do your due diligence, and truly hone down your focus. “I don’t think the vertical you choose

is important as much as the focus. Focus around your customer, focus around your solutions, focus around your vendors. That is how you build the efficiencies, and that is what fuels your growth.” ●



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