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**The Mach 2 e-newsletter**

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Pages | 1 | 2 | 3 | 4 |

JUNE

## A Revenue Rocket perspective by CEO Mike Harvath.



The topic of this issue is specialization, or why it's important for IT services executives to focus their companies on specific segments of the market and drive to positions of number 1 or 2 in those markets.

For history buffs, you'll know that the Principle of Specialization has deep roots, going back to ancient Greece and Plato. In [The Republic](#), written in the 4th century B.C.E., Plato first postulated the idea that societies would be better served if everyone had to do what he was good at doing. *Specifically, "the result, then, is that more plentiful and better-quality goods are more easily produced if each person does one thing for which he is naturally suited, does it at the right time, and is released from having to do any of the others."*

Fast forward, and true to Plato's vision, specialization has taken root in all facets of human endeavor, none more so than professional services, including attorneys, architects, accountants, brokerage firms, engineers, etc. What is it about specialization that makes it such an opportune strategy for IT services?

We think it's because what professional service practitioners are selling is trust and credibility. To the question of who to trust when buying an infrequent product or service that is complicated and expensive, the answer is you trust authority and you trust evidence. The way you command authority and demonstrate evidence is by *"doing the one thing for which you are naturally suited and doing no other,"* and doing it better than anyone else.

The other more practical reason, specific to IT services, is that technology buyers—your customers, the end-users of the products and services you sell—already a skeptical bunch, are taking a harder line when it comes to selecting the IT services companies entrusted with managing their technology investments. In an economic climate that looks to be jittery on the horizon, company executives are playing risk cards closer to their vests than ever before. The IT services companies that get their attention, and to whom they grant an audience and award their business, will be those that can speak from a position of authority, with unqualified expertise and demonstrable proof-of-performance.

In other words, they will listen to the experts, the specialists, because when all is said and done, they're buying the assurance that you can do unto them what you have done for others, with minimum fuss, bother and risk. More often than not they'll pay a premium for this insurance policy, and they'll thank you for helping them sleep better. **All-in-all a pretty good day's work, don't you think?**

[Mike Harvath](#)

[Page 2](#)

[A tale of two clients.](#)

[Page 3](#)

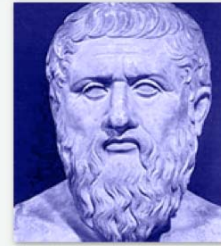
[Revenue Rocket buys Wire The Market, Inc.](#)

[How to Make Specialization Work.](#)

[Revenue Rocket Announcements.](#)

[Page 4](#)

[A conversation with Robert Church, president of Aria Solutions.](#)



THIS ISSUE:  
**Specialization**

### Upcoming Events:


**Revenue Rocket CEO Mike Harvath to speak at the 2008 Microsoft Worldwide Partners Conference, July 7-10, 2008.**

Following two well-attended and much valued presentations at the 2006 and 2007 Microsoft Worldwide Partners Conferences, Mike Harvath will once again be a featured speaker at the conference in Houston July 7-10, 2008. His presentation entitled, *"Applications Managed Services: What's All the Fuss About"* will speak to how IT services executives can learn to migrate over 40% of their project-based application development consulting services revenues to a recurring revenue model.

**Mike Harvath to deliver a webinar presentation July 1, 2008.**


Mike will deliver a presentation entitled, *"A Smarter Way to Work on Your Business and Accelerate Your Growth by Over 30% This Year."* The premise of the presentation is that with demand slowing, consolidation intensifying and buyers becoming more selective, now is the time to think national instead of local, specialist instead of generalist, and embrace a full life cycle of service offerings in a more tightly-defined market. This presentation will zero in on strategies to help you work smarter and grow faster. For those interested in attending the webinar, please click [HERE](#) to register.

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Pages 1 | 2 | 3 | 4

JUNE

### A Tale of Two Clients.

This is a true story of two companies that took divergent paths with their growth strategies. As you might guess, one client is enjoying the rewards of an ambitious, well-thought-out growth plan, and the other, well—let's say they've proven to be somewhat revenue-challenged.

In the beginning, these companies were one, as the two principals started as business partners with similar backgrounds and experiences. Ten years ago, they parted ways over differences of opinion about where to take the company, and each went out on his own.

A capsule summary of the two company strategies indicates:

Profile	Stymied Company	Vibrant Company
Business Type	Custom Applications Development	Custom Applications Development
Growth Strategy	Organic growth only	Organic & MA
Geography	One office, local penetration	Five offices, national focus
Sales Plan	AFAB—anything for a buck	Said no to anything outside core
Company Focus	No vertical specialization	Focus on one vertical market

After 10 years, following the paths they've each chosen, they are in very different places:

Results	Stymied Company	Vibrant Company
Revenue	\$3MM	\$35MM
Sustained Profit Growth	0%–5% NOI	5%–10% NOI
2001 Tech Bust	50 consultants to 2	10% revenue decline
Cost-of-Sales	\$7,500 per account	\$2,500 per account

**What distinguished the Vibrant Company from the Stymied Company right off the bat was a pledge of allegiance to focus on one vertical market, to resist pressures to stray from this focus, and to build smartly from this base.** The result of this diligence was sustained, profitable growth, insulation from the tech downturn, a large and vibrant client base and a more effortless and seamless transition to new service offerings within the verticals. Because of the aforementioned, the company was also better positioned to accelerate its growth with smart, strategic acquisitions, lessons for which appeared in our [March e-newsletter](#).

**What plagued the Stymied Company, almost from the beginning, was that without a focus, the company found itself taking on AFAB projects.** You know the allure and the danger of these "anything for a buck" projects. This seductive demon is easily recognized when your wallet says yes to a project, but your brain says no way. Just this once, you say to yourself. Soon once leads to twice, thrice and after a while your business practice bears scant resemblance to your business plan, and you wonder what went wrong. ([Read about how to avoid falling prey to the AFAB disease by clicking here.](#)) In the case of our stymied friend, what went wrong was pretty much everything. The company's lack of focus and its inability to specialize was the main reason for stagnant revenue and profits, high cost-of-sales and a punishing collapse during the downturn.

So, how do you go about becoming the vibrant company that specialization can bring forth?

**Page 1**     [A Revenue Rocket perspective by CEO Mike Harvath.](#)  
[Upcoming Events.](#)

**Page 3**     [How to Make Specialization Work.](#)  
[Revenue Rocket Announcements.](#)

**Page 4**     [A conversation with Robert Church, president of Aria Solutions.](#)

### The Latest News:

**Revenue Rocket buys Wire The Market, Inc.**

Revenue Rocket CEO Mike Harvath announced on May 29, 2008 that the company has purchased the research division and selected assets of the executive appointment setting divisions of Wire the Market, a Savage, MN based market intelligence company specializing in the IT industry. Ryan Barnett, Vice President of Analyst Services at Wire the Market, will join Revenue Rocket in the same capacity.

According to Harvath, "This acquisition will greatly enhance our ability to help our clients grow their IT services business by having access to timely and actionable industry, market and competitive information, insights and intelligence. The pace of change, the ongoing introduction of new technologies and the intense domestic and global competitive nature of this industry demands that we and our clients stay current with everything happening in the industry. This added value addition to our strategic arsenal will help us and our clients do just that."

Harvath added, "By embedding Wire The Market's Executive Appointment Setting capability into our integrated set of sales, marketing and research solutions, we will position our clients for ideal revenue opportunities that have the highest likelihood of closing."

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Pages 1 | 2 | 3 | 4 |

JUNE

## How to Make Specialization Work.

**Make the trend your friend.** If you follow Gartner, you know that as far back as 2005 they proclaimed *"Through 2009, 75% of vendors that do not prioritize their vertical market initiatives will develop solutions that fail to meet revenue and profit projections."* That was three years ago, and, sure enough, we're seeing firsthand that companies with a vertical or specialized business model are outpacing their horizontal brethren (e.g. the Stymied Company) by a large margin.

The corollary trend that seems to be fueling this migration to specialization is what we alluded to earlier, and that is increasing risk mitigation among end users. Quite simply, they don't have time to fail, to experiment, to learn the hard way, to do over. There is no *"do over"* allowance today. It was a luxury born of an earlier era, and woe be to those who think differently. They are looking for companies that know the drill. And, to further lessen their risk, they are implementing specific SLAs that put the onus of delivery squarely in your lap.

So, accept these trends as real and set your mind to charting a course that gets you swimming with the current.

**Pick a tech and a vertical market.** Remember the movie *City Slickers* with Billy Crystal and Jack Palance? Crystal and two friends take a vacation to a western ranch for a cattle drive. There's a scene where Crystal and Palance are riding together, and Palance is telling Crystal that he knows the secret of life. Eager to find direction for his own life, Crystal wants in on the secret. The secret, replies Palance, holding up his index finger, is *"one thing."* Curious to know what that *"one thing"* is, Crystal presses Palance for an answer. Palance replies, *"That's what you have to figure out."*

So it is with IT services executives. Find the one thing that you're passionate about, the one thing you're really good at, the one thing that end-users are crying out for, and make that your cause. We can help you discover your *"one thing,"* and you don't even have to go messing around with cattle to find it.

**Maintenance & Support delivered via a managed services model in both infrastructure and applications.** One of the benefits of specialization is that it allows you to embrace a Full Lifecycle Services Model for your clients. You can think of this as a three-legged stool, consisting of:

1. Advisory Service, the big picture strategy work,
2. Technology Services, the nuts and bolts of application development and implementation, and
3. Maintenance & Support, in both infrastructure and applications.

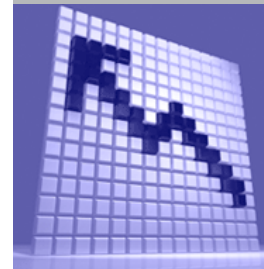
It's the model that allows you to get deeper into your client's business with a broader range of services that ingratiate you to the point that you generate more recurring revenue and make it tougher for a competitor to get any traction. There is no reason why at least 40% of your revenue shouldn't be coming from these managed services going forward.

Create productized wedge-offerings. Now that you've decided to add a few more legs to your services model, your goal is to shorten the sales cycle for these services. After all, time is money, and there is a premium on both. The key is to create a branded identity for your new services that combines: 1) the functional benefits of your new product, 2) the service excellence of your consultancy, and 3) a hearty dose of the intellectual property that defines your IT philosophy. This branded entity then becomes what we call *"wedge offerings"* that give you a calling card with which to get your foot in the door with prospects. Once in, you work to expand your services portfolio from this base.

**Elevate your sales process.** In today's environment, it's not enough to simply hire some IT sales people and send them off pounding the pavement. The key to effective selling is having a well-defined, proven and repeatable sales process. Your sales team will only ever be as good as the ammunition you provide them for conquest. Everything we've discussed up to this point is designed for that purpose, and includes:

- Tightly-defined company mission and purpose that is trend friendly.
- Products and services that are well-positioned, differentiated and door opening.
- Focused group of prospect companies and relentless pursuit of them.
- Pricing strategy that justifies the premium of your added value.
- Repeatable, ongoing training process.
- The confidence that comes with knowing you are ready for the challenge.

**Go national.** When you've fine-tuned your business to the point it's running on all cylinders that's the time to think about expanding to the next logical



## Announcements:

### Andrew Fletcher speaks at the ITA conference in Atlanta.

Revenue Rocket Managing Partner Andrew Fletcher gave two presentations at the Information Technology Alliance conference in Atlanta April 7th. The first, entitled, *"BI: Looking Forward,"* and the second, entitled, *"M&A—It's More Than Just Numbers"* are available by [emailing Andrew](#).

### Andrew Fletcher invited to speak at Microsoft "Partner Day", Montreal, Canada

Fletcher gave a presentation to Canadian partners on April 22nd, entitled *"Growth Acceleration—From Ordinary to Extraordinary."* The focus of the talk was to help partners understand and identify barriers to growth in their own practices, and to provide useful tips on how to accelerate growth within their organizations. The presentation covered key steps in the evolution of the IT professional service consulting practice and how to break through the current plateau. [Email Andrew](#) for a copy of his presentation.

### Jay Rosenfeld writes, "Why AFAB is a Four Letter Word."

The April 19, 2008 issue of PS Village carried an article by Revenue Rocket Managing Partner Jay Rosenfeld entitled, *"Why AFAB is a Four Letter Word."* The article speaks to the pitfalls of an "anything for a buck" business strategy and what lessons you can use to avoid falling prey to this potentially debilitating disease. Click [HERE](#) to download a PDF article.

business centers. With a proven, repeatable business model that works, the challenge will be to identify the most opportune locales. With proper planning, an abundance of local intelligence and a good wind at your back, you should be able to identify a host of suitable cities with companies eager for your expertise.

**Keep the competitive wolves at bay.** The IT services industry is a breeding ground for entrants because the price-of-entry is low, the demand is great and the promise of fame and fortune alluring. Of course, the same breeding grounds that give rise to visionary companies with responsible, added-value cultures also give birth to companies whose "mouths are writing checks their bodies can't cash." I've often said that in this industry you're always going to be in competition with someone going out of business. These are what we often refer to as "*generalist companies*," companies, lacking in focus and resolve, whose new business weapon-of-choice is "*sure, no problem, we can do whatever you want at whatever price you want.*"

IT services executives will be wise to heed the advice of Greg Frankenfield, CEO of Magenic, and guest commentator in our [January newsletter](#), whose advice was: "*Never, never, never, try to win on price. It's a sucker's game. Create value or get out of the game.*" The way to create value for your customers is to create value in your company, and specialization is the route to value.

**Savor the fruits of your labor, because when you do the above, there will be a lot to enjoy for a long time:**

- More profitable, recurring revenue.
- Higher billable rates and utilization rates.
- Enhanced market value.
- Greater demand for your services, regardless of location.
- More efficient sales and delivery apparatus.
- Competitive insulation.
- Magnet for talent.

[Page 1](#)      [A Revenue Rocket perspective by CEO Mike Harvath.](#)

[Upcoming Events.](#)

[Page 2](#)      [A tale of two clients.](#)

[Revenue Rocket buys Wire The Market, Inc.](#)

[Page 4](#)      [A conversation with Robert Church, president of Aria Solutions.](#)

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Pages [1](#) | [2](#) | [3](#) | [4](#)

JUNE

### A conversation with Robert Church.

This month, we're pleased to present a conversation with Robert Church, President of Aria Solutions, Inc., a Calgary, Alberta-based IT company that provides Customer Interaction Management services for contact centers.

#### What's your background, and how did you get started?

My background is electrical engineering. In the beginning, I worked with a number of small companies doing software development. After moving to Calgary, I worked for a small interactive voice response (IVR) company doing technical work. Soon after that, I met Noel Roberts while working on a project together. We decided there was an opportunity to get into the Customer Interaction Management space, routing phone calls, emails and things like that, and we formed Aria Solutions in 1996.

#### What makes your company unique?

We are Customer Interaction Management specialists with a singular focus on one product suite, and that's Genesys Telecommunications. What makes us different is that we are the largest stand alone system integrator for the entire Genesys product suite in North America. We offer business consulting, system integration and support services as well as our own products that complement the Genesys suite. There are other partner companies of Genesys, of course, but they tend to be either divisions of larger companies or smaller staff augmentation companies that can work on Genesys.

#### What do you see as the future of your niche?

We see a big opportunity to grow with Genesys. I'd say they are the top provider of CIM software. Many companies are beginning to realize how important it is to provide their customers with easier, more personalized customer service. Today, if a customer has one bad experience with a company they can easily sign up with another company. Companies are realizing it's more cost effective to keep a customer than to get a new one. They are also viewing CIM as a core part of their business growth and are viewing contact centers as a valuable strategic asset.

#### What do you see as the benefits of specialization?

When we started out we tended to be more of a generalist working with a number of CIM providers, including Genesys. Early on we discovered that it was harder to grow when you're trying to do everything because you simply can't be an expert in all the product and service lines you carry.

Interestingly, there is an advantage competing with generalists. Most companies cast a wide net when shopping for IT services companies and narrow their selection down to a few. In our market, Genesys providers are almost always on the short list. What this means for us as Genesys specialists is that customers quickly realize that we have the experience and credibility to be the trusted advisor they can count on. They realize that we're the kind of company that knows what we're doing, versus a competitor that does a little bit of everything. It gives us a competitive edge in a ferociously competitive industry.

Internally, you also have the benefit and advantage of alignment. Your sales and marketing teams are focused on one thing; your support teams are focused on one thing. It just makes operations more efficient and more productive. With this focus, you now have solutions that you can sell into specific vertical markets, so that efficiencies, quality control and repeatable methodologies just naturally fall out.

It's also an advantage to be a specialist in the eyes of your software vendor. Companies like Genesys tend to look favorably upon companies that only do their product suite in a particular space. There is a mutual level of trust and confidence that is engendered in such a relationship. One of the benefits of this confidence is knowing that any business or projects they bring your way will be managed properly.

#### What are the downsides?

Well, the obvious one is if you pick the wrong market or the wrong specialization and you put all your eggs in this one basket. However, if you do your homework, understand the market conditions, and align yourself with the right service line, you should do well. That is, provided of course that you manage your business properly.

#### What makes Aria Solutions successful?

We take a very business-focused approach to our projects. We work hard to



*"Early on we discovered that it was harder to grow when you're trying to do everything because you simply can't be an expert in all the product and service lines you carry."*

—Robert Church

understand the company's business objectives and the problems they're trying to solve versus just putting in a technical solution. We work hard to be a partner and trusted advisor with our clients, rather than just a vendor of technology. We are very upfront with our clients, advising them on the pros and cons and benefits and risks of any solution and in some cases even recommending that a client not implement a particular solution if it is not right for them. It's this integrity that is at the heart of our success.

What drives this integrity is our focus on Genesys. Everyone on our team is intimately knowledgeable and passionate about our product and service offering. Customers sense this commitment, which in turn boosts our credibility and confidence with them.

#### **What's your outlook for the rest of 2008?**

The outlook for 2008 is pretty positive for us. It might actually be one of our better years. However, I am keeping my eye on the economy and notably the value of the U.S. dollar.

**You may contact at [Rob via email](#) or visit the [Aria Solutions Website](#).**

**[Page 1](#)**      [A Revenue Rocket perspective by CEO Mike Harvath.](#)

[Upcoming Events.](#)

**[Page 2](#)**      [A tale of two clients.](#)

[Revenue Rocket buys Wire The Market, Inc.](#)

**[Page 3](#)**      [How to Make Specialization Work.](#)

[Revenue Rocket Announcements.](#)

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