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Find New Markets For VoIP

Adapting its VoIP (voice over Internet Protocol) and data solutions and services offerings to new SMB markets is leading to this VAR's projected 100% revenue growth.

Business Solutions, July 2008
Written by: [Jay McCall](#)

Advanced Microcomputing Concepts (AMC) is no stranger to triple-digit growth. In fact, this VAR, which opened its doors in 2002, has experienced 100% revenue growth for the past two years. Since its inception, AMC has shown high initiative and insight regarding learning about and selling technologies its SMB customers want. For example, the VAR originally focused on reselling data networking solutions (e.g. servers, storage, routers). Within a couple of years of being in business, AMC saw VoIP as an up-and-coming marketing opportunity, so it bought an Allworx IP PBX (private branch exchange) and VoIP phone system (see sidebar on page 26), learned how to set up and configure the system, and within a year doubled its revenue selling VoIP. In early 2007, the VAR started researching managed services platforms and figuring out how to reposition its business to sell managed services. In fact, it was during the middle of its one-year managed services evaluation and business transformation phase, a time when CEO Anthony Chiappetta had temporarily stepped down from his sales role to focus on operations, that AMC's dramatic revenue rise started tapering off. At the time, AMC did 80% of its business with companies in the real estate market — mortgage lenders, escrow firms, real estate firms, and the like. During the last few months of 2007, however, AMC witnessed several of its customers downsizing, and some even went out of business. AMC's ability to quickly market itself and adapt its product and services offering to new vertical markets was key to the VAR's survival. No matter what kind of solutions and services you sell, you can learn a thing or two from this VAR.



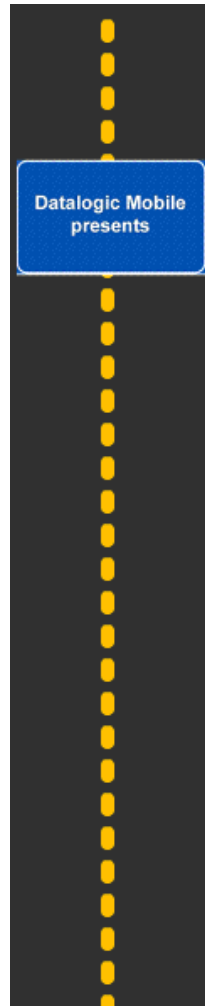
Identify, Rectify Your Managed Services Weaknesses

After suffering the negative effects of a downturn in the real estate market, AMC could easily have abandoned its pursuit of becoming a managed services reseller. But, Chiappetta knew that services would play an important part of his company's future growth, so he took on the

Don't Settle For Unqualified Voice, Data Techs

When CEO Anthony Chiappetta looks back at the business decisions he's made since founding Advanced Microcomputing Concepts (AMC) in 2002, he has only one regret: that he should have more quickly learned the lesson that hiring employees is more about quality than quantity. After hiring a few inexperienced techs and salespeople and personally feeling the effects of their low attention to detail (he recalls working until midnight on several occasions checking their work and fixing their mistakes), Chiappetta changed his views about hiring. Within the past year, AMC has cut its workforce by about 20%, but the VAR continues to project triple-digit revenue growth. "The employees we have now are self-motivated and well-educated, and they've each proven to me they: 1. have a positive attitude, 2. are punctual, 3. don't fear working overtime, and 4. know the job isn't finished until the work is properly documented," he says.

If hiring and retaining quality employees is an area you need help with, check out the six tips for finding and retaining IT talent at the following URL: www.bsminfo.com/jp/3575. The article, written by *Business Solutions* Editor Mike Monocello, is based on Monocello's interview with Dr. Russ Riendeau, senior partner of The East Wing Search Group and author of the book *Finders Keepers: Attracting and Retaining Top Sales Professionals*.



challenge of continuing to evaluate selling managed services while simultaneously figuring out how to win customers in new vertical markets.

An Infonetics Research study shows that the global VoIP managed services market passed the \$2 billion mark in 2006, and it's growing at more than 30% each year. Chiappetta can attest, however, that selling managed services is much more difficult than merely attending a two-day seminar and buying some software. "We had to perform a SWOT [strengths, weaknesses, opportunities, and threats] analysis to determine which services we could potentially sell and areas where we needed to improve before we could start selling services," he says. "This entailed investigating managed services platform options, building a managed services sales model, and changing the way we captured and tracked customer requests." One of the biggest weaknesses uncovered during the SWOT analysis was AMC's hiring practices. Out of a desire for quick growth, Chiappetta hired half a dozen entry-level sales reps and technicians with the hope that they could quickly be trained and contribute to the company's growth. Instead, Chiappetta spent most of his time managing their activities, including keeping them on track with their responsibilities and following up requests. "For example, one of the processes that's important with managed services is consistently recording all work performed for the customer," says Chiappetta. "On a regular basis, I found that several techs weren't properly entering information into our ticketing system. On several occasions, I worked until midnight checking their work and fixing their mistakes." Equally as frustrating, Chiappetta never developed enough confidence in some of his reps to allow them to take on more responsibilities. Sadly, he had to let a few people go. Fortunately, he's learned from his past hiring mistakes. (Check out the sidebar on page 28 to learn more about effective hiring practices.)

At the end of a one-year SWOT analysis, AMC selected N-able for its managed services platform, and it chose Autotask to manage its managed services assignments and billing activities. Additionally, the VAR hired an operations manager with an MBA to help develop best practices procedures, to help fine-tune its ticketing system, and to ensure customer requests were being properly scheduled, tended to, and billed.

In addition to tightening its business processes with regard to capturing and tracking managed services, AMC discovered that within the SMB market there isn't one plan that fits every customer. So, the VAR developed a variety of services options ranging from remote monitoring and help desk support to 24/7 on-site emergency IT support. "We also enable our customers to purchase blocks of IT support in advance, which we discount 10% to 15% compared with the pay-as-you-go model," says Chiappetta. In less than a year of beginning to sell managed services, 50% of AMC's revenue now comes from selling managed services.

MoreInfo ▶ Check out how another VoIP VAR is selling managed services at BSMinfo.com/jp/3541.

Find New Ways To Promote Your VoIP Expertise
Even though selling managed services is proving to be

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How Well Does Your VoIP Vendor Know SMBs?

More than 90% of Advanced Microcomputing Concepts' (AMC's) business comes from selling to the SMB market (primarily, customers with fewer than 100 employees per site and about \$50 million in annual sales revenue), which is currently growing faster than the enterprise space and makes up almost 48% of U.S. IT spending, according to Forrester. A few years ago, AMC, which at the time was strictly a data networking reseller, saw VoIP as the next hot reseller opportunity, and the VAR evaluated a few VoIP phone systems. "One option we checked into was an open source system," recalls Anthony Chiappetta, CEO of AMC. "Right away we realized that this type of system was going to be difficult to manage, it required a lot of Linux programming expertise, and support was difficult to come by." One other system AMC evaluated was an Allworx system, which was built specifically for SMBs with 100 or fewer employees per site. Chiappetta recalls that despite having no VoIP training, he was able to set up the Allworx system within an hour and a half using the installation wizard that came with the phone system. "We bought an evaluation kit and started using the system in our office," recalls Chiappetta. "Even during our evaluation period, customers would tell us how much they liked our new answering system [i.e. auto attendant] and asked us what we were using." Shortly after evaluating the Allworx phones, AMC made the transition from being a data-only reseller to a voice and data VAR. Within one year, AMC doubled its revenue selling Allworx VoIP phone systems. "The primary feature customers like, besides having the same reliability as their traditional phones at a much lower cost [an Allworx system is approximately \$500 per person and does not include recurring licensing fees], is find-me, follow-me," says Chiappetta. "For example, they can set up their office phones to automatically ring their cell phones when they are out of their office, and they can seamlessly switch from their cell phones back to their office phones."

In addition to selling phone systems, AMC bundles managed services with 50% of its sales. One thing Chiappetta credits with the success of selling

profitable for AMC, less than a year ago the VAR's primary target market was quickly drying up. By the fourth quarter of 2007, AMC knew it had to act quickly to drum up new business, because word of mouth real estate referrals weren't going to cut it. Chiappetta joined the Chambers of Commerce in a few nearby counties (e.g. Irwindale and Avusa) and began to network with the Chamber of Commerce CEOs and other members. "To prove our value, we performed a free disaster recovery evaluation and simply asked in return that the Chamber CEOs give us a good referral if they were pleased with our work," says Chiappetta. The VAR's strategy was an immediate success. "At the next Chamber meeting in Irwindale, a guest speaker gave a presentation to an audience of about 30 businesses on the value of online social networks such as LinkedIn. After the speech, the CEO said a few words and reminded the attendees that to get the most value out of LinkedIn, you need the help of IT professionals, like AMC, who can keep your computers and network running smoothly." After the meeting, several attendees, including an MFP (multifunctional peripheral) dealer, started talking with Chiappetta, and the conversation led to AMC helping the MFP dealer with a problematic install. "We helped the dealer solve a networking problem at one of its customers' sites [i.e. the professional services customer wasn't able to print to its MFPs via a terminal services connection at a remote location], which led to us building a relationship with the MFP dealer's customer," he says. "After selling and installing a server that solved the customer's terminal services connection problem, we sold it an Allworx VoIP phone system shortly afterwards." In fact, according to Chiappetta, the same professional services customer is in the process of opening 10 more facilities, and it's hired AMC to install and manage VoIP phone systems and computers at each new location.

managed services is the leasing program that Allworx offers through its financing business partner TAMCO. "In the SMB market, price is the primary objection stopping most customers from investing in new technologies such as VoIP," says Chiappetta. "Leasing eliminates that objection. For example, we recently sold one customer a \$25,000 phone system. Rather than shelling out all that capital, the customer signed up for a five-year contract, paying \$400 a month for the phone system and an additional \$99 for our basic managed services plan, which includes 24/7 monitoring of critical network devices, basic maintenance scripting, and failure prediction/notification. Plus, TAMCO takes care of billing, so the customer receives only one bill, which is also what SMBs want." According to Chiappetta, since signing up with TAMCO at the beginning of 2008, he hasn't had a single non-leasing deal.

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In addition to new contacts AMC makes at Chamber of Commerce events, it's had success forming new relationships with telecom agents. "When a customer hires us to do a simple router or server installation, we find out who its telecom service provider is, and we contact that company's agent to see if there's a chance of working together," says Chiappetta. "Sometimes, the telecom agent will hire us to help upgrade one of its customers from a DSL to a T1, or we might contact the agent and request his company's services. Instead of accepting a small referral bonus from a telecom agent, we tell the agent to keep the money and to pass any VoIP or networking install opportunities to us." In almost every case, AMC picks up an average of three new customers per month from referrals, which is much more profitable than getting a one-time kickback from referring a customer to a telecom agent. Today, 30% to 40% of AMC's new business comes from telecom agent referrals, which have gone a long way toward launching AMC into new vertical markets. In fact, sales to the real estate market now comprise only 15% of the VAR's business, and the rest of AMC's business is spread out among professional services firms, educational organizations, healthcare providers, distributors, and manufacturing companies.

Within six months of changing its marketing strategy, AMC has enough sales opportunities in the funnel that it's projecting to once again double its sales revenue from last year. If you can't say the same for your business, you should consider giving Chiappetta's plan a chance and trying some new ways of marketing your business.

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