

Up and Running - 11/16/2007

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STRATEGY by Dave Szymanski | Tampa Bay Editor

Terry Hedden started like many IT professionals, fixing things when they broke and charging by the hour. But now he's adopted a pricing and service model.

In the old days of information technology service, commonly known as IT, when the computer broke, you called the tech guy. He drove out to you, fixed your machine and charged you by the hour.

The new way: The computer breaks. You call the tech guy. He arrives. He fixes your machine. He also recommends what you need to do to prevent future breakdowns. You make the investment. He charges you for the new parts, but then charges you a fixed monthly price for preventative maintenance based on the number of computers you have.

The result: Your computers are not down as often, keeping everyone productive longer.

Add one more thing. The "trunk slammers," slang for one-person techs operating out of their cars, are giving way to IT firms with many techs, who can respond whenever a customer needs them, not only when the lone tech is available.

This is a simple description of a growing IT paradigm called managed services. One of the latest practitioners is Dunedin native Terry Hedden, 32, CEO of Tampa-based Infinity Business Systems.

IBS, which has offices in Tampa and Orlando, just opened an Atlanta branch and has seen revenues increase more than 500% since 2003.

Next year, it hopes to secure funding for expansion into at least four markets. It is doing market assessments of southeast Florida, Jacksonville, Fort Myers, Naples and Venice.

During the next five years, Hedden plans to open one new office a quarter, primarily in the Southeast.

Hedden is not alone. Other firms, such as Tampa's Vertical IT Solutions, Bayshore Technologies and Friendly Computer Systems, offer maintenance plans for customers.

What partially enables IT firms to offer this service is an investment in software which allows them to remotely monitor and repair clients' computers from the IT business office, meaning that techs don't need to always make live visits.

"We were the old style and last year we changed, costing us a significant amount of money," says Jeremy Nelson, president of Friendly Computer Systems. "I think that's the way the market is going."

The income model has been flipped: In the old days, IT firms made the most money when customers went down. The more problems, the better for IT firms who charged by the hour.

Now, if they adopt the maintenance model, the more customers' computers are up, the more money an IT firm makes because it isn't sending techs out as often. It is collecting a monthly fee. And this means that IT firms with this model have the same goal as the companies — keeping computer systems operating.

Most companies, before they accept a company on a maintenance agreement, will spend some time offering service and determine if they are willing to accept that risk. If they do, the IT firm and the client form a partnership of sorts.

Customers in transition

Part of the business is in transition. "Everyone is in the middle now," Nelson says. "Some customers are still hourly. Most are going toward managed services."

The reality is that business usually do not save money on what they pay IT firms. It is a cost. What they do save money on is avoiding the cost of down time. If a server goes down, there's a cost per hour of not having it up.

So managed IT services are like a kind of like insurance.

The saving grace for IT firms is that there appears to be an avalanche of IT business on the Gulf Coast because many small- to medium-sized businesses have no IT department. And even those that do are often overwhelmed.

"There's still tons of business out there," Nelson says.

The reason for the demand is the increased role of computers, networks and the Internet in business. The more high tech, the more the need to maintain the high tech.

"Today, at every company, computers are mission critical," Nelson says. "Eleven years ago, if you had two computers, you were high tech. Now, if you have no Internet connection, you're not on the cutting edge. All computers are mission critical."

Even non-high tech businesses are wired. For example, one of Nelson's clients is a hair salon. When its computers went down, it lost its schedule, the details on each customer and notes on any price promotions it may have offered to customers.

Entrepreneur at 14

Hedden started IBS in 2003. He came from Ernst and Young in Atlanta, where he eventually grew tired of traveling.

"I wanted to start my own company as a way to change a market," Hedden says.

At that time, the IT market for small- to medium-size businesses tended to be uncles, brothers and sisters, one- or two-person shops, he says.

"The flaw in that model is that one does not have the knowledge of many," Hedden says. "With a one-man show, what happens when he goes on vacation?"

Like other IT firms in the Tampa Bay area, IBS manages telephone systems, Web sites, computers, networks and IT strategy.

Like other firms, it offers 24/7 service.

Some of its customers, such as one in Washington, have IT departments, but their IT staffs are overwhelmed. So they outsource some of the work to IBS. Hedden says IBS is able to save customers 25% to 40% over the cost of in-house IT departments.

IBS has 25 employees and plans to hire seven more. Its office is near Tampa International Airport.

Its clients span the country in places like Los Angeles, Minneapolis and Fort Lauderdale. Because of software, it can do a lot of maintenance work remotely.

Hedden went to school in Carrollwood and Brooksville. He attended the University of Florida, where he earned his bachelors in management information systems and his MBA. He lives with his wife and son in St. Petersburg.

In five years, Hedden wants IBS to be a regional player in the Southeast, with an office in every city. Beyond that, he wants to be a national player.

The short-term approach is primarily Florida, from Sarasota to Brooksville, from Orlando to Daytona Beach, so the firm is about an hour from clients.

"Right now, it's about increasing our footprint, with both planned and unplanned locations," Hedden says.

Hedden's entrepreneur path started when he was 14, when he began a lawn service business with a golf cart and a trailer hitch.

Years later, he started The Exchange Exchange, a hyper-exchange Web site for hundreds of buyers, such as GE. Hedden & Associates was a consulting firm with Fortune 100 clients in Atlanta.

Hedden is a member of C12, an organization for Christian executives. He says he operates IBS on Christian principals and nine core values. It awards a core value award quarterly to an employee that best practices those values.

"It involves ethics and morals," he says. "We work with people of all religions. We realize we are just a steward of the business."

BY THE NUMBERS

Year Revenues

2003 \$500,000

2004 \$500,000

2005 \$1.2 million

2006 \$1.67 million

2007 \$2.8 million*

*est.

REVIEW SUMMARY

Company: Infinity Business Systems

Industry: Information Technology services

Key: Offers fixed-price service plan, promoting ongoing maintenance