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Confessions of a Successful Integrator

It takes a lot of good decisions to become a $26.9M integrator, but Signet Electronic Systems strategizes for 2011 by drawing on its bad ones.

Jan. 25, 2011 — by Tom LeBlanc, Commercial Integrator

If you don't enjoy reading about companies' successes, bear with us for a few paragraphs before we get to the lessons learned.

Brad Caron, president and owner of Signet Electronic Systems, says the company will not pursue project opportunities if they won't lead to a long-term relationship with a client (Photo by Adrien Bisson)

Norwell, Mass.-based Signet Electronic Systems is a successful company. It earned $26.9 million in 2010 revenues versus $28.3 million in 2009 and $26.8 million in 2008, holding steady through the recession despite competing with more bidders for a smaller pool of new-construction opportunities. Meanwhile, it maintains an extremely strong foothold on New England's hospital, K-12 education and government/public safety electronics installation markets.

The thing is, though, even companies that have survived the recession relatively unscathed have battle scars. Successful companies, in fact, are usually quite good at recognizing lessons from recessions and applying them to their long-term business plans. In Signet's case, the recession led to it prioritizing the following:

- Closing business with less lead time
- Increasing its backlog
- Turning single-dimension clients into multi-system and service clients
- Increasing recurring revenues from 15 percent of business to 33 percent

The other thing about successful companies is that they're usually more than willing to talk about their mistakes because, in many ways, they derive their success from their darkest moments. Such is the case with Signet and president, Bradford Caron. "I don't mind talking about [mistakes]. In fact, I can sit back here and rattle them off all day because I've made enough of them," he jokes.

The truth is, though, that Caron, who two decades ago took over the business his father, Charles, founded in 1974, made some great decisions that evolved the company from what he describes as "basically a service company, not an integrator" to what it is now: a full-blown engineering, installation and 24/7 service provider.

CI Snapshot
Primary Location: Norwell, Mass.
Additional Locations: Scarborough, Maine, and East Providence, R.I.
Principals: Bradford Caron, president and owner; Dan Chauvin, VP of low-voltage integration; Dawn Mello, VP of operations
2010 Revenues: $26.9 million (projected)
Years in Business: 36 (founded in 1974)
Employees: 119
2010 Commercial Installs: 790
Top 3 Vertical Markets: Hospital, K-12 education, government/public safety
Top 5 Brands: Crestron, EST, Genetec, Hirsch and Rauland-Borg

"My company does engineering and execution better than any other company."

All Aboard Engineering

Signet, which now has 119 employees, had 12 when Caron worked for his dad during high school - "no room for growth," he points out. "Sales were pretty flat." So, when he finished school in 1987 he set out to broaden the company. "That's when our integration roots started. He [Charles] gave me the authority and the direction to go out and support our engineering groups."

Caron focused on creating new clients by distributing well-engineered systems and installing new systems for Signet's existing client base. The overwhelming goal was to turn each client into a customer for life and improve the long-term viability of the firm.

"It was expected that every new system sold would ultimately become a new service client. [The goal] is to build recurring revenue and build long-term relationships with clients."

That's nothing new. Most companies at least say they're focused on creating lasting relationships with their customers. Signet, however, is lot more committed to that ideal than most, Caron explains. Signet's core mission, he says, is all about creating service clients. "We will not pursue project opportunities if they won't lead to a long-term relationship with a client."

Of course, the key to actually creating these long-term clients is making them happy with their well-engineered systems and Caron, the guy who doesn't mind talking about his mistakes, admits that early-on Signet often fell short.

Mistake No. 1: Inadequate Data Collection

Signet wasn't always good at collecting the data it needs from clients in order to implement an integrated solution. In particular, it wasn't communicating well with IT professionals, a position that has increasingly become its primary contact on projects.

"The convergence of IP, using the network to converge systems" was a "large learning curve," Caron says. "If we weren't on the same page as the IT directors, there were a lot of problems, and the problems would go on and on, certainly for months and months and create a lot of finger-pointing."

Now, when Signet approaches an integrated IP project, it immediately seeks out the IT director or administrator, Caron says. "We find out how they're setting up their networks so we can work within that framework. That was a major problem, because we were not satisfying our clients. The system would be crashing; a lot of errors would be popping up. [The client] would be pointing the finger at themselves and we didn't know enough at the time to say it's network-related and it's how we set it up on your network.

"We learned the hard way. We got a few black eyes, but we learned that we have to have this information well before we even set foot on a job site to do work."

If you had to use Twitter to describe what your company does, what would you tweet?
True Systems Integrator: communications, security, life safety & A/V; $500K-$3M projects, long-term client relationship; service agreements

Signet now has processes upon processes in place to ensure that it collects proper client data. "We have project engineers and their objective is to visit the ultimate end user on a system and obtain the information that will best facilitate how we can implement the system to meet their needs," Caron says. "We weren't doing that for a few years. Now it's allowing us to avoid issues before they become issues."

Asking end users about how they intend to use the system and then diffusing potentially unrealistic expectations are critical steps in the process. "The operator might want a system to operate a certain way, but there may be pitfalls to that [approach]. So we explain that up front, and explain that there may be a better way to utilize the system. By gathering all this, it allows our programming technicians to program it in a way that best fits our clients' needs."

Project engineers are armed with checklist-questions for end users. Signet has various checklists for different types of systems and different industries. "If it's IP-based, it's a whole slew of network questions. If it's nurse-call communications-based, there are a whole slew of questions," Caron says.

On a macro level, though, the bigger mistake that Signet made was not quickly adapting to the IT shift. Caron emphasizes that value that Signet now places on its relationships with clients' IT directors. "It's their domain, literally and figuratively, and you need to work within their world. They're experts to some degree and are very good at what they do. They have all the funding, because typically the only growing group in an organization is the IT group. Maintenance, facilities — they're all shrinking, and it's continually IT that has the deepest pockets. They wield a lot of power."

A Little Luck, a Little Niche

When Caron looks back on how Signet began to expand after he took the helm, he credits it as part business plan and part luck.

The business plan part is Caron's policy of making sure Signet does business with only "exclusive distribution or limited distribution manufacturers." That, he says, assists Signet in building lasting client relationships. "Manufacturers that believe in limited distribution understand the value of long-term relationships. If manufacturers flood a market with product, it simply devalues Signet's relationship with its clients."

In 1988, Caron stumbled upon such a relationship with Rauland-Borg that, in essence, charted the direction Signet would take. The limited-distribution manufacturer offers solutions in healthcare and K-12 education and it started a small relationship with Signet. So Signet began installing Rauland-Borg communication solutions in hospitals, rehab facilities and schools. "That was a major manufacturer that we were able to pick up and it really established our core," Caron says. That happened, he points out, as schools were poised to dramatically increase their computer presences and hospitals were entering a technology renaissance.

Signet developed a reputation for successful implementation of systems in schools and health care facilities, fueled in part by Rauland-Borg's telecenter K-12 communication systems and nurse-call communication solutions. It allowed the integrator to build its client base rapidly. "As Signet became more successful with Rauland, additional geographic territory became available and was offered to us — allowing for exponential growth."

So the luck part is the Rauland-Borg relationship and the fact that it established Signet in two industries that very much needed integration services. "I guess it's luck," Caron says. "But actually our business strategy put Signet in a position to take advantage of an opportunity. 'Luck' or the situation was simply in front of us. Making the decision to take risks, invest, hire and execute were the challenging elements. Companies are presented with opportunities every day, but leveraging and risking is the challenge."

Room for Improvement

Again, there is only so much that can be learned from companies pounding their chests. Caron, who says Signet performed well through the recession, chooses to focus on the aspects on which it needs to improve.

During the recession, Caron says, Signet ate into its backlog - projects that were lined up but not yet begun - reducing it to $13 million in potential revenues. "Our challenge moving forward in 2011 will be closing business with less of a lead time and increasing our backlog."

It's easy for an integrator to get "very comfortable," Caron points out, when the economy is strong and construction is booming. "When an order would come in it was acceptable to process the paperwork and the engineering and to have everything flow through our machine in what used to be six to eight weeks. But as orders started coming in [less quickly] we had to keep our machine going and keep our installers and programmers busy. We needed to get that work through quicker."

Signet adjusted its processes to fast-track paperwork processing and engineering.

Also during the recession, Signet began to really appreciate recurring revenues through service agreements, although building recurring revenues has been a high priority for Signet for about five years, Caron notes. “Not only do agreements provide a source of dependable, consistent revenue, but it allows us to plan and better support our clients.”

Rolling out service contracts to existing clients was tricky. Signet had always prided itself on elevated service, and clients were already accustomed to post-installation service without having to pay for it. They’d turn down proposed service contracts and “tell us they’ll stick with the service they already have,” Caron recalls.

The bigger mistake that Signet made was not quickly adapting to the IT shift. “It’s their domain, literally and figuratively … Maintenance, facilities, they’re all shrinking and it’s continually IT that has the deepest pockets. They wield a lot of power,” Caron says.

Providing extra incentive turned out to be the key. Custom-created service contracts now offer clients better response times, longer warranties, employee training and deeper discounts, which result from manufacturers’ support for the programs. Signet offers service agreements for all its system types, including security, life safety, audio/video, nurse call and communications. “We’ve had tremendous success in the last three years.”

Vice president Daniel Chauvin, who heads up Signet’s low-voltage integration division, says the service contracts are now structured so clients can easily see their value. “They haven’t been a tough sell once they see what we’re bringing to the table,” he says. “It gives them a certain amount of certainty about what service they’ll be getting and it puts their costs in a box.”

In order to deliver on service contracts’ promises, Signet had to ramp up its infrastructure. It hired full-time service sales representatives entirely dedicated to selling service contracts and Signet, which basically serves all of New England, had to be more geographically strategic about hiring technicians so they could deliver on guaranteed response times.

At press time, 15 percent of Signet’s revenues are “under agreement,” but Caron wants to boost that to 33 percent. Based on what Chauvin sees in the field, he says the goal is “definitely attainable.”

Mistake No. 2: Separate A/V Division

One reason the service contract push has been successful for Signet is that it’s consistent with the company’s overall game plan: It emphasizes service and long-term relationships while being administered by people, like Chauvin, who understand the Signet approach.

Caron admits that he hasn’t always remained true to those values. “We launched a business about eight years ago called Signet AV Solutions,” he says. “We thought there was an opportunity to take advantage of digital signage, projectors, smart boards and all the A/V peripherals that go along with that. We didn’t execute it properly.”

Signet AV Solutions was kept separate from Signet Integrated Solutions. Caron brought in outside people and says he didn't leverage Signet's core infrastructure, including its focus on limited or exclusive distribution. "I left the model of what made Signet successful. It cost a lot of money, but we learned a lot."

Caron has since rolled the audio/video discipline under the Signet umbrella and calls it Signet Electronics. Now that it's being run by Signet veterans and using Signet's infrastructure, "it's our largest growing division."

Challenges Ahead

Hindsight is always 20-20, but it's easy to see why separating Signet's audio/video discipline was a bad idea for the company: It reduced one of the company's competitive advantages, which is its ability to package various applications — including A/V, security, fire protection, nurse call, etc. — into one system. There aren't many large commercial integrators in New England, so multi-disciplined Signet often has a leg up when bidding against more narrowly-focused security or audio/video integrators. "We give companies the ability to deal with one company, one point of contact, one project manager, one source of responsibility, one source of training," Caron says. Signet reinforced that advantage when it brought audio/video in under the company umbrella.

In recent years, though, a new market dynamic has threatened Signet's multi-discipline competitive advantage. With fewer large-scale construction projects on which to bid, Signet finds itself bidding on more singular projects against those narrowly-focused integrators. "The pie used to be this big. Now it's only this big," Caron says. "But we still need the fuel to keep the machinery going. Singular, smaller — we're into that market now and the margins aren't what we want them to be and that's why we [had previously avoided] that market."

It's a challenge Signet will face at least until new-construction regains steam. "We need to get more aggressive. We need to reduce our margins," Caron says, adding that it's difficult to compete on a narrow audio/video project with an integrator that does nothing but audio/video. "That's all they do, but they do it very well. It's difficult for us to complete with that person because we have five other disciplines to focus on as well. Technically, we can handle it, but typically we have larger overhead and we're a little less efficient because or our engineering and coordinating with other trades."

The predicament goes both ways, Chauvin says. He sees more narrowly-focused integrators bidding on multi-discipline projects. "We're bidding against more electrical contractors that are looking to offset their declines and going after our traditional business. We used to bid against maybe one other company that would come from outside of New England. Now we're bidding against more, but they're non-traditional competition."

The situation isn't ideal, but Signet feels it can overcome it with elevated service. Most of those competitors, Chauvin points out, "are bid and chase." He says they don't create perceived value for the client and don't generate recurring business. "That's what you want. That's what gets you through the tough times."

The reason Signet held strong through the recession, adds vice president of operations Dawn Mello, is its emphasis on service. "In an economic downturn, you need that client relationship.

It can't just be the sale; it has to be the service after the sale. When those funds do become more readily available, I think the client will remember that — not just who the low man was."

It usually comes back to service for Signet. As dramatically as Caron has grown his late father's service company into a powerhouse integrator, service remains its core competency.

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