



Trust X Alliance Member Q&A

Marty Muscatello, President and CEO, FoxGuard Solutions

FoxGuard Solutions is anything but your typical IT service provider. With a focus in industrial computing, it serves corporations working in energy, oil and gas, coal, and other verticals that operate in harsh environments and need custom technology solutions. That specialty brings a unique set of challenges to the company leadership, as CEO Marty Muscatello explains.

Start at the beginning, when and why did you start your business?

The company started in 1981, before the concept of PCs even existed. It was a software development company that eventually grew into creating solutions for verticals. As technology matured, we did as well. We started a relationship with the Virginia Tech University and, in particular, their very well-known engineering school. We've grown with them from slide rules to calculators to computers, and that remains an important relationship to us. Eventually, we dived into technology development and added more industrial companies as the demand for custom tech grew. We continue to serve those verticals and still build about 40% of our product.

We also work heavily in cybersecurity and have a recurring revenue model because power utilities aren't allowed on the internet. So we physically take an appliance onsite every 35 days, according to federal regulations, and update their systems. It's a very labor-intensive service offering, and part of that is being up to speed on the regulations from organizations such as the

Federal Energy Regulatory Commission (FERC) and the North American Electric Reliability Corporation (NERC). The government realized there wasn't a much better way for a terrorist to destroy the U.S. than go after the power grid, and they started to develop cybersecurity requirements. When an OEM customer came to us for help meeting those regulations, we developed a solution for them. That was the start of our involvement in that side of these industries.

Why did you choose to focus on and then stay in these verticals?

Early on, we didn't give it much thought. We were fortunate enough to be selling to OEMs, such as Toshiba and GE, and once you have a relationship with those businesses, they sell for you. But we also cultivated outside customers by looking for niche markets with harsh environments that needed highly complex and engineered solutions. We like the custom world and look at double-digit margins on these kinds of solutions, so we continue to target those verticals.

These seem like complicated verticals to penetrate. How do you get in the door?

With utilities, there are certainly a lot of referrals because it's a relatively small world. When we look at the big industrial businesses—Lockheed Martin, Joy Global Mining, Raytheon—there are a couple of ways to approach them. First, they offer incentives for buyers to work with small businesses. While we're a \$35 million company, we're small to them. Then the state helps with their Virginia Leaders in Export Trade (VALET) program, and because we're close to Washington, we have good connections there, as well.

Additionally, we invest a lot of time developing relationships. Then we dip into the wide net of Hokies alumni to take advantage of our Virginia Tech relationship and use our connections to reach out, invite them to a lunch and learn, and that starts to spread the word.

Even once we've established a potential client, and start looking for doors in, the sales cycles are very long. For example, with one client, it was a solid 18 months before we sold them a dollar's worth of anything. It's a long time and a lot of effort with these big companies.

If you could go back, what would you do differently with the business and why?

Working with these large OEMs can be very time-consuming, and we do a significant amount of business with them. Over the years, they bring so much business that it's hard to turn them down. Looking back, I wish we had been more strategic in keeping the mix of customers more diverse. We're trying to tackle that now, without damaging those existing relationships. We needed to build a system around sales opportunities, and I wish we'd done that sooner.

With so much emphasis on the customer experience, what are customers looking for in and from a technology business advisor such as you?

We've ingrained the mantra of customer service in

our culture; that focus was here even before I joined in 2003. We rely on NPS (net promoter scores) and pay close attention to those. For success, we must understand each person we're working with and how their success is being measured. Is it quantity, quality, cost cutting—whatever it is, we need to find out what that measurement goal is and help them achieve it.

How has your company's role changed over the years?

We're completely embedded in our customers. And as technology has evolved, what's required of us as a technology partner is to understand the technology of the customers and what's changing in the industry. We must be knowledgeable on both sides—what's innovating today and what role you can play. We have to stay out in front of them as teams move and shift.

What's your company doing to stay ahead of technology trends and business model shifts?

We attend and speak at a lot of security and utility events, so we're seen as knowledge leaders in markets such as those. That gives us exposure to other leaders in the space as well. But more often than not, we hire experts who have been immersed in the verticals we focus on, and we bring them onboard.

What's your approach to using technology within your own business and how does that help you better serve your customers?

In many of our longstanding relationships, it's a true partnership—you're working with their engineering talent and creating solutions together. You're almost always working on a new solution side by side, and if you can't work inside like that, you won't keep that business or win more of their projects. They expect to come to us and work through whatever problem there is, and we need to be able to solve it.

In other cases, in a market like simulation and training, we may work with a vendor partner, like NVIDIA, on

leading-edge technology where we put it into the lab and work on developing a solution. Then the demo of that solution is where we showcase our expertise.

What business trends and/or challenges do you see in the midmarket and how are you addressing them?

In the power vertical, we're still discussing whether a cloud solution will ever work. Most of our customers don't want to even talk about the cloud. They aren't willing to look at it. But we're starting to see innovative solutions that may start to have a positive impact on utilities.

On the security side, things are getting very interesting. We see a lot of small players developing solutions; there's a lot of private equity and venture capital funneling into cybersecurity. As that money and creative tech come together, I expect to see consolidations and companies form to launch some innovative solutions.

How has Trust X Alliance positively impacted your business?

We've been members probably 15 years now, and we've met so many good people who are really running solid businesses. That has helped us learn good business practices. We've partnered on international work and used Trust X and Ingram Micro relationships to build our business in other ways. What's really propelled our business is the Trust X Mastermind group. Those conversations are about building bigger, stronger companies, and that's where we're finding a lot of business value.

What has surprised you most about being part of Trust X Alliance?

When we first joined, I didn't expect to get as engaged as we are because our company is so different. But then I'd get a little nugget, or I'd meet someone who also does international work, or run into someone and we're

both servicing mining. It's turned out differently than I initially thought and that's been good for our business.

Just a few more details:

Service specializations

Security, industrial computing

Percentage of growth, 2016 to 2017 20-25%

Headquarters Christiansburg, Va.

Reach International

Number of office locations 1

Best business advice ever received

Pay the money to hire good strong leadership, someone who can do a better job than you.

Little known fact about your company

FoxGuard is housed in four facilities; the newest construction totals 25,000 square feet. Its top level houses an indoor softball facility with batting cages and a practice area used by local community and high school girls' softball teams.

FoxGuard Solutions

<https://foxguardsolutions.com>

Social sites:



www.trustxalliance.com

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