

Compliance Opens Door To New Security Markets

This VAR is using the Internet to identify and learn about compliance regulations, then to market security solutions to those verticals impacted by compliance.

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When you are a small IT shop such as the five-person security VAR FrugalBrothers Software, how do you find time to identify new markets with growth opportunity? Well, FrugalBrothers President Bruce Naylor did his homework on the Web and found new verticals for security sales — namely, financial services, education, and now point of sale (POS). All these markets face increasing security needs fueled by compliance requirements. Once Naylor identified those new markets, he used free marketing — Web 2.0 products such as YouTube and Twitter — to reach potential customers.

“We started FrugalBrothers as a break/fix VAR, then began to focus on network security in early 2007, working extensively with GFI,” explains Naylor. As the company grew, Naylor expanded his offerings to include several Microsoft products, such as its customer relationship management (CRM) tool, SharePoint, and now, POS technologies that blend with his existing security offerings. To understand the growth curve of FrugalBrothers, you must know a bit about Naylor’s background, which includes time spent as a CIO in the mortgage business. That background left him with a heightened awareness of the battle in many financial services offices to comply with security mandates. “I looked a lot of places for guidance when I was in that role, and that was in the back of my mind when I opened FrugalBrothers,” explains Naylor. He adds that he was aware the break/fix business was unpredictable, and with extensive contacts in the mortgage industry, branching out into compliance-driven security seemed a natural move. “The break/fix model can be feast or famine and has constantly lowering margins, so it is not the model for longevity,” says Naylor. “You need to find something that sets you apart from the competition, and, in our case, it was working in the security segment.”

As he searched for the right tools on which to build his security offering for small financial services companies, Naylor looked for an affordable solution that thoroughly covered SMB networks. “We developed a set of network tools to show them — the solution could scan their network, secure their access points, and help them understand who is accessing files and the information inside them.” That solution

was built on tools from GFI, and Naylor has remained closely tied to that vendor partner. With training and educational support from GFI, FrugalBrothers began to see potential in the security market wherever compliance loomed. Soon, the company's focus expanded to the education market as compliance hit in the form of CIPA (Children's Internet Protection Act). When the Supreme Court changed the Federal Rules of Civil Procedure (FRCP) in April 2006 to require all organizations — including nonprofits, schools, etc. — to produce email evidence if sued, Naylor again saw opportunity.

Stay Informed Of Security Mandates Via Multiple Avenues

Keeping abreast of the changing compliance rulings and, therefore, the potential vertical opportunities, meant a lot of legwork by Naylor. "Some of that information comes from GFI and some on the Web," he explains. For example, websites such as eschoolnews.com provide insight into education compliance challenges, while the Housing and Urban Development website opens the door to federal mortgage security requirements. Naylor doesn't have any particular trick for finding resources on compliance; he typically sticks with search terms such as Payment Card Industry Data Security Standards (PCI DSS), Sarbanes-Oxley, and Health Insurance Portability and Accountability Act (HIPAA).

Additionally, because publications by industry organizations, such as the National Education Association, quickly cover new compliance mandates, Naylor started joining those types of organizations as an affiliate or associate member. "If you are looking at a vertical, make sure you are either subscribing to or watching the same material those customers get," says Naylor. Most associations offer affiliate membership information on their membership page, and the cost is less than a full membership. That doesn't mean it is cheap. For some associations, such as the Mortgage Bankers Association, even the associate/affiliate membership is \$2,500 per year. But for others, such as the National Association of Mortgage Brokers, an affiliate membership is only \$600 a year.

Build Security Customer Base Through Marketing

Based on his compliance law research, Naylor began exploring specific areas where IT security could play a role. He then built a suite of security products that met those requirements. Once educated on the technology tools that appropriately addressed each vertical's unique security needs, the next step was finding customers. That meant marketing his security solutions on a shoestring budget. Naylor started with Web advertising and blended that with a print campaign that included direct mail and advertising in trade publications. After investing \$3,000 in online and print

campaigns targeted at education, Naylor knew he needed a different approach. "I felt I was throwing good money away," says Naylor. "Sometimes I had luck, and sometimes I didn't, and it was difficult to judge when the outcome was worth the cost." So, he tried a new path — free Web 2.0 tools.

Free Web Marketing Tools Provide Valuable Security Customer Analytics

FrugalTech, Naylor's entirely Web-based marketing tool, was launched in 2008, featuring webcasts and blogs, all by Naylor. Through the power of the Internet, he has seen significant results. With nearly 140,000 YouTube views of his 200-plus technology videos in the past year, it isn't surprising that the percentage of growth at FrugalBrothers fueled by online-generated customers is about 24%. And did I mention the cost for these efforts? "I paid only for my equipment," says Naylor. "Being frugal, I use a refurbished iMac that ran about \$1,500, then I used some marketing funds from GFI for the high-definition camcorder [\$900], so I only paid about \$400 for that." He also used marketing funds to cover the cost of his \$400 light kit and purchased his studio-grade microphone for \$200.

To that \$2,100, Naylor added his time. He dedicates several hours a week to producing fresh content (typically Saturday afternoons plus a couple other days) and also invests time in tracking the analytics connected with each of these sites. "We watch our analytics so we know how we are doing from month to month, and we expect our conversion rates to reflect that," he says. Plus, sites such as YouTube allow Naylor to track his viewer demographics, so he knows exactly the type of person watching his presentation — including age, where they live, gender, and more.

FrugalTech is posted on 11 sites, including YouTube, ustream.tv, dailymotion.com, MySpace.com, 5Min.Com, Howcast.com, Graspr.com, Metacafe.com, Yahoo.com, revver.com, Veoh.com, and sclipo.com — all free. Naylor used Google Analytics and Woopra, a product still in beta, to follow the impact of his marketing efforts on his home website. "It probably took a couple months before we saw a noticeable difference in the traffic on our website, but we did see our bounce rates drop pretty quickly," says Naylor, explaining that if you get 50 visitors and your bounce rate is 80%, that means the visitors you are getting aren't really interested. "When you drop that bounce rate, it means you're doing something right." Today, FrugalBrothers.com gets in excess of 1,000 visitors a month, nearly 10 times what they had a year ago. "If you get 10,000 visitors a year and 1% or 2% turn into paying customers, that is something," he says.

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Naylor is getting ready to notch up his efforts — a live, hour-long webcast every weekday with embedded chat and a live video feed. He projects Web marketing will continue to help him reach those verticals facing strict compliance mandates and therefore grow his company's reach to the point that he expects strong Q1 sales to evolve into 56% growth in the company's revenue beyond last year's figures. If those kinds of numbers seem appealing to you, perhaps you need to explore the world of free Web 2.0 marketing and get the word out about your expertise — be it technology-driven or compliance-fueled.