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NEW DIRECTIONS FOR SECURITY SYSTEMS & INTEGRATION

A COMPANY OF LEADERS



Through structured management, professional training, and positive rewards, John Murphy has created a team of leaders within Vector Security Inc.

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A COMPANY OF LEADERS

SDM's 2003 Dealer of the Year, Vector Security Inc., is an exercise in consummate management.

By Laura E. Stepanek, Editor

As soon as Vector Security Inc.'s application for *SDM's* Dealer of the Year Award arrived at our offices, the editors knew this company had a story to tell. The application consisted of four large binders – chock-full of history, facts, and personality – weighing just over 15 pounds. Together, they told the story of a body of professionals who work very purposefully to do “the right thing” for the company’s customers, employees, and stakeholders – a story that earned Vector Security Inc. the distinction as *SDM Magazine's* 2003 Dealer of the Year.

Just a few hours into my visit to the company’s Pittsburgh headquarters, it struck me: Everything at Vector Security is deliberate.

There is no policy or program that exists here simply because “things have always been done that way.” Vector Security is finely managed towards its mission, which, in part, states that the firm is “committed to creating and maintaining an increasing number of long-term recurring customer security solutions relationships.”

It means that creating and maintaining long-term customer relationships are essential for growth; and that growth is essential for providing benefits and opportunities for the 955 people (including 226 in the Vector Patrol Division) who earn their living from providing quality services to Vector Security’s customer

In 1992, when John Murphy joined Vector Security as president, the firm ranked No. 20 on the SDM 100, with \$20 million in total revenue. Since that time, Murphy has led Vector Security's team to the No. 7 position with \$101.6 million in total revenue last year – but more importantly, to a status that has earned the firm respect both from other security dealers and from the clients whom Vector serves.



Photo by Mark Bolster.

base. It's a positive, interdependent cycle of growth feeding growth.

Vector's president, John A. Murphy, calls it "balanced growth."

"We are looking to grow our business on a base that is operationally and financially sound. We try to anticipate our needs and then grow to that, so it would not be appropriate to think about Vector as headlong committed to growth at any cost. We're committed to growing consistent with our mission," Murphy says.

"We are very fortunate to have The Philadelphia Contributionship as our parent. The Contributionship's financial support and the sound guidance from Vector's Board of Directors, chaired by Chris Webber, who is the president of The Contributionship, has been vital to our success," Murphy says.

Two examples demonstrate this management philosophy in practice. The first is its National Accounts Division, for which Vector Security – despite its operational footprint being limited to the Mid-Atlantic states – has become a well-known provider in North America.

FROM ZERO TO \$38 MILLION

Vector's senior vice president, national accounts, Michael T. Grady, recalls a meeting in 1992, at which Murphy asked Grady to consider heading up a new national accounts program within Vector. Murphy had just joined the firm as president, and Vector Security was about to begin an aggressive growth program. After some discussion and consideration, Grady headed out of the meeting, but then stopped to ask how many national accounts Vector currently had. "None," said Mr. Murphy," Grady recalls.

That was precisely the point: To review the commercial accounts Vector had in multiple states and "develop some consistency with their security needs," Grady says. "We might have had the same customer in Pittsburgh as we did in New York, but the Pittsburgh office didn't know we had one in New York and vice versa."

Grady and Joe English, now general manager of the National Accounts Division, began the process by searching Vector's existing account base.

"I believe we had five or six branch offices then, and we found that there actually were Fortune 500 companies that we were servicing in those branch locations. Some of those accounts we are continuing to service today on a national level," adds Grady, who has been employed with Vector Security for 20 years.

Vector's National Accounts customer roster – comprised mainly of retail businesses – includes

VECTOR SECURITY Here and Now

SDM's 2003 Dealer of the Year

FOUNDED: 1982, when stakeholder, The Philadelphia Contributionship invested in Kilbourn Security, a Philadelphia-area based Westec dealer.

SENIOR MANAGEMENT: Office of the President includes John A. Murphy, president; Pamela J. Petrow, senior vice president, central stations/information services; Thomas S. Rogers, senior vice president, operations support; and Michael T. Grady, senior vice president, national accounts division

TOTAL EMPLOYEES: 955 talented individuals

2003 REVENUE: \$108 million (estimated); recurring monthly revenue \$4.4 million (estimated)

OPERATIONAL STRUCTURE: Five market tiers – National Accounts division, Builder Services division, Authorized Dealer program, Custom Residential division, and Home Security packages. Operates 24 branch offices throughout the mid-Atlantic states. Operates three central stations.

SUBSCRIBERS: 113,412 residential; 34,843 non-residential (estimated).

Lowe's, Dollar General, Michael's Craft Stores, Circuit City, The Home Depot, Tiffany's, Best Buy, Costco and many more. In the past five years, Vector Security has grown its National Accounts Division from approximately 2,000 monitored accounts to more than 9,000 today, and nearly tripled revenue. It employs approximately 80 people.

Commercial sales and installations – and in particular, National Accounts – is the fastest-growing segment of Vector Security's total company revenue, which is projected to be \$108 million in 2003.

But Grady admits that growth, in the beginning, was slow. The primary focus of National Accounts in the first three years was to build the operational infrastructure before deploying the sales strategy, he says. This meant setting up a national service center in Manassas, Va., and a nationwide network of technical service partners.

"Once we had our installation, service and central station resource networks set up, then we put together a sales and marketing effort and that's when we began to see our first successes," Grady recalls. "It resulted in an operational team that was built strong enough to support a strong sales effort. Through the years, we grew in perfectly balanced proportion.

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Vector Security's central stations serve approximately 148,000 subscribers. From left: Jackie Ostronic, ISG executive administrator; Pamela Petrow, senior vice president, central stations/ information services; Renae Fellner, vice president, corporate services/ customer accounts; and Thom Helisek, vice president, information services. Helisek was responsible for development of a Web-based, real-time alarm dispatch program, which allows the company to better manage false alarms.

"We manage our operations very effectively, and make very prudent business decisions as we go forward. One of the things John Murphy has taught us is how to manage our segment of the business as if it were our own. That accountability has filtered to all the middle management team in the National Accounts Division, and the result is increased earnings and profitability," Grady says.

Key to growth in the National Accounts Division – as well as Vector Security's other commercial and residential divisions – is marketing. Above and beyond the brochures, the billboard ads, the radio and TV spots, the Web links, and other creative pieces, the fundamental purpose of this department is to position Vector Security in the minds of consumers in all of the markets it serves.

REACHING THE MARKET

"The needs that customers have are not apparent until they've had a direct or indirect experience with crime. That's the whole marketing challenge to position your company for when need meets name, or when name meets needs," says David Merrick, marketing director.

One of the most recent campaigns Merrick's team has produced is One True Point. It was designed to be used by the National Accounts Division to demonstrate that Vector Security represents one true point of contact for control, technical support, monitoring, and responsibility, Merrick says.

The marketing department services the needs of all of Vector Security's divisions, including National Accounts; the Builder Services Division, headed by Dan Bubniak; the Authorized Dealer Program, managed by John Madden; and the residential divisions. It also works with the branch office managers to help with local marketing campaigns in their offices.

Michael Grady, senior vice president, national accounts division, believes John Murphy's consistent management style "has taught us all to be better managers."

"I think what we do at Vector is try to focus our business in different categories operationally, so we get operational efficiency and strategic consistency, where each market tier is focused on the same goal: to create long-term recurring relationships with our clients," Murphy says. "Unlike our competitors, we have divided our business into five market tiers: We have custom residential, builder residential, and packages. We don't do mass marketing and we don't do low-end. Our packages are modular and we want the client to add to them over a period of time.

"We took our commercial business and divided that into two tiers, as well: regional local commercial and national accounts. In each tier, we compete not by providing the lowest cost, but by providing the highest quality. That is how we have grown our business," Murphy says.

LEADERSHIP ROLES

The second example of managing towards its mission is the way that Vector Security provides the tools and training for its employees to be effective leaders in the company and in the security industry. The focus is on skills development that will help them make the right decisions in order to create and maintain those long-term recurring relationships.

"The most significant resources are human resources. We have staffed continually ahead of the growth expectations of our business. We want to have people available to serve the needs of our clients in anticipation of what they're going to require," Murphy says.

It begins with choosing the right people, training them – not just once, but continually – and developing programs and policies that reward them for great performance. Training is no small task at Vector Security due to the sheer volume of salespeople, technicians, and central station operators.

There are 110 salespeople among the various



branch offices. Each consultant goes through an initial 10-day training program with their sales manager, which includes product training and learning the flip chart. Sales training is supplemented with external support, says Thomas S. Rogers, senior vice president, operations support. Vector Security utilizes two outside training programs:

Gail Kasper introduced The Selling Success program (www.gailkasper.com) to Vector Security more than a year ago. Over a six-week period, sales reps spend a day-and-a-half per week covering skill improvement. Ken Krisby's program is Success Solutions (www.4successsolutions.com), and it has been part of Vector Security's sales training for the past two years. Krisby's program focuses on fieldwork, such as networking with a wide variety of business referral groups.

Louise Urbanek, vice president of human resources, who has worked at Vector Security for 14 years, tracks the sales results of those who participate in the programs. She notes that 53 percent of salespeople have higher or significantly higher bookings as a result of ongoing exposure to these programs.

Many sales contests are held throughout a given year, but most sales representatives aspire to achieve membership in the President's Club. Murphy formulated the club to encourage salespeople to reach certain levels that exceeded their goals. Within the President's Club is a premier group called The Inner Circle. Rewards for making President's Club are usually monetary; The Inner Circle rewards are focused around travel opportunities, such as last year's trip to Hawaii.

"That's probably what most of the consultants strive for. It's really competitive and a lot of fun," Grady says.

TECHNICAL ON ITS TOES

Training of the technical staff improves Vector Security's productivity and effectiveness with its customers. The philosophy is that efficiencies can be found and loyalties established by exposing the same technical teams to the same customers and their equipment over time.

"We have a very dedicated team of operations managers and district managers. We have very low turnover. They're very focused on providing excellent customer service. They constantly go through training," says Rogers.

When an installer is first hired, he or she goes through training at their local office. Vector Security also utilizes the programs of the National Burglar & Fire Alarm Association's National Training

School, as well as the National Institute for Certification in Engineering Technologies (NICET). About 60 Vector Security employees are NICET certified, Rogers says.

There are more than 240 technicians, and the average tenure of the technical staff is 5.5 years, Urbanek notes. "We are very competitive with pay rates that are given," she adds.

But "the answer isn't just to pay more money. They have to be part of a successful team," Rogers says. "That's one of the areas that we do a particularly good job. We have monthly communication days, reviewing how the district is doing for the month in terms of sales, finance, and attrition. The communication day is segmented, so we might have somebody review customer service skills."

Two in-house technical trainers – Rick Simpson and Terry Simpson – work closely with Vector Security's suppliers. "They are very focused on being up-to-date on technical issues; in addition, very focused on customer service and making sure the customer is there for a long time, that they're happy. I think we do an excellent job at it," Rogers says.

Monthly financial and operational reviews bring the branch managers together with the company's president and other senior management. The focus is not only financial, but on attrition and productivity. For example, they may review how many service calls were run by panel type.

Service and installation technicians may aspire to Vector Security's President's Club for Operations, an award that is based on productivity, customer service skills, and safety.

"I've been with Vector seven years now and the mission has been consistent for seven years. We have a good mission that cares about our employees and our customers, and it's been consistent and never changed," Rogers says proudly.

Vector Security operates four central stations, located in Pittsburgh, Philadelphia, Wilkes-Barre, Pa., and Richmond, Va.

"We put the customers in a main home which is geographically close, but they are all linked, so we



Thomas Rogers (right), senior vice president of operations, oversees a department of 240 technical staff, among them Robert Baltes, installation field supervisor. Baltes has worked with the company (through acquisitions) for 36 years.

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can share and do load balancing. We end up with a very large central station, but it gives us customized service in a local area,” says Pamela Petrow, senior vice president of central stations/information services, who has been with Vector for the past 21 years. “During the Isabel storm, people in Wilkes-Barre were answering calls because we can share and balance the load. It also serves as a disaster recovery.”

THE HEART OF THE BUSINESS

Vector Security monitors approximately 148,000 subscriber accounts, of which about 78 percent are residential. Central station operators are trained and certified through the Security Industry Association’s Central Station Operator course and have an average tenure of 6.3 years.

“Our training here is very exciting, because we do have standardized training. When an operator comes through the doors, we know exactly what they’re going to be doing everyday,” says Tracy Hemmerle, eastern central station assistant manager, who has been employed with Vector Security for 11 years. “We have trainers on site. We have the classroom training, hands-on training, and continued training. Vector is adamant about making sure the customer is taken care of,” Hemmerle says.



Facilitating a staff of more than 900 people at Vector Security are (from left): Louise Urbanek, vice president human resources; Jane Zeppuhar, payroll manager; and Rose Kibler, HR coordinator.

“How you do motivate your employees? Our central station is the best at doing it throughout the country. It’s very repetitive and they have to be accurate all the time. It’s a very difficult position that’s under-appreciated,” Petrow says.

Petrow’s staff works very deliberately to create an atmosphere that is both fun and professional for operators. For example, Ted Stoler, assistant vice president, eastern region, orchestrates an end-of-summer barbecue, parties, and awards. Stoler has worked at Vector Security for 10 years.

“We have data entry people that I have hired over 18 years ago that are still here today,” Petrow states. “People don’t leave once they’re here. If we can keep them a year or so, they’re ours. This is a group that works very hard at creating that type of environment.”

Working towards the mission statement is the driving principle with everything that Vector Security undertakes, whether it is developing infrastructures to support sales, developing skills, or contributing mightily to the communities it serves and the industry in which it participates.

“I believe and have encouraged our managers to think of themselves as more than just managers of a business, but as leaders. That takes us to a point of being leaders for the industry,” Murphy says. “In that context, the local state chapters of NBFAA are populated everywhere with Vector employees making meaningful contributions locally. We are also active in a leadership position in NBFAA, CSAA, AIREF [Alarm Industry Research & Education Foundation], and FARA [False Alarm Reduction Association].

“We try to do that because it’s helpful to the industry and the community. But it’s helpful to the leaders within Vector. It helps to balance the stress of what we’re doing, because it helps them focus on the fact that we really are in the business of protecting life and property.” ■



At left, Vector Security’s total revenue is estimated to be \$108 million in 2003, a 6 percent increase over the prior year, says Jeff Hoffman, vice president of finance. At right, David Merrick, marketing director, and Jennifer Petrock, marketing & communications assistant, review their latest edition of Vector Views, which is circulated to 12,000 loss prevention experts quarterly.

