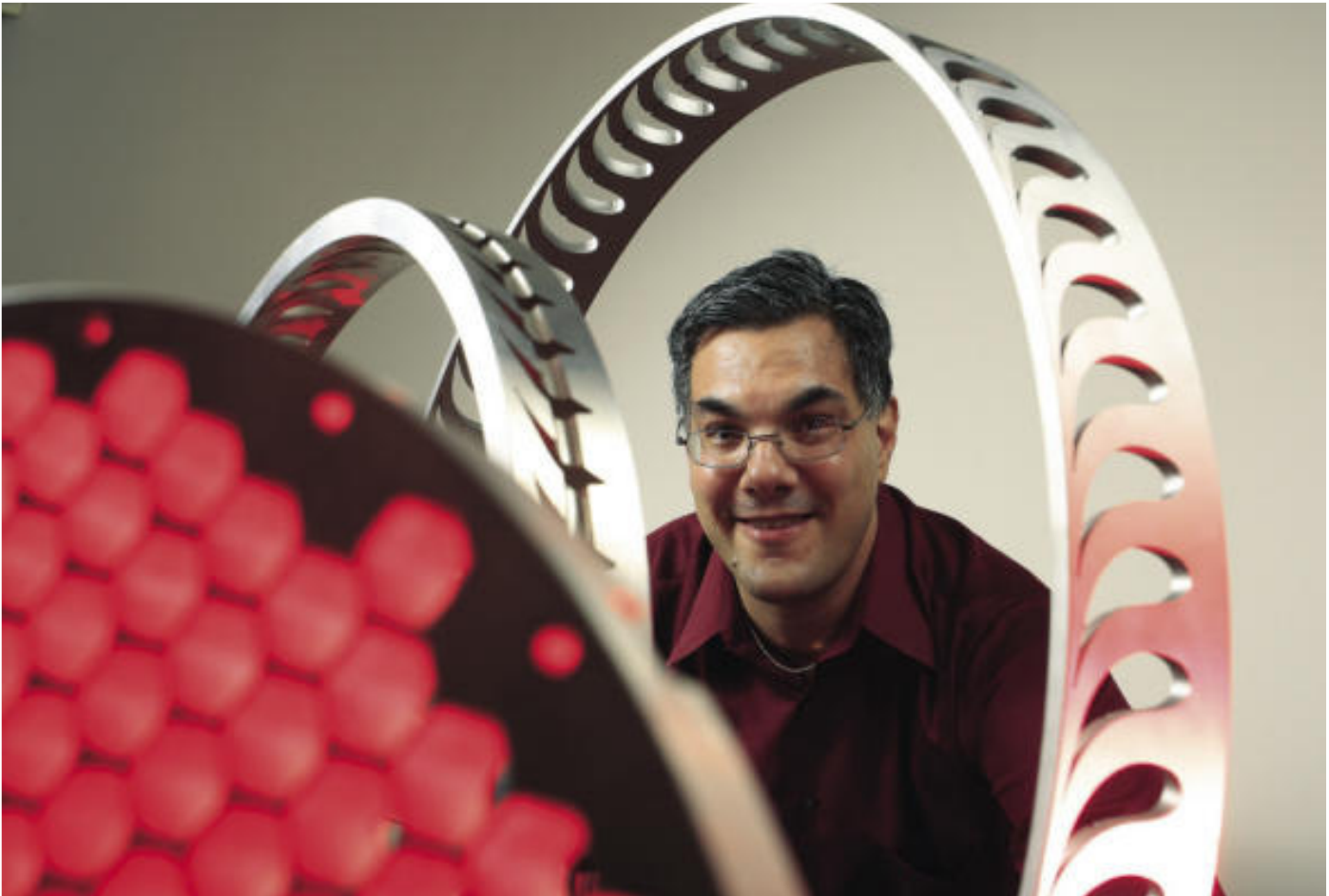


Playing to their strengths

Valley companies tapping niche markets to keep profitable



LAI International, Inc. President Stewart Cramer said his company changes its focus periodically to keep business profitable. LAI began focusing more on defense projects than it did in 2007. The company also does machining for the energy industry, such as the rings shown for use in a gas turbine.

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Even in the pits of the great 21st century recession, companies have continued doing business – and a few have even managed to grow.

Although they might have seemed few and far between, companies across various industries saw growth – record

amounts, in some cases – as they found niches that played to the strengths of a recession.

From technology to the burgeoning green sector and even construction, companies did grow in the past year, even if they had to temper their expectations.

“If we were one-dimensional – say, we were just in the housing sector – then we’re going to have a bad time,” said Doug Pruitt, CEO of Sundt Cos. Inc., one of the largest general contractors in the Southwest.

In Sundt’s case, growth has come in different areas this year. Commercial and even government building dried up, but there were still infrastructure projects such as wastewater treatment plants. Funds from the American Recovery and Reinvestment Act have contributed to the bottom line, Pruitt said.

Growth at Sundt, however, has not been without issues. The company has laid people off and tried to adjust to the changing economy. But diversification, including building with emerging green technologies, has helped the company find different revenue streams, Pruitt said.

Diversification also has played a role at LAI International, Inc., a Scottsdale-based company that does precision machining of parts for military and power applications. The company, with five plants in the United States, including one in Phoenix, saw its growth come from contact to cut armor plating for the military as well as organic growth. Business also picked up with its acquisition of Rich Technology International, said LAI President Stewart Cramer.

“Our business mix does change from year to year, and we were more heavily skewed toward defense projects in 2008 than we were in 2007 or will be this year,” he said. “Our customer base is fairly well-diversified, which buffers us from some of the fall-off in specific segments.”

Other companies, such as LifeLock Inc. have specialized in one specific thing that has pushed their business skyward. LifeLock, which focuses solely on identify theft protection, was named the fastest-growing private company in Arizona in the 2009 Arizona Corporate Excellence survey. Even as the company has seen its revenue increase nearly fivefold in three years, to about \$130 million this year, the company established a partnership with Symantec Corp. to branch into online safety. LifeLock CEO Todd Davis said the company plans other endeavors.

Tempe-based Go Daddy Group Inc. also operates with a narrow focus: providing Internet domain names and online services. That focus has propelled the company from two million customers in 2004 to more than seven million today. Go Daddy provides constant customer service, which has paid dividends, said Warren Adelman, the company’s president and chief operating officer.

“That is very different than what most people have come to expect these days, especially with online services,” he said.

The company has sought unique ways to market itself,

starting with risqué commercials dating back to the 2004 Super Bowl and continuing every year since.

Before 2004, Adelman said the company kept a low profile and grew at a slow, steady pace.

“Marketing aggressively was definitely part of it,” he said. “We asked ourselves that in 2004. We were growing, but not as rapidly as we could.”

Although he would not give out revenue numbers, Adelman said the company is tracking to grow about 20 percent this year, and keeping pace with that growth internally can provide its own challenges.

“When you’re a 100- or 150-person company, it’s very easy” to keep the company culture, he said. “You know everybody. You may have interviewed everyone.”

When the company grows to more than 2,000 employees spread across the globe, it becomes more of a challenge to stay connected with everyone, Adleman said.

Green industries also are seeing an upswing. Southwest Windpower in Flagstaff has seen its growth taper because of the recession, but it will grow revenue between 12 percent and 20 percent this year said CEO Frank Greco.

The company has been hampered by residential consumers’ inability to get financing for projects, but its expansion into international markets is beginning to take root, Greco said.

“When we come out of this recession, that in itself will make a big difference,” he said.

Sustaining growth can be just as challenging as achieving it. LAI’s Cramer said watching cash flow closely and being challenged on the inventory front are just some of the pitfalls in manufacturing.

In technology and construction, the biggest challenges can be finding educated workers. Pruitt said he believes the education system has not done the construction industry any favors by jettisoning its trade education.

Skilled construction workers are hard to come by and likely will become more so once the economy begins its climb out of the recession. That will be compounded by an exodus of baby boomers from the work force as they prepare to retire.

“You’ve got less people going into the work force, and we’re not training people to work in the 21st century economy,” Pruitt said.

GET CONNECTED

Sundt Cos. Inc.: Sundt.com

LAI International, Inc.: LAIco.com

Southwest Windpower, Inc.: WindEnergy.com

LifeLock: LifeLock.com

Go Daddy Group, Inc.: GoDaddy.com