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INDUSTRY OVERVIEW 2007

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FOLLOWING SOLID GROWTH IN 2006, XDD TAKES STEPS TO FOCUS ON BUSINESS DEVELOPMENT

After enjoying a 210% revenue increase from nearly \$2.4 million in 2002 to about \$7.4 million in 2005—sufficient to put the company on the ZweigWhite Hot Firm 100 list for 2006—the management team at XDD LLC (Stratham, N.H.; www.xdd-llc.com) felt that it was time to take a step back from the aggressive growth pace and re-assess whether its existing business model represented the correct foundation for future growth. Claiming a specialized niche in the remediation consulting sector, XDD pondered an array of options ranging from internal reorganization to new directions in external market focus.

In the environmental cleanup field, “we’re not an A-to-Z service provider,” noted XDD President Michael Marley. “We have a specific niche that we term remedial strategy development.” With a particular emphasis on *in situ* remediation, XDD boasts expertise in the non-technical aspects of developing remedial strategies as well as the technical factors. “We have a lot of depth among our 30 people,” Marley said when he spoke with EBJ in November 2007. Although the company itself is only 10 years old, he remarked, many members of the staff have been in the cleanup business since its inception in the late 1970s.

“We know what new technologies are coming to the forefront, what factors will make them work and what won’t, and we know how to use that experience to show clients what will work best.” Other environmental consulting firms may have a specialist or two claiming the same set of skills, but “nobody else in the business has that depth of experience in our area,” Marley declared. “We have a significant density of that talent in remedial strategy development with expertise in the technologies and the financial and risk aspects.”

Rather than risk squandering this expertise to become more of a broad-based ser-

vice provider in the remediation sector, XDD decided “to engage in some structural changes and bulk up some components of what we had, to secure the growth we expect to realize over the next two years,” Marley noted. The critical decision was to create a more formal business development function, a step that included hiring David Mayer as the company’s marketing director.

Like other small environmental consulting firms, XDD had been generating new business through the “seller-doer” approach, but the limits of that model were becoming more evident over time. “It’s easy for the seller-doer to focus on doing the work itself, and you can go through ups and downs in terms of bringing in the work,” Marley explained. Bringing in an individual focused on business development “was necessary to ensure that we can implement the good ideas we have to grow the business.” Mayer added, “It’s easy to brainstorm. There’s no lack of ideas. It’s finding the time, energy and purpose to execute on those ideas..”

Also like other small consulting firms, XDD had too much revenue tied up with too few clients, and one of Mayer’s charges is to expand and diversify the client base. Internally, that has led to an investment in better customer relationship management (CRM) software and improved branding

through such activities as updating the web site, issuing more corporate newsletters and making more appearances at conferences.

Externally, the strategy has involved marketing initiatives to move the company beyond its traditional client sectors, such as chemical production, telecommunications and general manufacturing, which have suffered from some lean times recently. XDD recognizes that this push will mean taking market share from other consultants, Marley acknowledged. Overall, “we’re planning growth of about 20%-plus each year for the next few years,” he projected. Given the 10% to 15% growth rate in the overall niche, “our growth plan is both doable and aggressive, especially since we’re not acquiring at this time.”

The choice to grow organically rather than through acquisition of other firms is a critical part of the strategy, Marley stressed. The goal is to bolster the stable of expertise within XDD’s niche, and strategic hires represent the more likely avenue than the addition of whole companies. “We’ve been very selective in terms of who we’ve hired, going for people who work with us chemistry-wise and who fit the vision of our expertise. Those aren’t easy people to find, so at the same time, we have a strong internal drive to educate our people, through good mentoring and training.”

SUCCESS IN UTILITY SECTOR

Embarking on its new growth strategy this year, XDD is already claiming success in penetrating the electric utility sector, and some recent work conducted for the Elec-

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tric Power Research Institute (EPRI) has been instrumental in that effort. For EPRI, XDD conducted a two-year evaluation of the use of *in situ* chemical oxidation (ISCO) technology for cleaning up coal-tar contamination at former manufactured gas plant (MGP) sites. According to XDD, the resulting report, which was released by EPRI in October 2007, "provides guidance to managers in understanding the site conditions for which ISCO may be a cost-effective remedial alternative, the criteria for determining the most applicable ISCO technology, and the site-specific cleanup objectives that ISCO may achieve at MGP sites."

The release of the EPRI report represented a calculated risk, in that other consulting firms can now use the findings to deploy ISCO solutions on their own, but XDD has successfully leveraged the study to "get on site," according to Marley. "It provided us with a platform to serve the utilities. That's allowed us to enjoy significant growth in that market over the past year, and we hope going forward."

The firm's expansion has been geographical as well. Although the majority of its work has taken place east of the Mississippi River, "we have seen more work out West, and we envision opening one, if not two, offices over the next few years, in the Midwest or on the West Coast," said Mayer. "We've seen the significant growth in those regions." Currently, in addition to the headquarters in Stratham, XDD has an office in the Philadelphia area, to better serve the mid-Atlantic region and to draw upon the area's rich talent pool.

Another positive result of XDD's growth has been the ability to take on larger contracts. In previous years, Marley said, a typical contract might bring in \$50,000 to \$100,000 in revenues. Today, several contracts are pulling in \$500,000 to \$1 million in sales each.

The majority of XDD's work is likely to continue coming from the private sector. The firm does some work for federal entities, but Marley characterized that market as weak over the past few years because of the siphoning of funding away from cleanup, to the Iraq war effort. Some change, however, has been visible within the past year, he hastened to add. "Some of the monies have been devoted back to cleanup," he observed, noting that one contract with the Army Corps of Engineers' Baltimore District hadn't been getting funding for the last

four or five years, but began issuing tasks at a higher rate in 2007.

Implementing its growth plan presents several challenges to XDD, but Marley and Mayer agree that staying focused on the firm's chosen niche is likely to be the biggest one. "There are always pressures to walk away from what you are and what you think will make you successful," Marley noted. "The key for us is to maintain our value proposition and not to collapse under the pressure that may come with another economic crunch or simply by being in growth mode." Added Mayer, "You have to be willing to say 'no-go' to those opportunities that are trying to pull you away from your core expertise. You want to be able to stick with the value proposition that you offer. You have to remember that when you're faced with so many opportunities." ■

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