

Well Schooled

ByteSpeed became a \$35 million computer manufacturer by narrowing its market focus to K-12 education

Fifteen years ago, after hitting what he refers to as a “dead end” working for another computer company, a Fargo-Moorhead based techie entrepreneur named Chip Homme approached a few “gentlemen with deep pockets” with his plans for a computer hardware manufacturing startup that, unlikely as it sounds, intended to compete directly with the likes of Dell, Gateway, HP, and IBM.

The effectiveness of his proposal evolved as much for what he wouldn’t do, as for what he would do.

ByteSpeed, his company, wouldn’t produce machines for the home market, he said, correctly predicting that the unreasonable demands and low margins of that segment would ultimately swamp the PC market.

“Home users are a nightmare,” he says, “because they want a Cadillac for the price of a Yugo and all the service and support to go with it.”

He would sell his computers solely into the education market – not into the political morass of higher ed bureaucracies, but in the single niche of K-12 schools.

That marketplace, he says, is straightforward and typically governed with a strict purchasing guidelines.

His vision was to build a high-quality, stable product whose robust platform would meet the demands of the education market. His price, though higher than machines on the consumer market, would include personalized, responsive customer service – all provided by technical professionals in what would become his Moorhead factory.

Ambitious as his plan may have sounded to casual outsiders, his investors agreed and his vision triumphed (or we wouldn’t be writing this).

“I can’t say it is all my sales pitch,”

he says. “But they weren’t going to sink money into a company they thought would fail.”

With two employees in his startup operation, Homme sold his first computer contract to the Aberdeen school district in 1999 and that year posted revenues that year of about \$400,000. Today, operating out of a custom-built facility in Moorhead with 50 full time employees, ByteSpeed achieved some \$35 million in revenue with customers throughout the United States. The company custom-builds its own line of laptops, netbooks, net tablets, and servers.



“In just a few years it has ramped up pretty well,” he says.

His success, Homme says, starts with a “superior product,” an Intel-based machine, but the value-add is attention to customer. For one thing, the price per computer includes “imaging,” a highly-sought advantage by IT professionals. Imaging means that all the computers purchased by a computer will be configured with common attributes, a standard operating system, application, accounts, and settings.

“Schools buy in quantity. They want all the computers to fire up with everything on them, exactly the same,” Homme says. They don’t want to have to go to each

computer. It doesn’t sound like a big deal but it takes a lot of time. It is a painstaking thing for most schools. Companies like HP and Dell charge for it.

Another ByteSpeed asset is personalized technical assistance, Homme says. The company offers free lifetime tech support for each product, along with a 5-year parts and labor warranty on all servers and desktop “We’re a lot more flexible than the behemoths.” Companies like Dell, he says, typically offshore customer service to a technical support operation in India,

which will begin with a generic checklist of elementary inquiries.

“That will drive a tech nuts,” Homme says. “A tech knows what’s wrong with a computer. We’re not dealing with home users. We’re dealing with technicians that know (what they are talking about). I’m not going to question a technician. If a technician says we’re dealing with a bad hard drive, we say, ok, send it back. We’ll send you a new one.”

For the future, ByteSpeed is starting to penetrate health care and financial services, other computer-user markets that share some of the same stable

large-volume customers whose IT staff will also appreciate the availability and flexibility of ByteSpeed’s knowledgeable support team.

The new markets might insulate the company’s possibility vulnerability to disruption in the school market. Schools, he says, are in a “confused period” with the advent of the tablet.

“The PC market is declining slightly because the home user market is backing away from PCs,” Homme says. “Considering the whole PC market is fading a little in this tablet generation, the fact that we’re growing says that we’re hitting the right places.” ■