

The Cutting Edge



The sales rep promised better service, increased reliability and a savings of 20 percent over Ameritech's rates. That was enough for FiberNet's Kyle Bacon and David J. Koch to take a chance on ICG Communications, a newcomer in the growing local phone service market catering to business customers.

The **big** switch

Report by JESSICA KHOUZAM WALLI

There wasn't much Kyle Bacon could tell his customers when the dedicated Internet lines he sold them went down. That happened four or five times a month back when Fiber Network Solutions relied on Ameritech for all its dedicated circuits.

"I don't want to say anything bad about Ameritech, but they have a way to go on customer service," notes Bacon, vice president of oper-

ations for the north Columbus-based Internet service provider. When things went awry, he says, "Ameritech would tell you, 'A technician will call you back within four hours.' You just don't want to tell your customers that."

He had to tell them, though. Fortunately, because most had dealt with Ameritech themselves, "They were tolerant," he recalls.

Bacon doesn't make excuses anymore. Last fall,

he took all his fiber optic needs—which account for more than half of his 3-year-old business—to ICG Communications Inc. The Englewood, Colo.-based provider began offering Internet-access service in Columbus four years ago. It added local phone service to its business offerings earlier this year.

Bacon says his customers—all of them commer-

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cial—are happier, and the prices he charges them are 15 to 20 percent more competitive than those he could offer when he used Ameritech. Ameritech remains the only provider with the copper circuits Fiber Network needs for some of its bigger-capacity clients, however, so Bacon says he will stick with the longtime incumbent to fill that niche until something better comes along.

At FiberNet, as the firm is commonly known, finding the right local fiber optics carrier took some shopping around. During the research and development phase, company execs spent a year and a half sifting through everything Ameritech—as well as newcomers ICG, MetroCom, Nextlink, and Metro Fiber Systems—had to offer. The quest led them to ICG, which jumped at the chance to cut Bacon a break, given the volume of business involved. He says Ameritech was not similarly compelled.

“Ameritech wouldn’t even look at us,” he says. “They were not willing to work with us.”

FiberNet provides dedicated Internet and e-mail lines to businesses in Columbus, Akron, Cleveland and Dayton, with ICG its provider of choice in each city. It will roll out facilities in 20 more cities east of the Mississippi by late 1998, says Bacon, who plans to hook up with ICG in every town he can. In those where ICG doesn’t operate, such as Pittsburgh and Indianapolis, he’ll go with similarly competitive companies like Metro Fiber Systems.

FiberNet is also on track for an eye-popping 400 percent growth this year. Although that growth would still have been possible without ICG’s reliability, “It would have been much more difficult,” Bacon says.

Specifically, he raves about ICG’s backup systems, which have cut service outages drastically. Another techno-perk: ICG’s fiberoptic network allows it to simply “turn up” the number of lines when Bacon needs more circuits. With Ameritech, he had to wait while the company laid more copper circuits to increase his service.

Then there’s the built-in ability to set the system back in motion with a mere phone call if there’s a glitch in the middle of the night.

“You rarely find a company that’s so service conscious,” says FiberNet President David J. Koch. “I know if I pick up the phone and say, ‘I need you in my office in half an hour,’ they will be here.”

Another key is ICG’s co-location program. This service lets clients rent equipment at its \$10 million nerve center, or “switch,” downtown. The equipment that FiberNet rents is worth around \$1.5 million, and can service up to 600 clients. That should last Bacon awhile, as his Columbus client base is still hovering around 100. Bacon pays ICG \$500 a month—about 20 percent below what he says Ameritech would charge him. That translates into lower prices for Bacon’s customers—and more business for him.

Bacon charges his clients \$695 a month for enough service to power an Internet connection 100 times faster than a traditional 14.4k modem. Most customers rent just one such unit from

biggest concern,” but it’s really not, says Hugh Cathey, president of Nextlink Ohio, another competitor that came on the Columbus scene May 1, and plans to claim 1 to 2 percent of the market share this year. Nextlink is credited with setting the state’s so-called “fresh look” provision in place by being the first company to notify the Public Utilities Commission of Ohio that it would sell telephone services to Columbus businesses. State regulators established the provision this past spring to provide a six-month window for customers to break long-term contracts with Ameritech and shop around for better deals.

Cathey says personalized service and having a single point of contact are the most important aspects of service to his 200 Central Ohio business clients. ICG, which came out of the gate in the pre-deregulation days when telecom behemoths ruled, had to focus on pleasing customers to sur-

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FiberNet, although Bacon can think of one that rents nine. Compare that to the \$2,000 or \$3,000 he says Sprint, Union Net, MCI and others charge for similar equipment rental and service, and you can see where FiberNet carves out its competitive edge. Talking about the deal he’s getting from ICG brings an almost smug grin to Bacon’s face.

“We have staked a lot of our business and service on ICG, and we’re doing phenomenally,” he says.

By 2002, FiberNet’s estimated value is projected at \$1.1 billion. That works out to roughly \$50 million in annual billings, so Bacon should have enough leverage to negotiate low prices from ICG for years to come. He figures increased competition for ICG will help keep prices down, as well.

“A lot of people think that price would be the

vive, as well.

Cathey is quick to come to Ameritech’s defense, though.

“Ameritech is a pretty smart company. [But] they have a lot on their plate, and it’s very difficult for them to get down to the street level and do the kind of customer service smaller companies offer,” he says.

Operating in 66 markets across the country, ICG has already snatched around 70 Internet-access clients from Ameritech and Ameritech resellers in Columbus. Still, Ameritech lays claim to 99.8 percent of the market share here, and Cathey says there is room for everyone.

“This market is growing at around 5 percent a year,” he adds. “If we achieve our objective, the market is still growing faster than the amount I want to take for our company.” CE