

# PAETEC — Where Plentiful Proficiency Meets Customer Care

By Richard “Zippy” Grigonis

**P**AETEC ([www.paetec.com](http://www.paetec.com)) has elevated the concept of “communications solutions” to that of a high art. Every aspect of this \$1.6 billion company’s all-encompassing expertise is infused with superlative customer service and the ability to quickly devise personalized solutions.

The company was founded in May 1998 after MIT grad Arunas A. Chesonis and his colleagues determined that telecommunications providers were suffering from a lack of first-rate customer service. Chesonis, who serves as Chairman of the Board and CEO of PAETEC Holding Corp., carefully guided PAETEC during its years of remarkable growth. Within five years of its founding, the company rose to the number two ranking in the 2003 Deloitte Fast 500 list of the fastest-growing public and private technology companies in North America. In 2001, Chesonis was awarded the Ernst & Young Entrepreneur of the Year Award. And in both 2006 and 2007, the company was named *Selling Power’s* Telecommunications Sales Organization of the Year.

PAETEC’s varied communications solutions and expertise encompass voice, data, software, customer premises equipment, security, data centers, wholesale, and even financing. Its offerings represent a microcosm of the whole communications industry.

PAETEC’s technical know-how has aided it in its growth, as evidenced by its canny acquisition of Allworx ([www.allworx.com](http://www.allworx.com)) and its renowned line of business phone systems (the subject of our September 2008 cover story). Allworx technology is of high quality, easy to install and is adept at serving small customers as well as larger ones that maintain satellite locations around the country. Allworx has a great potential to support large retail vertical customers and their small offices positioned in various locations. Its many benefits drew PAETEC’s interest, and the rest, as they say, is history.

Who better to explain the extraordinary scope of PAETEC than its Executive Vice President and Chief Marketing Officer, Jeff Burke. He oversees corporate strategy, marketing communications, product development, employee training, quality and national accounts. He previously oversaw all of PAETEC’s value-added subsidiaries — PAETEC Wireless (fixed wireless transport and access), Integrated Solutions Group (CPE sales, network design, installation and maintenance) and Equipment for Services (a profit-sharing mechanism in which PAETEC will subsidize some or all of the cost of equipment as part of a broader contract). Burke has long and extensive experience as a general manager, having worked in various leadership positions at Xerox, Digital Equipment Corporation and BBN.

**RG: How does PAETEC approach the market, given the range of core and value-added offerings?**

**JB:** PAETEC may appear very large and complex, but the unifying thread here is communications. We are a communications solutions



provider, focused on business-class customers, in particular customers large enough to need a T1 or greater bandwidths, and all that goes with it in terms of service requirements. So, we support business-class customers that utilize service across a single T-span, on up to large, national, multisite operations.

All of our largest accounts are well-known companies in manufacturing, financial services, service industries, retail, and so forth. For example, pick your favorite retailer among the largest in the U.S., and it’s most likely a PAETEC customer. As you can see, our go-to-market strategy is highly focused on verticals. Our core verticals are healthcare, hospitality, higher education, financial services, government, professional services, and retail. We also have a number of cross-industry areas where we do very well too — we consider manufacturing to be somewhat cross-industry in nature. Our core solution fits their requirements.

We also have a wholesale business, so we support other carriers. You can view that as a sort of ‘telecom vertical’. I’m talking here about other carriers that resell PAETEC services under their own label, and they use our underlying delivery infrastructure. We therefore have a highly ‘verticalized,’ focused sales force that pursues those significant market opportunities. Indeed, at the moment we have 82 sales offices nationwide, and on average, we have less than 1 percent market share in our offices. Thus, we have a tremendous opportunity to grow. As a \$1.6 billion company, we can bring our resources to bear to grow our business across the nation and leverage the fact that we are a national service provider.

**RG: Mergers and acquisitions have expanded both PAETEC’s geographic presence as well as service capabilities. What’s the thought process when you’re considering a deal?**

**JB:** As a company grows and becomes financially viable, and finds itself able to make discretionary investments, part of the leadership challenge is to figure out what your real business is — on what do you focus? We face such questions every day. A great example is considering what areas of the business should we invest in. Some of these areas are ‘close to home’ and make perfect

sense. Others may be championed by business partners, employees, and even customers, but they may seem 'off point'. Our litmus test for whether or not a prospective new business area makes sense for us is quite simple — we ask ourselves, 'Is it communications-related?' If the idea is related to the communications business — and I'm saying this in very broad terms — then it's something that will stay on our radar screen and potentially could be a good fit for us.

Essentially, we take the complexity of our portfolio, and we break it down into two basic categories: Our core products and our value-add products. We have two basic core products, namely, data and voice services. Obviously we have variants of those, very specific offerings we can sell in the data realm or voice realms. In the value-add category, we have three primary areas of capability: Equipment, applications and data center offerings.

Interestingly, when you look at our applications area, we're not talking about financial accounting systems or general business systems. Instead, we're talking about those applications that pass our litmus test — they're communications-related, such as communications management applications. Our PINNACLE subsidiary, which we acquired in 2001, creates Telecom Expense Management Software and has evolved to deliver total Service Lifecycle Management for IT resources. PINNACLE customers tend to be very large enterprises, and now that we have a national network footprint, we're finding these customers to be very interested in network services from PAETEC, not just software. That's just one example of how the synergies among the full portfolio are growing stronger.

#### **RG: How much does direct customer input drive strategy at PAETEC?**

**JB:** Customer input is how we design personalized solutions at the individual-customer level, and it plays a huge role in the company's overall direction. We have what I consider to be the most remarkable and unique customer focus group program, both in our industry and the nation. No one else has the same capability that we have in terms of supporting a very large collective focus group. Typically, marketers will fly in a handful of customers, sit them down in a room, and ask them for feedback. They record the proceedings, bouncing ideas off of them about the company in question, asking them how the company can serve them better, where investments should be made in the portfolio, and so forth.

PAETEC does something similar to that, but we do it on a nation-wide scale. Then, we take the feedback results, work on the appropriate changes, and do a roll out within the following 18 months in all of our 82 markets. As of now, we've had about 100 of what we call 'Customer Advisory Board meetings' this year. We bring our customers together in local markets, we capture their feedback on what we do well and what we should do to improve, and we get their take on areas where we should invest.

In one particular case, we had a discussion going in the Washington D.C. area. It was not long after the Virginia Tech tragedy. A customer commented that, 'We would really like an emergency notification application that we could leverage. But the problem is that such applications are typically sold by small software providers that don't have the financial wherewithal to make the investment needed to ensure a very reliable emergency communication system for our students or parents of students. We just can't depend on a small company to do that. We think this is an area in which PAETEC could and should invest.' And so, we recently announced our Hosted Broadcast Notification Service, a carrier-based solution that enables businesses and institutions to quickly deliver secure mass-notification — thousands of simultaneous voice, SMS text, and email notifications, if need be — to stakeholders on an as-needed basis. This ensures continuity of operations during times of crisis. It can be activated securely over the Internet or by telephone. This service leverages both PAETEC's infrastructure and applications expertise.

Here in Rochester, New York, we often get severe ice storms, and roads are closed during what is called a state of emergency, when you're not allowed to drive on the road. We at PAETEC want to notify our employees that they shouldn't come to work during such times, and we can leverage our own application to notify our employees and tell them to stay home. As you might correctly surmise, the Hosted Broadcast Notification Service has enjoyed very strong sales. In fact, early on, several of our customers eagerly signed up for pilot programs.

The point I'm making is that we don't just have a group of people in Rochester who blindly try to figure out what our portfolio should look like. Instead, we actively engage our customers. We solicit their feedback, and we act on it. We have a very close relationship with our customers, and that's what steers our course in terms of what areas we invest in and what areas we steer clear of. It's ultimately

related to one of our core values: offering our customers personalized solutions. That's based on the breadth of our portfolio from software applications, such as Hosted Broadcast Notification, or an MPLS VPN, or a fixed-base wireless shot to help a customer that perhaps has challenges in getting fiber to a location, or it could be something as simple as network engineering consultation. We at PAETEC have the ability to bring together all of our resources to help satisfy a customer's needs. And those offerings are derived from the customer advisory board sessions.

**RG: 2007 and 2008 were good to the competitive industry, particularly with the demise of Bell Company forbearance decisions at the FCC. Looking ahead, and with the current challenges facing the broad economy, how does PAETEC plan to continue earning success?**

**JB:** We have to be nimble and react quickly to market opportunities, since we're in competition with the incumbent local exchange carriers. That's another reason we have such a large portfolio that includes such communications-related business intelligence applications as the PINNACLE Communication Management Suite for Enterprise Resource Planning [ERP], our hosted broadcast notification, our dynamic IP offering, and the many nuanced applications we offer that some of the big carriers don't. It's all about being flexible, addressing customer needs and ultimately satisfying those customers. That's what is really going to perpetuate our success.

#### **Conclusion**

Dealing with PAETEC and its vast capabilities and unmatched customer service is very much like dealing with the genie from Aladdin's lamp. It has a wide range of products and services. If it doesn't offer exactly what you want, they can customize their offerings. PAETEC will listen intently to your feedback, so if you've got a really good idea, the company will likely roll it out to the marketplace in short order.

In all, it reminds Yours Truly of Lauryn Hill's lyrics to the song "Too Good To be True":

*Pardon the way that I stare,  
There's nothing else to compare...* **IT**

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