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Venicom Steers ISP Toward Profitability

Outsourcing partner maps out Interwrx's business plan

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When singing the praises of outsourcing partners, the CIO or COO in many cases points to time or cost savings. Few give an IT outsourcing partner credit in part for their company's survival or ability to reach profitability.

But that's what Scott Sampson, COO of Mesa, Ariz.-based ISP Interwrx, is saying about Venicom, its communications service provider.

Interwrx was not on carriers' radar screens when it started building out a backbone with a few T1 lines, but Venicom, based here, leaned on multiple carriers to cut Interwrx pricing deals that are usually reserved for much larger customers.



Venicom CEO Rob Goble (driver) helped Interwrx prepare for the future, says Interwrx COO Scott Sampson (passenger).

Venicom mapped out where it thought Interwrx would be in six, eight and 12 months based on the ISP's business plan and previous growth. "We told them that although Interwrx was a T1 player today, it would become a DS3 [digital signal] or OC3 [optical carrier player] within 12 months," said Rob Goble, CEO of Venicom, based here. "We played the carriers off each other and were able to start with some DS3s with a small 3-Mbyte commitment, yet the pricing we got for them was usually only given to customers using 30 or even 45 Mbytes on the DS3."

Venicom's growth map for Interwrx was on the mark, with the ISP steadily adding more DS3s and eventually an OC3. Today, Venicom is migrating Interwrx to an OC48 from an OC12. The key was putting the infrastructure in place to easily upgrade Interwrx's capabilities as it grew. And it is Venicom that tracks capacity limits to determine when an upgrade is necessary.

"Venicom didn't say, 'You need an OC48 right away,' which is what a carrier would have tried to sell us," Sampson said. "I can't tell you how many ISPs went out of business by buying an OC48, but Venicom made sure that what we bought didn't overtake our profitability."

To prepare for the future, Venicom made sure Interwrx ordered enough fiber capacity for a dual OC192. "We don't have the equipment to run [the OC192], but we have the fiber added so when we do each upgrade it's fairly smooth because the piece is in place," Sampson said.

Beyond finagling with carriers, Venicom's engineering and support staff is considered an extension of Interwrx's. Each time a new T1 is provisioned for a customer, Venicom provisions the T1 between the customer and Interwrx. Venicom also provisions the frame each time the ISP sells a frame relay and implements the ATM to provision a DSL service. "The relationship is a daily working machine," Goble said. "Every single time one of Interwrx's salespeople sells Internet access, we're brought in to handle the connection."

Interwrx also relies on Venicom to round out its service offerings. Interwrx recommends Venicom to those customers looking for a company to set up phone lines. "Even if the customer only needs one phone line, Venicom will take that on for us," Sampson said.

And Interwrx doesn't pay Venicom a dime for its services. Venicom makes money by receiving commissions from carriers each time it sells a carrier's services to a customer such as Interwrx. Venicom does, however, charge for consulting services, such as developing a request for proposal, choosing the best response to an RFP or implementing the solution if the customer is not a long-term prospect.

Venicom has also helped Interwrx traverse the turbulent telco waters of late. Despite poor customer support and a record number of bankruptcies at carriers and competitive local exchange carriers, Venicom remains the single point of contact for Interwrx and its customers, Goble said.

"With the bankruptcies and the layoffs, the support and account teams are always changing or even disappearing at carriers, but the people that our customers deal with for support don't change, and they answer the phone even if it's 3 in the morning," Goble said.

ANATOMY OF A SOLUTION

- COMPANY: Venicom

FOCUS: A single point of contact for data, voice and local services, and consultant for purchasing services

- PROBLEM & SOLUTION: ISP Interwrx needed a reasonably priced, high-performance connectivity solution. Venicom used its multicarrier

relationships to provide pricing usually reserved for larger customers.

- PRODUCTS & SERVICES USED: Initially implemented Interwrx with DS3 lines; gradually upgraded to an OC3 and eventually to an OC48
 - LESSONS LEARNED:
 - > Look for the best solution for the customer instead of the highest commission check.
 - > Use your clout with your vendors, such as carriers, to help smaller customers reap benefits usually given only to larger customers.
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