

CEO Rob Hale has overseen a meteoric rise at Granite Telecommunications since he launched the firm just over a decade ago.



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## GRANITE TOPS 1,000 LOCAL WORKERS

# Business stays rock solid

By Steve Adams | Special to the Journal

Consumers may be unplugging their phones in droves these days. But that trend isn't deterring the executives at **Granite Telecommunications** from making a big bet on the future of the land-line business.

So far, that bet seems to be paying off. Just one decade since its inception, Granite has emerged as one of the South Shore's largest private employers, having recently cleared the 1,000-employee mark at its Quincy headquarters. Sales growth has been equally meteoric. Granite tal-

lied about \$800,000 in sales in 2002, its first year of operation. Now, it is on a pace for \$850 million for revenue this year.

Granite CEO Robert Hale Jr. founded Granite four months after selling his previous telecom, Randolph-based Network Plus, in a bankruptcy proceeding in 2002. Like Granite, Network Plus resold voice and data services to businesses. But there are key differences between the two.

Network Plus invested heavily in telecom hardware as it attempted to compete with the Baby Bells, and incurred \$207 million in debt before filing for bankruptcy when the bottom fell out of the telecom market in 2002.

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# GRANITE: Quincy firm now one of South Shore's biggest employers

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Granite remains debt-free. It buys voice and data on the wholesale market from AT&T and Verizon and resells phone and data services to businesses, often in bundled packages that offer discounts.

"We've developed a much different strategy (than Network Plus)," Hale said. "Our focus at Granite is to support multilocation big businesses who want to consolidate (voice and data services) across the entire country. Network Plus was largely a Northeast company."

Most of Network Plus' clients were small and medium-sized New England businesses. Granite Telecommunications targets national companies in the retail, real estate and health care sectors, and lists Wal-Mart, CVS, Kohl's and J.C. Penney as clients.

From the outset, Granite focused on nationwide chains. Such companies are most likely to consider a single provider for their landline and data services, Hale said.

"The ability to approach an organization like CVS with 7,000 locations and say you can get one point of contact and one bill is most important," he said.

Granite currently buys 1.3 million analog phone lines and 55,000 broadband lines on the wholesale market, and controls 5.5 percent of the landline market in the U.S., Hale said. As Granite's market share grows, its bargaining power increases. Last year, it negotiated a pair of multiyear fixed-cost contracts with Verizon and AT&T for \$175 million and \$165 million, respectively.

Data services are currently the fastest-growing portion of revenues, Hale said.

"More and more (businesses) are needing more bandwidth and needing more of an integrated voice and data solution," he said.

Granite is also trying to diversify: A newer product line involves selling security, loss prevention and alarm services to businesses. The company launched its Granite Guard subsidiary in early 2012 and now is certified to provide alarm and security camera services in 49 states. Granite Guard recently signed its biggest client to date, Exeter, Pa.-based **Keystone Automotive Operations**, with 900 locations.

Granite will need to continue broadening its product lines and shifting its focus beyond just landline phone

services to maintain its growth rate, said Fran Caulfield, research director for **Insight Research Corp.** of Mountain Lakes, N.J. The overall market for telecom business services will be largely flat over the next six years, the firm projects, with the U.S. and Canadian market declining from \$96.5 billion this year to \$96 billion in 2018.

While landline voice services will decline from \$33.1 billion to \$25.1 billion during the six-year period, Insight Research projects, data revenues will increase from \$63.2 billion to \$70.7 billion.

"Granite's success will be dependent upon developing advanced solutions for this growing data market, while reducing their dependence on wireline voice services," Caulfield said.

For now, Granite's growth pattern remains robust.

The company has 100 job openings and is on pace for 1,125 employees by year's end, Hale said. To accommodate the growing staff, a real estate trust controlled by Hale in March acquired the 121,000-square-foot office building at 150 Newport Ave. in Quincy, near its existing headquarters, for \$14 million. Granite will take occupancy following renovations in late summer.

The real estate company, Foxrock Properties, owns eight commercial properties on the South Shore including South Shore Medical Center's 85,000-square-foot medical campus at 143 Longwater Drive in Norwell, which will open in late 2013. The property is next to the former WearGuard headquarters, which Foxrock is converting into a 244,000-square-foot corporate and wellness center for smaller tenants.

All three of Granite's satellite sales offices are expanding as well. Granite opened a new 8,000-square-foot sales office in late June in West Palm Beach, Fla., replacing its 5,000-square-foot office in Boynton Beach. An 8,000-square-foot office will open in September in Providence, triple the size of its previous Rhode Island site in Smithfield. It's also expanding its sales office in Manhattan.

Employee incentives remain a key part of the company's operations. Employees, for example, earned \$850 bonuses in June when the company topped its goal in May of a run rate of \$850 million in full-year revenue.

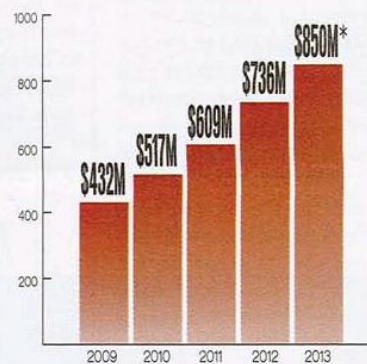
"It's part of our culture to have goals and rewards," Hale said, "and more often than not we make them."



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Rand Carrier, left, Granite Telecommunications' chief operating officer, and Rob Hale, the company's CEO, stand at Granite's North Quincy headquarters.

## MINING REVENUE GROWTH

Granite Telecommunications has been adding to its sales volume significantly for every year since its formation



SOURCE: Granite Telecommunications  
\*Projected, based on year-to-date results