FierceTelecom

Granite's Currier on how POTS, data business are growing like gangbusters

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ON THE HOT SEAT

with Rand Currier, COO, Granite Communications

At a time when the entire telecom industry is moving towards IP-based voice services, Granite Telecommunications' focus on providing traditional POTS services could seem out of place. However, the privately held company, whose clients include household name retailers such as The Home Depot, Staples and Cumberland Farms, continues to grow its annual revenue. In 2013, the service provider reported $865 million in revenues and it's on track to pass $1 billion this year. What's their secret? Good old-fashioned customer support--and plenty of it. Rand Currier, COO of Granite Telecommunications, said what enables the company to provide such a high level of customer support is that unlike large telcos, all of the service provider's customer support and software is in-house. Sean Buckley, senior editor of FierceTelecom, *recently caught up with Currier at the company's Quincy, Mass., headquarters to talk about Granite's growth strategy, customer philosophy and why POTS services still matter to large multi-site businesses.*

Currier

FierceTelecom: **One of the products you're known for is providing POTS service to businesses of various sizes. Can you talk about that strategy and how you differentiate yourself from traditional service providers?**

Currier: Well, that's basically it. When we originally started, we were focusing on small companies, but then we decided to focus on big companies. We established significant relationships and we play off those relationships. If we can keep some of the companies on that list like CVS and Lowe's happy, we ought to keep Rite Aid happy and one national bank happy, you ought to be able to keep other large banks happy and use them as references for each other. Getting all of your big accounts to be references is not easy. It's a tremendous amount of work. When I look at the ratio of spend I have per dollars of revenue and per line, it's extraordinary. If a private equity firm came in here and looked at my spend ratios, they'd probably fire me. Our ratio of spend on support is huge, but it allows us to keep our big customers happy.

The other big component is we don't outsource any of our software. It's all in house. We have 140 people in IT, which are software developers that are on staff. We own our own billing software, we own our own OSS, and we have our own data base administrators

(DBAs). We own it all and we can control it all. That way if a customer on our list says, "I want this customized report or bill me differently," I don't have to go negotiate with an outside software vendor and test it, check it and maybe four months later I get something I want. Now, I just go to my software team and tell them we have to crank this out in the next few days or week and it's done. I think the customers really appreciate it. We listened to customers years ago when they said: "We want your free software, we want enhancements to it and we want it rapidly." We put a major effort into making that happen.

FierceTelecom: **Since your founding in 2002, the overall competitive service provider market has gone through significant change. How has this affected Granite?**

Currier: Right now, the big thing is what's the future of copper? What are the regulations going to be? Is the FCC still going to require wholesale agreements from the ILECs? Do we have to plan for different scenarios that could come out based on that to make sure we can still service our customers? There's a bunch of things we're doing to make sure that happens. We'd love to keep the ILEC agreements that we have going for a long time and I think the ILECs in many ways like it. We take over their receivables loss and do their customer support and billing. That's a big expense we're picking up that was on their books and is now on ours. I think they're motivated to continue to deal with us.

On the other side what's going on with VoIP and IP. It's an interesting issue because when we first started this company 12 years ago, people thought we were crazy because VoIP is going to take over so why do this? We did it anyhow. Look at where we are today. You and I use our cell phones and maybe a bit of Vonage and Skype, but the two big issues we run into with businesses that cause them to still want to buy copper POTS lines from us is cell phone service is not always good. For multi-location businesses--and even the small businesses--wireless has not been a big issue for us. Then on the VoIP side, businesses live and die by their telephones so over-the-top VoIP with DSL and cable, there are quality issues there because you're competing for bandwidth. It's a non-issue for us.

If it's VoIP with QoS going over MPLS, you can get quality, but there's still quality no matter who the provider is. There are certain call routing schemes that don't always work for call centers that are routing calls from one location to another, which a lot of our customers do. On the VoIP platform, it does not matter if you're using Metaswitch or Broadsoft, call routing does not work properly. Before we had a VoIP platform there were a lot of companies that were with us that went to a VoIP platform and then came back because for the most part it worked, there are some issues in the current technology that aren't curable. There are customers that are okay with spending thousands of dollars installing a CAT-5 cable to install a VoIP solution, spending $400 to $600 for an MPLS circuit, and are okay with spending $300 to $400 on new VoIP phones. A few years ago, we realized that there's just a certain segment that are going to do it so we built our own VoIP network. It's a multi-node network that includes SIP trunking, hosted PBX and VoIP over the top, although there's not a lot of demand for that. It's a successful business for us, but we don't see a huge migration of our customers going over to it.

FierceTelecom: **Speaking of IP-based services, one of the big regulatory issues is AT&T's (NYSE: T) IP transition experiments. Can you talk about the impact that could have on your business and customers?**

Currier: That's been interesting. Six or seven months ago, it was a big concern, but that concern has diminished greatly. Now that some of the initial testing has not gone as well as I think was hoped for by the ILECs. They were running into a lot of challenges. There are definitely regulatory challenges that they have, but just with the technology itself. For us, it's always easy when we know what's going to happen. Right now we know what's going to happen with the copper network when a customer converts. We know we can

maintain good customer satisfaction on the copper network. With these transitions, we first need to make sure when these products are available and we can get a deal with the ILECs to do that. I don't want to test with our customers. We're concerned about our customers' quality. Until we're at ease that we'll be able to support our customers with the level of quality they expect, it's hard for us to support it. Right now, nobody is proving that to us.

FierceTelecom: **Do you see continual growth of IP-based data services?**

Currier: Our data business is growing gangbusters. It's not necessarily people replacing VoIP with data. It's mostly people buying data services and MPLS trunks or people that have PBXs are upgrading to a VoIP PBX so they are buying a SIP trunk from us. That business is going great. Also, the traditional low speed broadband services are going great for us. We have agreements with all of the big LECs to sell DSL services and cable companies to sell cable modem services. Every POTS customer wants that service and combine it on one bill.

FierceTelecom: **Besides POTS and data, what are some of the new product areas you're exploring?**

Currier: We have a division called Granite Guard where we provide alarm services. Basically, like ADT and Briggs would come to your house, we do that for businesses. It's starting to grow more, especially with a lot of the new services now being IP-based. It's a combination sale with both the data bandwidth and then CCTV video to view your store camera. It's a bandwidth sale for us. You need a lot of bandwidth up and down to support that. We're optimistic that customers are going to use more of that and they are going to want both upload and download speeds. This requires upload speeds.

FierceTelecom: **What is the growth strategy for the company?**

Currier: We expanded all of our offices in the last 18 months. We bought the building next door and only one-third is occupied so the other two-thirds of the building have leases that will end this year. This will allow us to grow into this facility for the next five years. We basically add about 100 people a year and $100 million year. By adding that building, we're going to add 400 to 500 people. In all of our branches, which are in New York, Rhode Island, Atlanta and Florida, we doubled or tripled the office space for all of those so we can add 40-60 people in each of those branch offices. Rob, myself, and others that work here plan on building a bigger and more successful company over the next 20 years. We don't have any aspirations to go public or sell out. We love supporting and selling to new customers and we want to keep doing that for a long time.

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