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WHAT'S NEXT FOR TELCOS

FierceTelecom Leaders: Arunas Chesonis, Chairman and CEO of PAETEC

January 11, 2010 — 2:23pm ET | By Sean Buckley

Arunas Chesonis, chairman and CEO of competitive provider PAETEC, believes that its differentiator in the alternative business services market segment will continue to be based on a national strategy. Having a national strategy is key, argues Chesonis, especially if you're going to target multinational business customers. FierceTelecom recently caught up with Chesonis to talk about the state of the competitive telecom industry and how it plans to expand its sales presence in major metro regions.

FierceTelecom: Arunas, PAETEC saw some relatively good growth in Q3 09. To start, can you tell us what was the driver of that growth and what you are doing to set yourself apart from other competitive carriers?
Chesonis: The fact that we have a national footprint and that we are one of the largest alternative provider of business services to AT&T, Verizon and Qwest. Since we focus on that business client, more and more people have needs across the country and just can't depend on regional carriers alone and need folks that can do San Francisco, Dallas, Boston and D.C. A lot of the cable companies don't really support these national opportunities based on the fact that they focus on their franchise opportunities. I am a happy Time Warner Cable customer, but when you try to use Time Warner Cable, Comcast or Cox for a national business client with 300 locations around the country, they really can't serve those needs. It's really that national footprint that's a big driver for a lot of our new growth.

We also have more and more people taking us up on our IP services whether it's the voice or data components of it. About three quarters of our new sales are really for customers that are converting to IP networks or are adding more capacity and bandwidth on the IP side. There are still people that buy the older services and PRIs for local and long distance voice, but the growth is the national and data IP growth. This economy really gives people the air cover internally to move a little faster than they would move normally. I think the last twelve months have shown that people are willing to put up with a bit more inconvenience in converting from a Frame Relay network to a MPLS network if it can save them money.

FierceTelecom: You mentioned IP services. What IP services are the hot sellers for PAETEC? Is it primarily voice and MPLS data?
Chesonis: Yes, that's part of it MPLS. SIP trunking is also doing well for us as 20 percent of our sales are SIP. We have also got the traditional converged circuits. In the old days you used to have different things on your channels, on your circuits associated with voice and data, and now it's more common to mix the voice and data dynamically. That's pretty simple stuff for those of us in the network business, but it's a big shift for the customers to handle those moves. It's the same kind of stuff, but a different decade.

FierceTelecom: How is your national strategy coming together?
Chesonis: Normally, it takes us a good three years to start a market from scratch and have product to the levels we expect. When we acquired the McLeod assets last year, we added 30 new markets overnight. They were pretty successful in some markets such as Chicago and Detroit, but they also hadn't invested a lot of resources in a bunch of markets to preserve cash. In places like Portland and Seattle there was only 1-2

sales people in the entire metro region. In a lot of those 30 markets, we had to almost start from scratch. We're about halfway through that process and some markets such as Houston, Phoenix, Portland and Seattle, have done really well while we're still working to get others up to speed.

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