



# FLYING HIGH

**FAST-GROWING  
ISP'S STRATEGY  
'GROUNDED' IN  
TIER ONE SERVICE;  
INNOVATIVE  
EMPLOYEE PERKS**

**BY EVAN PATTAK**

**W**hile working as a corporate Learjet pilot, Dave Koch spent his spare time engineering software programs and getting his feet wet in the technology sector. In 1996 he and Kyle Bacon cofounded Fiber Network Solutions, Inc. (FNSI), a network services provider (NSP) with an important twist. Koch hasn't been inside a cockpit in about a year, but FNSI is flying high.

Perhaps the most important characteristic of the Columbus, Ohio-based company is its status as a Tier One Internet backbone provider, that is, one with its own national backbone. Acquire your Internet services from a Tier Two company and you still need access to the Internet backbone. Acquire it from FNSI and you're there, complete with "peering" – traffic sharing – relationships with other Tier One providers. In fact, about 30 percent of FNSI's revenue comes from Internet service providers (ISPs) and content providers purchasing that direct backbone capacity for resale to their clientele; the balance comes from corporate customers.

FNSI also offers DSL service through resellers, and it maintains data centers where customers can collocate their servers and related equipment and enjoy direct backbone access.

"If a company needs a circuit only for e-mail, and high speed and bandwidth aren't real critical, they might purchase access through one of our customers, like an ISP," says Koch, FNSI's President and CEO. "If a company needs guaranteed bandwidth, redundancies and reliability, they probably need a Tier One provider."

That formula has worked exceptionally well, enabling FNSI to double its revenues every year. The company now operates in 10 markets beyond Columbus – Akron, Canton, Chicago, Cleveland, Cincinnati, Dayton, Detroit, Pittsburgh, Southfield, Toledo – but plans to be in 51 cities with a national market presence within three years.

"What we've really built," Koch says, "is a replicable regional business model. We can take the model that we've built in the Great Lakes region, and it's very easy for us to duplicate."

Beyond its well-conceived services, FNSI's success can be attributed in part to its development of a talented and loyal staff remunerated in sometimes-innovative ways, including one implemented in early 1999.

Explains Koch: "Kyle and I looked at the investments we'd made in the company. We'd invested in infrastructure and equipment, in promotion, but one area we were lacking was investment in our people. People had bought into the vision. We felt now was the time to take their income levels above industry standards."

Immediate raises would have busted the budget – "Our financials would have gone into a coma" – so Koch and Bacon instead fashioned a "raise-a-month" program. All staff would be eligible for raises each month, increments that ultimately would elevate them to targeted levels. At the same time, increasing revenues would accommodate the higher payroll. The monthly increments were far from insignificant. Koch tells of a \$30,000-a-year associate who, with five months of graduated raises, increased his salary to \$80,000.

FNSI also includes technical staff in incentive programs for customer retention – an unusual approach in an industry



**FIBER NETWORK  
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THE WAY IN  
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that often rewards the sales function while overlooking technical and support groups. With everybody able to participate in bonuses, Koch notes, they're more likely to function smoothly as a team. Further, each new account manager is assigned an engineer to serve as the rookie's in-house mentor which the company coins as its "adopt-an account-manager" program. One of the pair's most important duties: go out and have pizza together.

"I've seen so many companies with walls between sales and engineering," Koch says. "We want to make sure these guys love each other. Everybody talks about teamwork. It's nothing but a veneer unless there are guts behind it. The only way to do that is to put your money where your mouth is."

For its marketing, FNSI has deployed an attention-getting series of postcards ("Faster than 3 cups of coffee and 4 bran muffins") as well as print advertising and an almost accidental radio campaign based on customer testimonials.

"I was receiving a lot of e-mails from customers thanking us for doing a great job," Koch says. "Finally the light bulb went on and I said, 'Oh, these are customer testimonials.' So we asked some of our customers if they would record their testimonials."

There was no doubt that customers would consent. As a practice, FNSI calls each customer every four to six weeks just to stay in touch. Every new customer is invited on a conference call with the appropriate sales rep and a technician.

"Now the customer has another person he can call directly," Koch says, "a real, live person."

Yet another key element in FNSI's consistent growth has been its insistence on building a sound company that would expand only when its business foundation was securely in place. Though only three years old, FNSI is financed exclusively from revenues. First-round investors acquired 26 percent of the company's equity; since then, FNSI has required no additional financing beyond normal business banking. Koch and Bacon, FNSI's COO, equally own the balance of the company, which is debt free. In addition, the duo has deliberately avoided the IPO track.

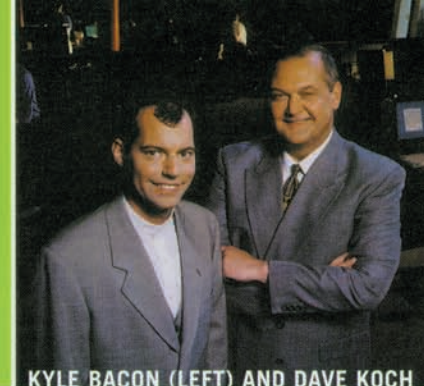
"We thought that whole agenda was flawed from a business principles standpoint," Koch says. "I'm waiting for the day I walk through Office Max and find, next to the preprinted wills and real estate transaction templates, a do-your-own IPO form."

"I'm not sure it takes a lot of skill to do an IPO in the New Economy. It takes

more sweat, blood, tears and sleepless nights to operate and build a business. We're a fundamentally sound business that happens to be in the Internet space. We might not be able to get big as fast, but we sure are stable. Would I like to be in 50 markets by today? Sure. Am I willing to sell my soul over it? No."

Thus, FNSI is on solid ground . . . and so, for the foreseeable future, is the erstwhile aviator.

"I never thought I'd reach the point where I would say, 'I'm not current enough to fly a lear jet,'" Koch admits. "But I think right now if I needed to fly, I would probably hire a pilot." ▲



KYLE BACON (LEFT) AND DAVE KOCH

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