

[SEARCH BLOG](#) | [FLAG BLOG](#) | [Next Blog»](#)
[Create Blog](#) | [Sign In](#)

ip carrier

A chronicle of business model change and end user transformation in the global communications industry. More reflections at www.ipbusinessmag.com, www.fatpipemagazine.com and <http://blogs.metaswitch.com/gk/>.

Wednesday, March 11, 2009

RCN Metro Has "Nice Problems"

Here's a problem any service provider sales staff would like to have: trying to figure out why sales are running ahead of projections for four months in a row. But that's precisely the issue Phil Alvarez, RCN Metro Optical Networks president, says he has been "grappling" with over the last four months.

"Given our sales across all markets, we were trying to figure out why we are doing so well," says Alvarez. "You

question yourself." When RCN Metro dug into the numbers, it found very strong activity in wireless, a result of wireless providers really shoring up their backbones to support wireless broadband services. Need for more route diversity and the ability to provision very quickly also were factors.

You might think any provider with exposure to the financial services industry might face some exposure. Sure, there's some churn, says Alvarez. But "our services address trading requirements, data center connectivity and connections to customers and trading partners," Alvarez says.

So they still are buying. The financial services industry is used to periodic downturns, Alvarez says. They know business will pick up again so they have to keep moving. Their core business plans require capacity investments.

That said, RCN has seen some minimal recession impact. Some customers say they might substitute new providers for some services, on some routes, in some areas, in part because, on some selected routes, and for some services, a great deal of very-aggressive pricing is going on, in areas such as transit services. What is more obvious is pricing pressure on high-traffic routes, though. In other areas, on a highly route dependent basis, prices are relatively firm, or firming.



About Me



Gary Kim
Denver, Colorado, United States

A founder of Dagda Mor Media and its chief operating officer. I am editor in chief of IP Business magazine. I also blog extensively for TMCnet and conduct social media and social networking projects for clients in the IP communications industry. I also am editor of ChannelVision magazine and a contributor to GlobalVision magazine. That said, I am spending a great deal of time on the company start-up front, in areas ranging from mobile marketing to software development to multimedia communications. I have been a journalist, industry analyst and commentator since 1983. I was Senior Vice President with Probe Research, Inc., a telecommunications market research firm, where I anchored Probe's cable TV and competitive carrier practice, and have been an independent consultant. I also have worked in the ISP and system integrator industry, as director, strategic research, for Convergent Communications, a Denver-based system integrator, and strategy vice

Generally, on routes where there is pricing pressure, it is Ethernet capacity pricing that is most exposed, not SONET capacity, which Maura Mahoney, RCN VP, says is quite strong.

That isn't to say the recession is having no impact at all. It is reasonable to assume that, industrywide, customers are asking for, and might be getting, more capacity for any given level of payment, especially when contracts are renegotiated early, locked in for more years or when upgrades from 100 Mbps to 1 Gbps, or 1 Gbps to 10 Gbps services occur.

That does not seem to be the case for 10-Gbps and wavelength purchases, though, says Alvarez.

To be sure, lower prices wouldn't be much unusual in the capacity business, which is used to virtually annual decreases in price-per-megabit-per-second pricing.

In some cases, customers are asking for shorter contract intervals. Where customers might have been buying contracts of five to seven years' length, they are in some cases making three-year commitments. Historically, longer commitments have been associated with a belief that prices would be climbing, shorter commitments with a belief that prices will be falling. That might not be the primary driver at the moment, but could be playing a factor.

Crowded routes are being hammered by low price competitors, though, and Alvarez believes that is not sustainable.

Still, Alvarez says he has been "surprised" at the levels of demand.

A nice problem to have, these days.

Posted by Gary Kim at **8:29 AM**

0 comments:

Post a Comment

links to this post

Create a Link

Newer Post

Home

Older Post

Subscribe to: **Post Comments (Atom)**

president for CacheStream, an Atlanta-based streaming media company. I have graduate and undergraduate degrees from University of Oregon and am a member of Mensa.

View my complete profile

Blog Archive

▼ **2009** (152)

▼ **March** (35)

Google Voice to Launch Within Days

Comcast Passes Qwest as Phone Provider

RCN Metro Has "Nice Problems"

AT&T to Add 3,000 Jobs, Reduce CapEx \$2-\$3 Billio...

NTIA Broadband Stimulus Meeting: Little Meat on Bo...

Moody's Issues "Most Likely to Default" List

Broadband, Video, Mobile: What Will 1Q 2009 Show?

Verizon Thinks "Hub" Has a Gender Bias

AIM "Call Out" Shutting Down

Fixya: Social fix-it Site

Toktumi Business VoIP Service

Windows IP PBX in 10 Minutes?

Communications, Not Entertainment or Shopping, Now...

Wireless Industry "Collapsing"?

Small Business: TARP Failing

BlackBerry App World Launches: Implications for Se...

Broadband Stimulus Meeting in Washington March 10

VMWare Cloud Computing Initiative

Hal Varian: Data is Cheap, Ubiquitous, So Value Li...

Global Telecom Dip in 2009 to Reverse in 2010, Cli...

By the Time the Broadband \$ is Spent, It Won't be ...

Blockbuster Defies Expectations

Mobiles are Disruptive to Ad Business

A Humorous Look at Soccer

Mobile Marketing Evolution: A Prediction

The Outcome Might be Inescapable, But Plan on 20 Y...

Help! We Need Unified Communications

Premium Video Not Conforming to Historical Pattern...

[Smaller Businesses Warming to Cloud Computing](#)

[Voice Mail to Text Using Skype](#)

[PC Subsidies Now Joining Phone Subsidies at AT&T](#)

[Viewers Want Widgets, Parks Associates Says](#)

[iPhone is Global Mobile Web Leader](#)

[Mobivox Introduces CRM Capabilities](#)

[Thomas Howe to Head Jaduka](#)

▶ [February](#) (66)

▶ [January](#) (51)

▶ [2008](#) (1012)

▶ [2007](#) (753)

▶ [2006](#) (84)

Links You Might Like

[Alec Saunders](#)

[Channelvision magazine](#)

[Communications by Brough Turner](#)

[David Beckemeyer](#)

[EuroTelco blog](#)

[Fat Pipe magazine](#)

[Gary Kim's TMC blog](#)

[IP Business magazine](#)

[Jon Arnold's blog](#)

[MetaSwitch blogs](#)

[telco 2.0](#)

[VoIP Watch](#)