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VCOM: Telecom services a hit with smaller companies

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After VCOM Solutions grew 480 percent in 2004, CEO Gary Storm had a high-class problem.

"We kind of grew ahead of ourselves," Storm admitted. The telecom company he co-founded in 2002 with Joe Condy and Sameer Hilal had revenue of almost \$10 million and 500 happy customers at 1,500 locations, but it did not have the infrastructure or discipline to sustain or capitalize upon its early success.

As problems go, Storm's was the right kind, but it was a problem nonetheless.

"From a structural standpoint, we've slowed down our growth and focused on profitability," Storm said. "There's a lot

No. 4 VCOM SOLUTIONS

Growth: 648.6%
Product/Specialty: Telecom services provider focusing on small and medium-sized companies.
CEO: Gary Storm.
Headquarters: San Ramon.
2005 employees: 31.
2005 revenue: \$12.8 million.
2004 revenue: \$9.9 million.
2003 revenue: \$1.7 million.
Secret to success: Staying true to original vision: To deliver superior service on a needed product for customers.

happening in 2006 that's not part of our numbers."

Storm's priority now is building infrastructure to capitalize on the 2004 acquisition of Quantum-Shift Communications, which spurred VCOM's warp-speed growth.

VCOM promises to streamline telecommunications services for small and medium-sized companies. It purchases telecom services in bulk from 28 major carriers and resells them, providing anything from local phone service to T-1 and video-conferencing on a single bill

with a single account manager. While the Sprints and Qwests focus on Fortune 1,000 customers, VCOM lets its rivals serve large companies, preferring 100-person operations spread among several locations.

"There's a huge hole out there for the small and medium-sized companies," Storm said. "They don't have a lot of choices for people like us. There are not 10 VCOMs sitting there, waiting for the business."

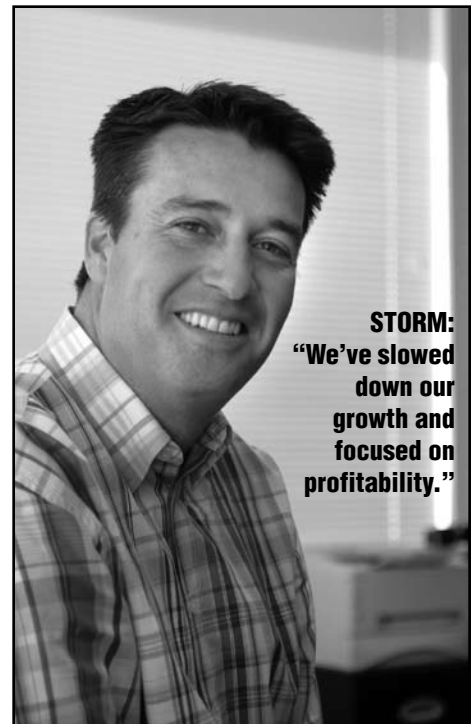
In the past year, VCOM has custom built an internal operating system and started new hiring systems. It's upgraded its human resources practices with new training for HR staff, and started using Predictive Index, a behavioral software program that allows VCOM to measure the likelihood of an applicant's success at the company.

"We made some bad hiring decisions," Storm said of the time when VCOM grew exponentially. Those bad decisions led to high turnover, and gave HR a front role at the company. "Before we were hiring a body instead of a true fit. Now, we'd rather be short a body."

The company continues to grow, primarily through existing customers adding services, though VCOM is also adding new customers.

One existing customer is Lam Research, which has used VCOM for its long-distance service for several years; Qwest Communications made the recommendation. Roger Whitson, Lam's telecom manager, said he immediately saw a 45 percent savings with VCOM. More impressive, though, was VCOM's service.

"I had my doubts when my management steered me to VCOM," Whitson said. "I thought, using a wholesaler, we'd be down long periods when we had an outage, and I'm happy to say I was proven wrong. At the first outage, VCOM was all over it and



STORM:
"We've slowed down our growth and focused on profitability."

notified me about things before I was aware of them in some cases."

When three T-1 lines came up for renewal, Whitson said he dropped AT&T in favor of VCOM, largely due to better service.

To ensure top customer service, Storm said that the company gives employees \$100 gift certificates when an email comes in praising their service.

VCOM has added sales offices in Sacramento and Southern California and has customers in 47 states.

"I know I said no more acquisitions," Storm said, referring to comments he made last year to the Business Times. "But that could be the game plan in 2007 when we will again look to grow faster. Now we think we can plug and play a lot easier."

Sarah Duxbury is a staff writer for the San Francisco Business Times. ■