



Jon Foster left a large telecom company to start his own firm, which now employs 20 independent telecom brokers.

the **NEW FACE** of telecom sales



Independent agents bolster larger companies' sales while offering a higher level of customer service

BY KATHARINE GRAYSON
STAFF WRITER

Competition in the telecom industry has heated up since the great shake-up of the late 1990s. That's good news — especially if you get to play both sides.

The strategy of selling services to a number of carriers, with allegiance to no one in particular, has meant big business for a growing number of telecom “brokers” in the Twin Cities.

It's also a system that's helped boost the bottom lines of telecom providers large and small, who rely on independent agencies to generate sales through strong customer relationships.

Independent agents often start their own businesses after leaving jobs as sales agents for bigger companies. That was the case for Jon Foster, who left McLeodUSA in 1999 to found Fostar Communications. The St. Louis Park-based firm, which has about 20 agents, has rights to sell services to seven local carriers, including Qwest Communications, Eschelon Telecom and Sprint.

Leaving the sales office of a big provider allowed Foster to take a different approach to working with customers, he said.

“[At McLeod] it was more about acquir-

TELECOM: Using independent agents helps keep overhead down for larger telecom companies, source says

ing customers than taking care of customers,” Foster said.

Independent brokers are able to be frank with clients about what each carrier may bring to the table, or what customers may have to sacrifice for cost savings. That’s often an advantage from a business standpoint, he said, adding that Foster’s revenue is growing on average about 10 percent per year.

“Every carrier gives out glossy folders, but we go beyond that. We say, ‘Here’s what you can actually expect,’” Foster said.

Working with agents who can sell to multiple carriers may seem, at first, to be a less-than-ideal setup for competitive service providers, who also employ their own in-house sales staff, but it’s a relationship that continues to be good for business, said Tom McGrath, senior vice president of Qwest Communications Alternate Channels, the division that covers its “partner program” with independent agents.

The agencies give telecom providers access to new customers — and also help expand a company’s overall geographic reach.

“They have relationships that may be stronger than ours,” he said. “It’s hard to be everywhere, especially in a state like Minnesota.”

Qwest, which is based in Denver but is the dominant phone provider for Minnesota, works with about 250 partner agencies nationwide. Those partnerships mean about 4,000 independent agents have rights to sell Qwest services to customers.

The number of agents is actually less than it was a few years ago, but partners are consistently making up a growing portion of the company’s overall sales, McGrath said. He declined to release specific numbers, saying only that independent agents make a significant amount of the company’s overall sales.

“The number of partners has gone down; the productivity has gone up significantly,” he said, adding that Qwest regularly scrubs its list of providers to focus on those who provide the greatest return.

The strategy also allows providers to open up more sales channels, said Heidi Soderberg, vice president of sales at Integra Telecom of Minnesota, based in Bloomington. “We don’t want to put all our eggs in one basket.”

Some carriers, such as CP Telecom, which has offices in Minneapolis and Duluth, have even turned exclusively to independent agents, with no in-house sales staff.

There is, however, increasing competition between independent broker agencies, as more telecom companies move toward working with partners. That sometimes drives down how much agencies contribute to providers’ sales base.

“It’s not that they’re doing less. They have more competitors, so they’re spread thinner,” Soderberg said. “So many people that didn’t have agent programs now have agent programs.”

Independent agents also help carriers keep down the “churn factor,” Foster said.

Building long-term relationships with customers, with services such as monitoring billing to prevent over-charging and other snafus, helps carriers keep clients longer, he said.

Using independent agents also can help keep overhead costs down for telecom providers, said Jeff Kagan, an Atlanta-based telecom analyst. However, there is a downside. Telecom companies simply can’t have the same level of control over outside agents as they do with in-house staff.

“As competition changes, it’s important for companies to refocus their expenses,” he said.

The telecom industry also has become more complex — from the number of carri-

ers to choose from, to the wide array of services. Navigating that can be a challenge, and stronger one-on-one relationships draw customers for that reason, he said. However, there is a downside to the system. Telecom companies simply can’t have the same level of control over outside agents as they do with in-house staff.

Another potential concern is overlapping sales territories.

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Company: **Fostar Telecommunications**

City: **St. Louis Park**

Employees: **20**

Business: **Independent sales of telecom services**

CEO and president: **Jon Foster**

Web site: **www.fostar.com**

But even with the rise of independent sales agents, there’s not too much of what the industry calls “channel conflict,” McGrath said. That conflict erupts when in-house sales staff are competing with independent agents for the same customer. Sometimes, however, agents can compete better by taking a closer look at how customers are billed to keep costs down.

What might affect the future of independent brokers is the return of consolidation in the telecom industry. Many observers are predicting that competition between service providers is going to lessen in the coming years as more companies merge.

But Foster said he doesn’t expect that will mean less business for agents, mostly due to the higher level of service they can often provide.

“It’s like going out to buy a Ford Explorer and getting the Eddie Bauer version for free,” he said. “This business is not going away; it’s only growing.”

kgrayson@bizjournals.com | (612) 288-2106