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Market Basket: A business case study for decades

■ REPUTATION MANAGEMENT
BY LIISA RAJALA

Take one look at the Market Basket fiasco – employee protests that have essentially shut down 71 stores in Massachusetts, New Hampshire and Maine – and you'll get a quick lesson in business communications 101. While Market Basket recently hired O'Neill and Associates, a crisis communications firm in Boston, the damage has been done. Communications specialists and grocery industry experts are in awe, watching a rapidly growing supermarket that was once valued at \$7 billion drop in value within a week. The Market Basket saga will be discussed in the communication's industry and business schools for years to come.

When former CEO Arthur T. MARKET BASKET, PAGE 9

Better late THAN NEVER?

■ TELECOMMUNICATIONS
FairPoint tries to battle back in a transformed telecom market

BY BOB SANDERS

Mike Chambers, director of operations and customer service at Relyco Business Solutions, a commercial printing firm in Dover, says he gets a message a day from companies looking to sell him telecommunications services.

Before he decided to switch from Carousel Industries, a provider based in Rhode Island, he "kicked the tires" at Comcast but chose Bay-



Ring Communications, out of Portsmouth.

"We wanted someone that was hands-on, not someone out of Providence," Chambers said.

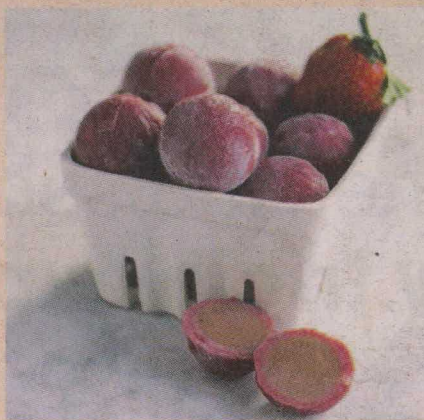
Chambers said he didn't consider FairPoint Communications, which in 2008 acquired Verizon's Northern New England's operations. That's OK with BayRing, which presents itself

as a high-end "boutique" firm that caters to business that has doubled its size in the last five years. And even being considered isn't necessarily bad for Comcast, whose business market has grown some 24 percent nationally in the last year, to \$917 million.

FAIRPOINT, PAGE 11

Product takes a giant step toward edible packaging

Stonyfield Farm's Frozen Yogurt Pearls, developed with a Cambridge, Mass.-based WikiFoods, are small, single-serving spheres that contain a 'heart' of Stonyfield frozen yogurt and are encased in an edible 'electrostatic gel skin.'



■ INNOVATION
BY ALEXANDRA PECCI

Customers who stroll down the frozen foods aisle at the new Nashua Whole Foods opening this month will find a brand new — and even groundbreaking — dessert: Frozen Yogurt Pearls from Londonderry-based Stonyfield Farm.

It's not often that frozen yogurt can be called "groundbreaking," but in this case, the description fits. That's because

the new Stonyfield product, which was launched earlier this year, represents the first step toward a long-term company goal of eventually eliminating packaging for premade foods. With Frozen Yogurt Pearls, the "package" is edible.

"It has been my dream from the first day we started Stonyfield back in 1983 that we would not contribute to landfills," said Gary Hirshberg, chairman and former president and CEO of Stonyfield. So when he first heard that Harvard pro-

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PHILANTHROPIST
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Fairpoint

FROM PAGE 11

But it's not OK with FairPoint, which has a small slice of the broadband business market in New England.

That is where the money is. And now that the company is finally free of most of its regulatory shackles, FairPoint wants that business back.

Changing technology

The telecommunications world is different from the world FairPoint entered when it bought Verizon's assets in 2008, or even when it emerged from bankruptcy in 2011.

"Clearly, it's a more competitive environment than it was five years ago," said Bruce Leichtman, a Durham-based analyst who follows the broadband, media and entertainment industries on the national level.

Changing technology and mergers are mostly to blame, though the new environment manifests itself in different ways, especially in the residential market. Cable customers are moving to satellite dishes and streaming video, as nearly half of all U.S. households now have one television hooked up to the internet, according to a Leichtman study. Meanwhile, telephone customers are cutting the cord, with a growing reliance on cellphones. The number of FairPoint's access lines, for instance, declined 6.8 percent last quarter. It was a 7.8 percent decline from a year ago.

Yes, both Comcast and FairPoint are losing phone customers to mobile companies. But those companies need hard-wire connections from the cell tower, and FairPoint is ready to provide it in a service it calls Fiber-to-the-Tower to meet those growing data demands.

"We are the backhaul provider for the wireless network, so if people use wireless that's good for us as well," said Ellen Scarponi, FairPoint's director of government relations and economic development.

At the end of 2013, FairPoint provided backhaul service for 1,300 mobile Ethernet connections and fiber connectivity for 1,000 cell towers in northern New England. Comcast provides similar service, though it does not provide local figures.

Just as cellphones need reliable on-the-ground fiber, so do businesses, which are increasingly running their phone service over a data line. Data needs have grown as well. Websites are becoming increasingly sophisticated, graphic-oriented and interactive, with the need to process more information at quicker speeds. Finances are also mostly conducted online as well, which requires more security, such as encryption, which requires even more bandwidth. And prudence dictates off-site data storage in the cloud, as well as other services.

In other words, FairPoint has a lot more to offer than just a phone line and a DSL line.

"Businesses are our fastest-growing entity," said Steve Walsh, vice president of Comcast Business for the greater Boston region, which includes eastern Massachusetts, New Hampshire and Maine. "It's not a sideshow. It's a big piece of what we do, what we continue to do."

Comcast got into the business market bottom-up, offering service to residential and home-based business, then to mom-and-pop businesses, then to major companies. Five years ago, it would have required something of

a quantum leap – a T-line – to meet the needs of even a medium-sized business, but technology has evolved and become scalable.

Comcast's latest inroad was into Pease International Tradeport in Portsmouth, which is BayRing's home turf. The tradeport is also served by FairPoint and AT&T, so Comcast is just an additional player.

Comcast's reach might grow further if a possible merger with Time Warner Cable ever comes to fruition. Nationally, the \$45 billion deal would give the company another 8 million subscribers, 30 percent cable share nationwide. In New Hampshire, though, it will give Comcast access almost everywhere, on its own cable lines. Offering such end-to-end service is a key selling point to businesses, which don't want to hear, when something goes wrong, that it's some other company's fault.

FairPoint already has this reach. As the phone company, it owns copper wires to nearly every community in the state. And as part of the deal to take over Verizon's lines, it promised state regulators that it would provide 95 percent broadband access. The utility exceeded that number in the Granite State earlier this year, and across the northern New England region it boasts that it reaches 95 percent of businesses, but it doesn't provide service to the vast majority of them.

FairPoint's advantage, its greater reach, was undercut by being regulated as a utility. It could offer a special rate to businesses, but "we had to file what our promotions would be ahead of time, so our competitors could go right in and scoop up the business before the rate got passed by the PUC," said Scarponi.

But in 2012, FairPoint finally got what it wanted — deregulation on the retail level. Indeed, the change was so substantial that the Public Utilities Commission no longer needs to regulate the company nearly as it had. So FairPoint asked for – and last session the Legislature granted – a 65 percent cut in the \$1 million assessment it pays the agency each year.

FairPoint now has a direct geographically allocated sales force aimed at the business market, but it got back into the action late in the game. In its last annual financial statement, however, it painted its position as a potential asset: "Our relatively low current market share provides us the opportunity to both win back business customers who have left for another carrier as well as acquire new business."

In its latest financial statement, FairPoint reported that it is still slipping, even among business customers, at least when it comes to switched access lines. While the company lost almost 7 percent of its voice access lines, business lines were down by nearly 2 percent.

On the flip side, Ethernet access lines have grown by 57 percent, with wholesale sales (to large businesses and other carriers) going up by 79 percent. Indeed, FairPoint now sells more wholesale Ethernet lines than retail.

Several of these sales involve government-supported initiatives. FairPoint won the contract for Maine's next-generation 911 (which allows texting). It also won the bulk of the \$24.6 million contract put out by the New England Telehealth Consortium to connect rural hospitals and doctor's offices through the Rural Health Care Pilot Program.

Under the program, the hospitals only have to pay 15 percent of the installation. FairPoint fronts the rest, and then gets reimbursed by federal government. So far, FairPoint has connected more than 250 of the 300 health care sites in Northern New England.

In New Hampshire, FirstLight Fiber provides data center services from its data center in Lebanon. Albany-based FirstLight – formerly Tech Valley Communications – got into the Granite State by acquiring segTEL in 2011. Most experts say it is the strongest regional competitor to Comcast and FairPoint, especially having joined forces with the aforementioned BayRing Communications.

BayRing has long run its own network on the Seacoast, but now offers direct access to Concord and Boston. It most known for "dark fiber," enabling large companies to purchase the bandwidth, but providing their own electronic controls, as opposed to paying BayRing for providing that service. That enables BayRing to sell lines for a lot less.

BayRing also provides those custom services for small businesses, services that other small Internet providers use to offer, like One Communications (now part of Earthlink, a publicly owned corporation out of Atlanta).

"There has been a lot of consolidation while we continue to grow," said Ben Thayer, BayRing's CEO.

"We have a tremendous respect for FairPoint and Comcast, but we are a boutique firm. We are not the Walmart of telecom. We are not the cheapest. But when you call BayRing, you get a person right off the bat." **NHBR**

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