



# PAY-AS-YOU-GO BANDWIDTH

*Yipes Communications is out to teach the old phone companies a new trick.*

BY SCOTT TYLER SHAFER

**T**HE BABY BELLS are notoriously incompetent as bandwidth providers. In a best-case scenario, it can take from one to six months for an existing business customer to obtain additional data lines from the carrier. And even then those customers aren't getting much. For top dollar they receive antiquated copper lines capable of paltry transmission rates. Yipes Communications **100** (page 100) exists solely to eliminate those shortcomings.

Making its debut on our annual *Red Herring* 100 list, Yipes offers bandwidth at any speed up to 1 Gbps, a rate 22 times faster than the incumbents' fastest offerings and at a cost estimated to be 40 percent cheaper. And get this: it also allows customers to add or subtract network capacity in 1-Mbps increments on three hours' notice. The regional Bell operating companies (RBOCs) have no idea that Yipes is around or what it is offering, but they will, eventually.

Founded in July 1999, the San Francisco startup has built IP-based fiber-optic networks in the largest metropolitan areas in the United States. Over these fast networks, Yipes offers businesses and various service providers the ability to move data between their multiple locations within a single metro area or across a wide-area network, plus a host of other network management services. Using inexpensive Gigabit Ethernet gear and a custom provisioning platform, Yipes lets its customers order their bandwidth in 1-Mbps increments, from 3 Mbps to 1 Gbps, at a cost starting at \$300 per Mbps and declining as usage increases. The RBOCs sell a T-1 line (1.54 Mbps), starting at \$900.


Yipes's success depends on luring customers away from RBOCs and on not repeating the mistakes of the DSL providers. The latter group got into trouble for depending on RBOCs to house their equipment and to share fiber networks. Yipes doesn't rely on the RBOCs. Instead, it has signed several 20-year leases for fiber within major metropolitan areas with Metromedia Fiber Network **100** (page 118), Savvis Communications, WorldCom, UUNet, and utility companies and local municipalities, but never from the Baby Bells.

And with \$291 million in venture capital financing from

more than 30 sources, Yipes has lit 23,000 miles of fiber strands from these carriers. According to cofounder Ron Young, Yipes's largest provider of dark fiber accounts for only 10 percent of its total leased fiber. The company believes this strategy will protect it from price gouging and create redundancies in its metropolitan markets, to guard against a failure of any one provider. And in July 2000, the company connected all its metropolitan networks through an ultrafast cross-country IP network, accomplished by entering into additional 20-year lease agreements with long-haul fiber providers like Genuity, Level 3 Communications, and Qwest Communications **100** (page 124).

Of course, Yipes's model has been imitated. Telseon **100** (page 92), Looking Glass Networks, Cogent, and GiantLoop Network—all members of the \$200 million-plus venture financing club—offer similar services, yet with slightly different business models. Yipes distinguishes itself by not requiring its customers to purchase any equipment. A business simply plugs its local area network into Yipes's network using a basic RJ85 connector—a slightly bigger version of that plastic doohickey that is on the end of every phone cord. This ease of use has won more than 150 connected customers nationally, including bandwidth hogs RealNetworks and VerticalNet, which each eat up 300 to 500 Mbps a month. The company says it has an additional 150 customers under contract.

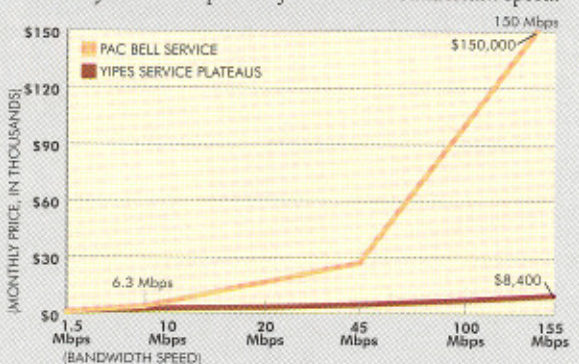
The company's real competitors are the RBOCs, the same guys who are already in every building and the ones all businesses have to call to get local phone service. Sooner or later, RBOCs are going to have to compete with Yipes's high-quality customer service and customer-friendly pricing schedules.

Yipes is pulling ahead of its competitors with technological innovations. Already, customers can view real-time network performance statistics from Yipes's service portal. By year-end, customers will be able to enter bandwidth change requests online. And perhaps as soon as mid-2002, Yipes will offer voice-over IP and managed storage—two high-margin services. As Yipes goes toe-to-toe with RBOCs on enemy turf, it just might win. 

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## TO BEAT THE BANDWIDTH

*Yipes offers scaled bandwidth in 1-Mbps increments, starting at \$300 and then getting cheaper as bandwidth is added. Because it offers volume discounts, Yipes's rates are lower than Pacific Bell Telephone's for the same bandwidth speed.*



SOURCE: RED HERRING