



## Holy Yipes, it's back!

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Back in 2000, Metro Ethernet start-ups were telecom version of bling: shiny new things that raised [hundreds of millions of dollars from](#) brand name venture capitalists; had cool names such as Telseon, Broadband Office and Sigma Networks. And when the telequake hit, [they all fell like](#) straw huts built on landfill. One such company was Yipes Communications.

It went bankrupt, reorganized and [raised even more money](#) and started preaching the Gigabit Ethernet Mantra. That was back in 2003, and we soon lost interest. Up until last week when we caught up with John Scanlon, who is now the chief executive officer of the San Francisco-based company that now calls itself Yipes Enterprise Services.

The company (in the new incarnation) has raised a whopping \$100 million from the likes of Norwest Venture Partners and Crosslink Capital, and has been on an upswing, with revenues growing at more than 40% per annum. What happened?

A few things: for instance, instead of focusing on wholesale and other market segments, Yipes adopted a smart (and simpler) strategy, with a focus on customers whose fortunes didn't rise and fall like hemlines in Paris: banks, law firms, retail chains and large corporations. Yipes has 850 corporate customers, and is signing up more at a furious pace. It helps that it owns 14,000 fiber miles and points of presence in most major metros in US and around the globe. *(Hey, all the bubble-era excesses had to come in handy sometime or the other.)*

Over past couple of years, large corporations have seen their data needs go up exponentially. File transfers, data back-ups, VPNs - all need more bandwidth that what the traditional means can provide. The long-in-the-tooth T-1 doesn't cut it anymore. Instead an increasing number of corporations [are opting for Ethernet-based services](#).

Yipes is happy to sell exactly that: multi-megabit Ethernet services that were more than a standard 1.54 megabit/second [T-1 connection](#) and the expensive [DS-3 connections](#).

“Bonding T-1 doesn’t do the trick and DS-3 is too much,” says Scanlon, and points out that a typical customer of theirs wants between 3 and 100 megabits per second, with the option to upgrade.

Listening to the market has paid off for Scanlon, who is credited it for the Yipes resurgence.

Revenues in 2006 jumped 41%, somewhere in the \$40-\$45 million range. Scanlon told us that in 2007, sales could be as high as \$70 million. The company went cash-flow positive in the fourth quarter of 2006.

The success is not going unnoticed, and rivals like Level 3 and the Bell companies are getting serious about the Ethernet services business. To that Scanlon says, bring it on. “I battled AT&T when I was at MCI, so this is not new,” he jokes. “Level 3 is a wholesale carrier, and you know the enterprise customer is a lot different than a wholesale customer.”

He thinks that Yipes’ focused sales and support structure gives it a leg-up on rivals. “We are a focused service unlike others. There is a comfort in focus,” says Scanlon. Of course, there is comfort in the fact that you can’t do worse than your past!

For further reading, [Will Reed Hundt 2.0 have better luck?](#)