

ACN Five Men and a Baby

ACN PROVES IT CAN GO THE DISTANCE



Michael Cupisz, Greg Provenzano, J.D. Sullivan, Robert Stevanovski, and Anthony Cupisz



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One fine, crisp, fall day in 1992 five men with a mission sat around the kitchen table of an apartment in Sterling Heights, Mich. The mission: find a network marketing company with a fairer compensation plan and better ethics than the companies they had each just left. The five didn't know each other well, but--when introduced by mutual friends that summer--they had felt an immediate kinship.

"We knew the five of us were going to stick together, no matter what we did," recalls Michael Cupisz, then 26.

Two of the five had just arrived with unsettling news: one particular company--one that they had thought looked highly promising--was declaring bankruptcy. Robert Stevanovski, 31, had an idea:

"Why don't we start our own marketing company?"

They made a list with two columns. On the left-hand side, they listed everything they liked about network

marketing, such as its potential as a distribution channel and the income opportunity it provided. On the right, they listed everything they disliked--monthly minimum qualifications, hidden "gotchas" in comp plans that limited long-term income, and lack of integrity at the top.

Then they tore off the "dislike" column--and threw it in the trash.

What to do for a quality product? Marketing long-distance phone service had the greatest potential, they reasoned: following deregulation, industry revenues were growing by 12 percent annually. If their new company were to offer competitive rates, warm customer relationships, and a distributor-friendly compensation plan, maybe it could capture some of that \$75 billion market.

That was the beginning of American Communications Network. Eight years later, ACN boasts over 100,000 active distributors selling long distance, Internet, as well as gas and

electricity services to 2.5 million consumers in seven countries. With solid management and sales teams in place and projected revenues of \$200 million this year, ACN is in a strong position to profit globally as 69 countries deregulate their phone systems.

"It's been unbelievable--and the future is even bigger and brighter now than when we started," says president Greg Provenzano.

The five founders decided that Provenzano, then 32, would act as president and the others as vice-presidents. They approached family, friends, and investors to raise the initial capital for office space, computers, and training materials. On January 18, 1993, they officially opened shop in Southfield, Mich. Provenzano and cofounder J.D. Sullivan (now 50), who both had young children, worked mostly at headquarters. The other three--Stevanoski and Michael and Anthony Cupisz, identical twins--hit the road, recruiting representatives

and building downlines. A new recruit paid \$99 to become a "customer representative," which let him sell long-distance service to consumers. For \$499, you could become a "field trainer" and sign up commercial accounts.

Growth was buoyant. At the end of 1993, revenues totaled \$2.2 million; by 1997, revenues had multiplied to \$97 million, and ACN had entered Canada. In 1998, ACN was ranked number 22 among Inc. magazine's 500 fastest-growing private companies. In those years, recall the founders, their biggest challenges were keeping one step ahead of changes in the fast-moving telecom industry and finding top-notch communication executives to run the business end and acquire the necessary technology.

Powerful Friends and Powerful Partnerships

The secret to their success? Mike Cupisz puts it modestly: "We've done a good job of surrounding ourselves with people more talented than we are."

That strategy started at the corporate level. The founders' first big move, back in 1992, was to affiliate themselves with a solid carrier. Recalls Sullivan:

"MCI, Sprint, and AT&T owned 90 percent of the market?but there were a number of second?tier carriers who owned one to two percent of the market. We asked ourselves, 'Who needs us the most?'"

They allied themselves with LCI International, a Dublin, Ohio?based national carrier whose customer base was 98 percent commercial. LCI couldn't afford the massive advertising needed to compete with the major players for lucrative consumer accounts; they were willing to take a chance on the ambitious startup.

The company also drew seasoned distributors, such as Larry Raskin of Baltimore, Maryland. Raskin met up with ACN in May 1994, and immediately liked the simplicity of the approach. He had vowed to go with a network marketing startup- but signed on anyway. In six years since, he and his business partner, Stewart Taub,

have earned over \$9 million.

In October 1994, Chris Oliver of Atlanta was working as a financial planner in corporate America by day and running his own cleaning service by night-a route he took after three network marketing companies went bankrupt on him. But when he saw a friend's income double in four months with ACN, he told his girlfriend, Shan, "Give me one year to do this, and we'll live a lifestyle we can only dream of now." He told potential customers: "I can promise to save you up to 30 percent on your long distance phone bill. There's no cost, no obligation. Would you do me a favor and give it a try?" Within his first year, Oliver had built a six-figure income. "I took a week and a half s income-and paid for my entire wedding to Shan," he says. He says of ACN, "There have been five or six changes in the compensation plan, and every one of them has given the distributors more money. At my first company, every comp plan change took money away from us." A year ago, ACN's founders took \$5 million in profits and split it among 60 regional vice presidents, the top tier of distributors. "They really didn't have to do that," says Oliver.

As for Raskin, his loyalty was cemented in March 1998, when LCI merged with industry giant Qwest Communications. With ACN contributing 25 percent of its revenue, LCI revenues had been growing by 35 percent a year, from \$250 million in 1993 to \$2.2 billion in 1998. When LCI merged with Qwest, ACN was paid nearly \$100 million as part of the package. The founders of ACN, instead of splitting the amount among themselves, invested all of it back into the company. Sullivan recalls the decision-and the temptation:

"Five guys splitting up that much money?it was an attractive thought. But we saw the opportunity to take what we had done here in the U.S. and Canada and expand it into other countries and other deregulated industries. That takes an awful lot of investment in infrastructure. The right decision was clear."

Says Raskin: "That commitment to expansion is the kind of ownership I will follow anywhere."

New Horizons

With approximately 550 employees worldwide, ACN is currently entering two gigantic new markets in the midst of deregulation. ACN Energy markets gas and electricity in five of the nine states that have deregulated those utilities, including New York and California. Local telephone service is slowly opening to free?trade competition as well, following the Telecommunications Act of 1996. ACN also offers Internet access.

Then there are the international markets. In the last year, ACN has opened up operations in the United Kingdom, Germany, the Netherlands, Sweden, and Denmark. Already, Europe accounts for 20 percent of ACN's long-distance customers. ACN uses the same compensation plan worldwide: "We have a seamless network there are no additional fees required to operate in any other country," says Provenzano.

Of course, the speed of technological change carries risks. "No one knows what form of communication anyone is going to be using five years from now," says Provenzano. "We could be totally in the long - distance business; we might be in the Internet telephone business; we might be in the wireless business - it all depends where the marketplace goes. But it doesn't matter what form it takes. We have a distribution channel in place, and no matter what products and services come about, the big boys need us to fill their pipeline with customers."

With the aid of the services they're marketing, the founders are no longer tied to their desks. Although Sullivan and Michael Cupisz work in ACN's 90,000-square-foot corporate headquarters in Farmington Hills, Mich., Anthony Cupisz works part-time out of a California home, and Provenzano and Stevanovski live and work in North Carolina. The five of them still make decisions collectively, meeting face-to-face two or three times a month and sometimes traveling as a group to open a new market abroad.

Says Provenzano: "It's taken us eight years to lay solid foundation for something bigger and better than all of us. It's going to be an exciting ride!"



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