

NO. 3 | 5LINX ENTERPRISES INC.

# Telecom firm uses direct sales approach

■ Founders say part-time salespeople help make business recession-proof.

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STAFF WRITER

Despite the historic downturn in the overall economy, executives at 5LinX Enterprises Inc., the No. 3 company on the 2008 Top 100 list, expect to reach about \$50 million in revenues this year. That's twice what they did in 2007 and they plan to double it again in 2009.

The 5LinX trio of co-founders consider their Henrietta company recession-proof because their products are sold by independent agents who see it as an opportunity to earn extra income during difficult financial times. And the products themselves help customers save money during tough economic times.

"We're actually doing very well in spite of what's happening with the markets. Our business is accelerating," said President Craig Jerabeck.

Jerabeck, of Pittsford, started 5LinX in 2001 with Jeb Tyler and Jason Guck and now has about 130 employees, up from about 110 a year ago.

The direct sales firm has about 30,000 agents who pay \$499 for specialized training, a Web site and the right to sell the company's products. 5LinX has some agents overseas, but the lion's share are in the United States, said Tyler, the vice president for marketing who lives in Fairport.

The company's top-selling product is a device and service that lets you use an Internet connection to make unlimited long-distance telephone calls for a one-time fee of \$80, plus \$24.95 per month.

5LinX also sells a \$199 video-phone with a five-inch high-definition screen and an Internet Web browser that uses the

## At a glance

**5LinX Enterprises Inc.:** Provider of voice over Internet protocol services.

**Year founded:** 2001.

**Location:** 275 Kenneth Drive, Suite 100 in Henrietta.

**Executives:** Craig Jerabeck, CEO; Jeb Tyler, executive vice president for marketing; Jason Guck, executive vice president for sales.

**Employees:** 130.

**Web:** www.5linx.com.

company's Voice Over Internet Protocol Services, better known as VoIP, for the monthly fee.

The newest product is a Wi-Fi phone, which sells for \$299 to

\$499 depending on the features, that works with a cellular or VoIP connection. In an area with Wi-Fi, the phone will work as a 5LinX VoIP phone. Otherwise, it will work as a cell phone. When you use the Wi-Fi connection, you

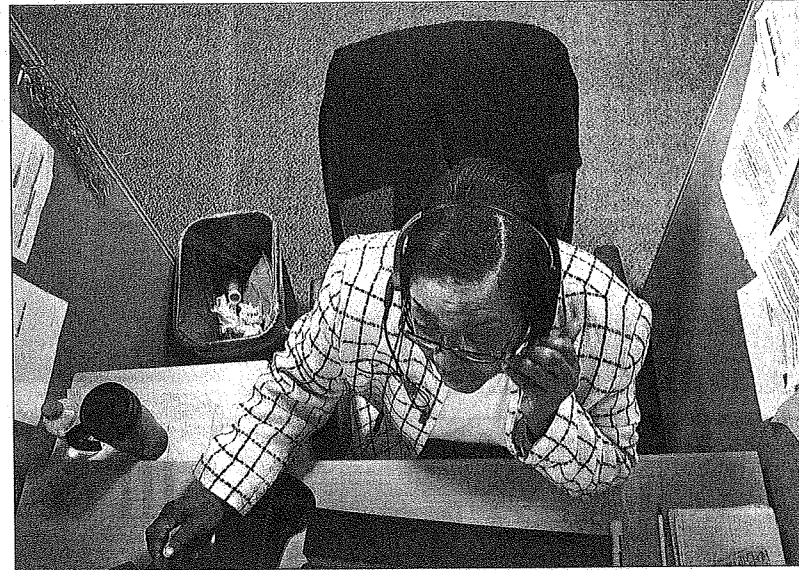
can use unlimited 5LinX minutes.

Most agents sell 5LinX products part time and in their spare time.

"We have people from all walks of life," said Guck, of Pittsford, vice president for sales. "We have white-collar workers. We have blue-collar workers, attorneys, professors, athletes. Everybody's looking for a smarter, better way to make money."

The three men are devoting a lot of energy to developing overseas markets. They are about to open a new office in Stockholm, Sweden, and, in addition to Europe, have designs on Asia and Africa.

But their global ambitions are not limitless. Early on they expected to move first into



WILL YURMAN staff photographer

Customer service representative Verna Jones of Irondequoit talks to a customer last month at 5LinX in Henrietta.

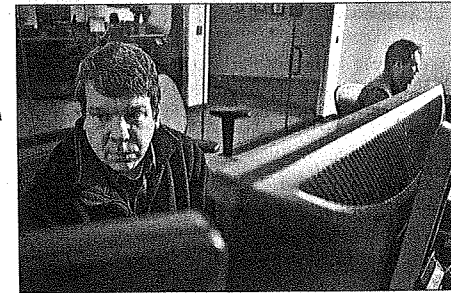
Canada and Mexico, then into Central and South America. But they discovered a very closed telecom market in Mexico.

The average cell phone rate in Mexico is about 50 cents per minute and Internet penetration in Mexico and Latin American is less than 19 percent, compared with 72 percent in the United States and 84 percent in Canada.

"You would think this would be a great market, a starving market for telecom, but you can't get in because of regulatory or an anticompetitive nature of the market," Jerabeck said.

Venezuela also was impossible to crack because sales agents were unable to process credit card transactions and get money out of the country.

The direct sales model, which is used by Amway or Mary Kay Cosmetics, carries with it a stigma that company officials



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Operations center technicians John Skakey, left, and Jarrod Stewart, both of Henrietta, monitor the network at 5LinX.

"deal with all the time," Jerabeck said.

Agents of 5LinX not only sell the products but also recruit other agents who then share their proceeds with their mentoring agent. Many of the agents

tap into their social network for customers and to recruit other agents, something that makes traditional sales professionals cringe.

"We try to train our sales force on how to deal with that,

but the thing that makes it different is that the products and services we market are mainstream products and services," said Jerabeck. "We're not selling off-brand vitamins at a higher price than you can get them in Wal-Mart. We sell name-brand products and we sell services that people consider necessities."

"When we explain what it is we do, people become a lot less uncomfortable," he said.

Kevin Phelps, general partner of Pittsford's Trillium Group, an investor in 5LinX, is confident in the company's future, particularly if unemployment continues to rise and people look for other ways to make a living.

"Any time you can have a successful sales effort without the overhead structure, which is really what they've created, it's generally going to be a successful model" Phelps said. □

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