Norvergence

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Norvergence company logo

Norvergence was a Newark, New Jersey corporation that prior to going bankrupt in July 2004, sold telecommunications services and related products to small businesses, nonprofit organizations, churches, and municipalities. It is now under invesitigation for fraud by a number of government agencies including the FTC.

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History

Founded by Peter Salzano and Thomas N. Salzano in 2001. In its three year existence **Norvergence** hired 1,800 sales and other employees and in 2003 had revenues of $143 million.

Claiming to be associated with Nortel Networks, the company started cold calling companies promising huge saving on their internet and phone bills, often up to 30%. The company's motto was "Drastically Reducing Telecommunications Costs". The company claimed that through the use of a **Merged Access Transport Intelligent EXchange device (MATRIX)** device for short, they could eliminate per minute charges for telecommunications services. Instead they charged a flat fee and arranged financing for the rental of the MATRIX device for a period of usually 5 years. In reality, the MATRIX "black box" was a standard integrated access device, commonly used to connect telephone equipment to a long-distance provider's lines. It provided no saving.

How the Pyramid scheme operated

Norvergence operated like a Pyramid scheme. The telecommunications company claimed that they were able to offer such saving because of their long-term contracts with established telecommunications providers. **Norvergence** had no such contacts and instead provided early customers with discounted service by selling new customers finance contracts to third party finance companies for quick cash.

Salespeople with some telecommunications background were hired by the organization. They made sure that the people they hired, while understanding the basic workings of telecommunications, did not have the technical skills to figure out that the product did not work how it was being explained. After the initial sales push in the local NJ area (customers received service for a time in this area), the company then did a national sales blitz, opening up virtual offices all over the country.

The strategy, in retrospect, was straightforward. The would open up new virtual offices with the money they made in the NJ/NY area. They would hire local sales executives in other regions, give them product training for two weeks, then have them out selling. Salespeople were required to follow a rigidly constructed script several pages long that had to be given verbatim to potential customers. The script was designed to keep the customers from asking too many questions, basically bullying the customer into purchasing the product.

Keeping Sales People in Line

Salespeople were called screening managers, and their job, as far as the customers were concerned, was not to sell the product, but rather explain the service and get all of the information needed to submit their 'applications'. **Norvergence's** policy was that they screened companies for the right fit, not everyone received service, and it was the screening manager's (salepeople's) job to 'screen' them and make sure there wasn't any reason to disqualify them, and make sure all of the paperwork was submitted correctly. Part of the script even asked the customer if there was any reason they should be disqualified, at which point the screening manager was told to say Norvergence might disqualify them, but they would submit the paperwork anyway just to see if they could get accepted for the service.

The company constantly played with the way they would pay its salespeople. They illegally made deductions to their commissions for minute issues with customer paperwork, for example. They also constantly spot-tested sales peoples' scripts (which they kept changing) for a variety of things, as a method of intimidation (those unable to give the script verbatim were first given a warning, then fired). They forced salesmen to turn in a minumum of 30 business cards a week from other companies in the area, which were turned into corporate to set up new appointments. Salesmen were promised when they were hired that they would not be forced to cold-call, but since they had to wait so long to begin receiving commissions, they put up with many things just to wait and see how they'd be paid.

Norvergence also manipulated salespeople and kept them in line by not paying commissions until the hardware was installed (a time which was supposed to be within one month), and since most of the regional offices had only been existence for a month or two, the salesmen had no idea that they would not be paid on the bulk of their sales. What typically happened was that after 2-3 months, they would find excuses to fire salespeople and avoid paying commissions. The people who made the most money on commissions were the first to be fired, would be paid only a small portion of the commissions owed, with **Norvergence** saying that the other customers had decided to cancel, but in truth these clients were still waiting for service to start and the leasing contract was still valid). *After 2-3 months of stress, constantly having the job description change, fighting over commissions, and long training periods afterhours, salemen were let go receiving hardly a fraction of the moneys which were promised to them.*

Norvergence Abruptly Closes Shop and Subsequently is Bankrupted

Once **Norvergence** had moved into as many regional markets as possible and pitched every business in the area, Norvergence would sell the leasing agreements to banks (ex. Wells Fargo), and the banks would be left with the leasing agreements that forced customers to continue to pay for the hardware leases for 5 years. Since Norvergence received their money up front from the banks, once they had hit every market possible, they just closed up shop. They literally walked into their corporate headquarters out of the blue one day, told everyone in the office that the company was shutting down, they would not be getting any severance pay, or even their last salary check, ***and that the employees had one hour to leave the premises*** !! Understandably, this caused a near riot at the headquarters, and police had to be called in after disgruntled employees began ransacking the place. **Norvergence** stopped installations, cut off service to customers already receiving it, and stopped making payments to its suppliers.

After the company went bankrupt, companies that had signed up for the service still had to pay their finance bills to third party finance companies because, in the fine print of the rental agreements, **Norvergence** stipulated that *the finance companies could insist on full payment from customers even if it failed to provide the services it had promised*. Therefore companies were forced to pay for a service that they weren't getting.

Numerous Lawsuits Filed

To date, lawsuits against the company have been filed in numerous states, both by disgruntled ex-employees, financial institutions, and customer who were forced to pay for the service, even though it was not provided.

Lawsuits were also filed with the FCC against Peter Salzano and Thomas Salzano, where they were fined and prohibited from making future misrepresentations of the same type as those made with Norvergence.

Notwithstanding the prohibition, it is unlikely that the judgement will have much effect on the two principals of Norvergence, as Thomas Salzano had similarly been banned from such practices concerning a telecom company he previously was the CEO for, called Minimum Rate Pricing. In order to avoid that ruling, his brother Peter Salzano was named CEO of Norvergence, with Thomas Salzano allegedly pulling the strings in the background. Additionally, considering the fact that so much money was made with Norvergence, the fines from the FCC, while substantial, will probably have limited effect as well.

See also

- Pyramid scheme
- Minimum Rate Pricing - Tom Salzano's last startup a telecom reseller

External links

- MSNBC article on Norvergence Fraud
- FTC Charges New Jersey Company with Defrauding Consumers Through Sale of its 'Matrix' Telecom Service
- Consumeraffairs.com article - States Probing NorVergence Collapse

- Office of New York State Attorney - GE Capital Settles Norvergence Claim
- Norvergence to be Liquidated - July 14, 2004
- Information regarding the proposed group legal action against the leasing companies to whom Norvergence sold their rental agreements
- Consumer complaints against Norvergence
- NORVERGENCE NATIONWIDE CLASS ACTION HOMEPAGE
- FTC SETTLES COURT CASE AGAINST NORVERGENCE PRINCIPALS

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