

# What's Your Greenfield Marketing Strategy?

Fiber is becoming the greenfield norm, but coherent consumer messages lag

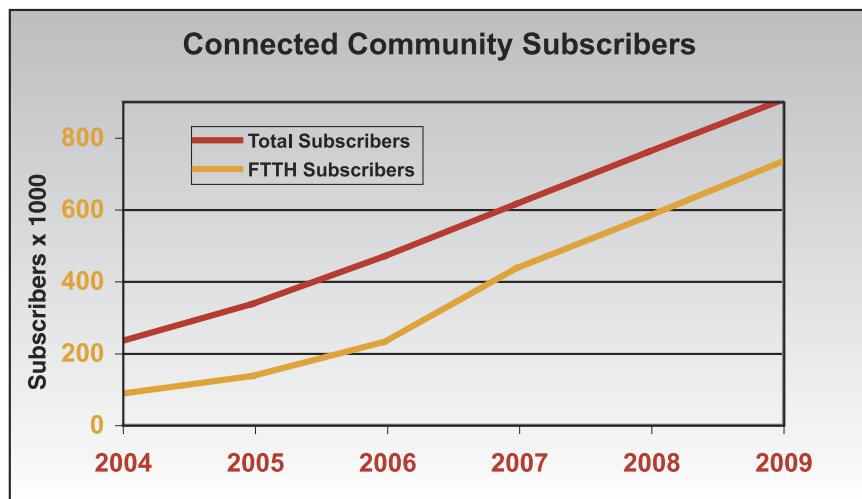
By Amy Cravens ■ Senior Analyst, In-Stat

It used to be that those bringing Fiber To The Home (FTTH) to new communities were mavericks in the residential development market. These fiber “connected communities” stood out as unconventional “high tech” neighborhoods and the business model was viewed with great skepticism. Most developers, builders, and service providers were unconvinced that fiber would increase home price or sales, and therefore the return on investment was doubted. But that has changed.

While the cynics persist, they are fewer in number and quieter in argument. Fiber, in greenfield communities, is moving into the mainstream. The small players (competitive local exchange carriers, or CLECs) who used to own this market are being joined by the incumbent. Even the FTTH holdouts are positioning their offerings as a “path to FTTH.”

While FTTH becomes an affordable option in the greenfield market, it is not just the cost advantages that are driving broadband in master planned communities. As consumers have become more attuned to broadband services, residential developers and builders have begun to focus on introducing the necessary infrastructure to enable broadband services in their master-planned communities (MPCs). The majority of developers and builders today are, in some way, introducing broadband technologies into new homes and communities.

Developers and builders are becoming aware that, in addition to traditional community features, technology is becoming an important facet of community design that



*Fiber's share of customers in new developments will grow substantially by the end of the decade from less than half now to about three-fourths.*

homebuyers are including in their purchase decisions. In some leading edge MPCs, not only is broadband connectivity available, but it is a cornerstone of the community.

The greenfield market is a relatively small portion of the total. Only 1.8 million new homes are built each year in the United States, and many are infill, not in large developments or apartment buildings. But because of the revolutionary ways in which broadband technologies are being applied to these communities, they become significant windows on the future.

## Why Fiber, Why Now?

The greenfield residential market is the perfect arena for FTTH. The dynamics in this market are such that it is often more affordable to deploy advanced broadband solutions such as FTTH than it is to deploy copper or coax, and the payoff is greater than in existing neighborhoods. Because

these neighborhoods are being built from the ground up, they represent a clean slate for new technologies, both for the community dynamics as a whole and in individual homes.

From a network deployment perspective this clean slate translates into lower costs. Without an existing competing network in place, it is easier to justify an advanced broadband solution, such as Fiber-To-The-Curb (FTTC) or FTTH. Furthermore, because trenches are already being dug in these neighborhoods for utilities to be run, service providers are able to piggyback by laying fiber alongside the utilities, reducing costs. Long after completion, fiber offers maintenance and service costs well below copper and below cable as well.

For these reasons, even providers that are not embracing FTTH in legacy neighborhoods see this as the clear solution for new communities. SBC's fiber initiative, for instance, calls for Fiber To The Neighborhood

(FTTN) for existing neighborhoods, but extends fiber all the way to the home in new communities. SBC plans 1 million FTTH homes passed in the next three years compared to a planned 17 million FTTN homes.

#### The “Ultra-Connected Community”

Some developers have not stopped with fiber-connected homes. FTTH is only one component in the larger concept of an “ultra-connected community.” The basic concept behind an ultra-connected community is to enable every home within a development with a high-speed connection, over which any combination of data, video, and voice services will travel. These communities have three basic components: **infrastructure** (the FTTH itself), **access**, and **content**. Communities are distinguished by the penetration rate of broadband, the broadband services that are of-

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fered and in-home technologies being employed.

The key differentiation between a connected master plan community and an ordinary MPC with available broadband service is the central management and marketing of these services, and the close relationship between the builder and service provider. That is, there is an established relationship between the provider and the developer such that the community-endorsed services are presented to the homebuyer as part of the orientation process, thus, provid-

ing a marketing advantage over other providers and reducing marketing costs.

While some developers are ensuring that a broadband infrastructure is available as an optional service for residents, the more tech-oriented developers envision a higher level of connectivity. In this vision, broadband is an inherent piece of the home purchase — every homeowner will have a high-speed connection.

In many instances, the provider is able to bundle all, or at least a portion, of their service offering into the



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Homeowner Association (HOA) dues. For this reason, connected communities are also distinguished by exceptionally higher penetration rates compared to traditional neighborhoods.

Developers want it, service providers will deploy it, but what about the homebuyer? The evidence so far is positive. Homebuyers increasingly consider technology as a factor in their purchase decision, and developers are increasingly using technology as an amenity to attract these homebuyers. I believe that the opportunity is now ripe for broadband providers to develop a focused strategy for this market.

While broadband services available and technology attributes are usually pretty buried in the marketing messages for new communities, in these "connected communities" these messages are front and center. Many have included a special page on their web sites detailing the benefits of a connected community, really driving home to consumers what it means to live in such a community.

Some of these messages include: The convenience to be able to telecommute, being connected to your child's school through online forums, and an increased sense of neighborhood community through chat boards and other community web events.

As the pace of life continues to quicken, residents are becoming more attracted to these life management benefits, and their availability is impacting purchase decisions. ♦

## About the Author

*Any Cravens is a Senior Analyst in the Customer & Service Provider Markets group at In-Stat. Ms. Cravens contributes research for In-Stat's Residential Voice and Data Service, specializing in primary research driven analysis on the residential telecom market, with an emphasis on women and ethnic consumers. Ms. Cravens is also the principal analyst for the Emerging Broadband Markets service, which includes coverage on the MTU/MDU (Multi-Tenant Unit/Multi-Dwelling Unit), hospitality, and public area access/hotspot markets.*