

Communicating the Value of Fiber

<u>Technology</u>	<u>2003</u>	<u>2006</u>
Structured Wiring	42%	53%
Monitored Security	18%	32%
Multi-Room Audio	9%	16%
Home Theater	9%	12%
Lighting Control	1%	8%
Home Automation	0%	6%
Energy Mgmt.	1%	11%

Kent Brown of AFL noted that the number of developers marketing broadband-based services has soared since 2003, and that 84 percent say marketing home electronics is important; but that only 2 percent actually market them. He was citing a survey from the Consumer Electronics Association and the National Association of Home Builders.

Key to the success of the FTTH network builder or operator is communicating the value of fiber, experts at the Broadband Summit agreed. Panelists at the “*Understanding the Value in Fiber-Enabled Amenities and Options*” session all said network builders should seek enduring relationships with both developers and residents – relationships built on a full understanding of fiber’s advantages.

Kent Brown, director of access solutions at AFL, noted that residents aren’t interested in technology for its own sake, but in how it affects their lives. That is, builders and operators are selling access to services, not to “broadband.” To gain residents’ attention, network builders must present technology as an amenity

that enables changes in their lifestyle. Brown noted that take rates for FTTH have risen steadily as advanced technologies such as home automation have become available.

To gain the trust and cooperation of developers, Brown said, network builders must explain the value of FTTH to them, assist them with marketing the fiber-connected community, and supply capital for building the fiber infrastructure. They must also deliver the advanced services that fiber makes possible, partner with reliable vendors, and provide outstanding customer service.

James Carbine, president of Carbine Development, representing the developer’s point of view, asked: “Is fiber going to help us sell homes faster? Are we

future-proofing? Will we make money?” Fiber can help sell homes faster, he said, only if prospective home buyers understand its advantages. But simply telling people about these advantages isn’t enough. Buyers must be able to experience for themselves the reliability, speed and advanced applications that fiber makes possible.

This experience can take place either in a model home or in a community technology center. The technology centers that Carbine Development has built in its fiber communities, Tollgate Village and Bridgmore Village, not only serve as amenities for home owners but also help market the communities to prospective buyers. If you can’t demonstrate services and applications, Carbine noted, “you’re no different than anyone else.”

“Technology is the icing on the cake,” said Taylor Jones, chief technology officer of YRT2, which operates FTTH networks in 10 communities. To be successful, he explained, an FTTH operator can’t expect to call the shots; rather, the network operator must accommodate the needs of the developer and the home buyer. The network builder must adapt to the developer’s schedule – even when that schedule changes in unexpected ways – and make sure to have services connected on the day the buyer moves in.

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Connecting services on time is only the beginning, Jones said. Network operators must also provide the amenities that are valuable to homeowners—local video content, security systems for homes and common areas, a Web portal for the homeowners' association, WiFi in public areas, an intra-community LAN to support file sharing and high-speed gaming. They must also provide "technology concierge" services that allow homeowners to solve any technology problem with a single phone call.

John Mitchell, president of C3 Services, is a private cable operator who recently built a FTTH network for a luxury high-rise development in Nevada where the average selling price is close to \$1 million. C3 spent \$3,000 per unit for the network, which was designed by AFL. "How do you get a return on investment?" Mitchell asked, and answered his own question with the words "incredible service to condo owners." He noted, "Our clients will be around in 15 years to make sure we've delivered."

C3 charges connection fees to the homeowners' association and also provides voice, video, data and security services. In addition, the company

helps condo owners design and set up networked audiovisual systems. For example, Mitchell said, the owner of the two-story penthouse apartment has an elaborate home theater system with many 71-inch video screens, high-end audio speakers, and other equipment. Selling, designing and installing systems enabled by the FTTH network represents an important component of C3's revenues.

Chris Zial, president of integrator Zial Networks, which builds FTTH systems in Boise-area greenfield developments, said the market opportunity for FTTH will come from bandwidth demand fueled by advanced applications like gaming, VoIP with guaranteed service quality, HDTV and security. "We don't know what technologies are coming down the road tomorrow," he noted. "With cable companies and phone companies, you just get what they're offering. Fiber has open architecture – we can provide multiple services across the infrastructure." It's important for network builders to convey the benefits of fiber to developers, Zial said, adding: "The big thing for developers is control over their own destiny."

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Left: Brochure for Kellswater Bridge development not only mentions fiber right up front; it also mentions fiber-borne services.

Right: Here's how Kellswater Bridge sells the HOA agreement to prospective buyers; cost of the broadband connection is more than a third of the total fee.