

What's The Mystery About FTTH?

Private cable operators are beginning to see the value of fiber, despite the cost of overbuilding their old coax plant

By Bryan Rader ■ *Bandwidth Consulting LLC*

I have followed the fiber to the home industry on the periphery for quite some time. I've often wondered why more private cable operators have not ventured into this segment of the market. Clearly, it is growing and gaining momentum for a variety of reasons.

There's always been a mystique about "fiber to the home" that makes it different, maybe even mysterious, to the PCO side of the business. Comments from PCOs have been something like "not sure I quite understand the single-family user" to "fiber isn't my construction team's core competency," and "can it work in an MDU?"

But after numerous conversations recently with FTTH providers and suppliers in this space, I think I have uncovered the mysterious secrets about this market, and found they are not so mysterious after all.

Now I understand that "uses of capital" and "investment expectations" may keep PCOs from entering this area. After all, fiber to the home has primarily stuck to greenfield private communities with long-term horizons. Five hundred future lots do not become five hundred occupied homes within six months. Slow build-out, developer delays, and soft buyer demand can impact actual results for the operator. And these circumstances may not fit the PCO investor model of focusing on stabilized MDUs and taking them on with full occupancy.

But many operators are building successful models in the FTTH business, and are finding investment metrics that work. Some operators have overcome financial obstacles by signing long-term triple-play bulk rights that have guaranteed start dates (essentially eliminating

the build-out risk). Others have relied on developers to invest a portion, or all of the infrastructure costs.

And others simply have patient investors who recognize the slow build-out in this environment, but have their sights set on the future gain when these properties are fully stabilized.

Uniqueness, Reliability, Service

So what's their secret?

Quite simply, their mystery includes three components: uniqueness, reliability and better service. That's it!

PCOs have built successful business models by offering "uniqueness" in the multi-family space. The FTTH guys have the same great opportunity to offer "uniqueness" in their market.

Consider the following: When you offer a 30 Mbps pipe feeding homes in a FTTH community, imagine the amenities you can offer: on-line gaming, movie downloads at great speeds, medical solutions, technology concierge services, just to name a few.

In many markets, this is five to ten times faster than the franchise operator, leaving the FTTH provider with the more unique solution. "When the franchise guy touts 50 times faster than dial-up, we question who he is comparing himself to," says one fiber provider.

FTTH also can provide more reliability. As one provider recently told me, "if you install and design your fiber plant correctly, it should have fewer electronics, and therefore provide you with much greater reliability than a traditional RF cable system."

Another supplier explained that "if you operate in areas with high lightning strikes, an all-fiber system reduces your risk of significant outages."

What about service? "Instant on," explained another fiber operator. "You can get service to your customers when they move in, and it's available in every room in the home."

He continued "service is simply better when you're accessing the Internet at these speeds. Whether you're a kid doing her homework upstairs, Mom downloading a video file of last night's Grey's Anatomy episode, or Dad connecting to his office's server, customer satisfaction is so much greater."

These three traits unveil the secret of fiber that PCOs like to hear about and understand well – uniqueness, reliability and better service.

And with fiber costs dropping every year, it may be more difficult to uphold the argument that operators can't afford to consider the switch. "We haven't built a system in two or three years without fiber," indicated an FTTH provider. "The benefits are greater than the costs."

So it may make sense to begin the switch in traditional MDUs too. This new method may provide another opportunity, and another way to expand our business, AND our ability to remain unique, reliable, and service-oriented.

There's no mystery in finding success with those qualities with the use of fiber, whether you are a FTTH provider or a PCO. **BBP**

About the Author

Bryan J. Rader, former CEO of MediaWorks before selling the company last year, has recently founded a new firm, Bandwidth Consulting LLC, to advise operators and providers in the MDU market segment. He also remains President of IMCC. Contact Bryan at bryanjrader@yahoo.com or by phone at 636-536-0011.