

HEALTH CARE'S HIGH-TECH FUTURE

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PRESIDENT'S
LETTER

Broadband Communities

BUILDING A FIBER-CONNECTED WORLD

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FIBER TO THE HOME Connection SURGE

2012 — 9,000,000
2011 — 7,500,000
2010 — 6,000,000
2009 — 4,500,000
2008 — 3,000,000
2007 — 1,500,000
2006 — 1,000,000
2005 — 700,000
2004 — 400,000
2003 — 200,000
2002 — 100,000

Broadband Communities editors interview Verizon's Mike Weston on

Delivering FiOS Services to MultiFamily Communities

with interesting findings on The Borderless Lifestyle

2004 — 146,500

2003 — 64,700

2002 — 22,500

One-Year Increase Of 1.5 Million Homes
Total connected homes in North America now nine million

Why Bandwidth Demand Will Keep Growing

Q&A With Two Innovative Providers

Q&A With Michael Weston, Verizon Enhanced Communities

Marketing fiber optic services to 2.3 million residential units, VEC is now one of the largest players in the multifamily marketplace – and it aims to stay that way with new super-high-speed services that can transform residents' lives.

Recently, **BROADBAND COMMUNITIES** had the opportunity to talk with Michael Weston, the new senior leader of Verizon Enhanced Communities. VEC is the business unit of Verizon that markets FiOS services in single- and multifamily communities and multitenant commercial buildings; Weston served there as director of marketing operations for multifamily properties from 2004 until assuming the VEC leadership role in September 2012. Following are highlights of our discussion.

BROADBAND COMMUNITIES: *Mike, can you share some of your historical perspective about FiOS? What's changed over the years in terms of residents' expectations and how they use broadband?*

Michael Weston: First, the demand for speed has changed dramatically. When we started out, we had a TV-centric entertainment model. Today, more than half of U.S. residents would say broadband was a key pillar of entertainment in their homes. This has big implications for the performance characteristics required of broadband. Initially, our entry-level broadband product offered 10 Mbps downstream and 2 Mbps upstream; today, the entry-level product has more than doubled, and we've launched Quantum speeds, offering customers up to 300 Mbps downstream and 65 Mbps upstream. That's astounding compared with a few years ago. We knew from the beginning that the demand was coming – and now it's here.

Another big change is the proliferation of devices. The average number of Internet-connected devices in homes across the United States –



Michael Weston at the Hamilton Court Apartments in Morristown, N.J., a FiOS building owned and managed by Kriegman and Smith.

including tablets, TVs and gaming consoles – is expected to reach 15 over the next two years. This presents us with new challenges. Consumers desire to integrate across those devices in ways that simplify their lives and make sense. We need to push intelligence into the network and application layers without raising costs.

Mobility is another change. More and more consumers are looking for

the borderless lifestyle. They want to consume what they want on whatever device they want at whatever time they want. They don't want to worry about what device is in their hands or whether they're sitting in an armchair at home or out doing their holiday shopping. So we're driving innovation in our products and deployments to better match the capabilities of FiOS to consumers' needs.

We just launched 75 channels on the iPad and smart TVs, and we're adding more and more electronic devices. We also have a host of enablers, such as high-capacity DVRs, video on demand (Flex View) and integration across devices, including smartphones. We will include wireless as a part of what we do – the macro wireless networks as well as Wi-Fi.

BBC: *A year ago, **BROADBAND COMMUNITIES** wrote about Verizon's effort to market to young "tecknowledgeables" in multiple-dwelling-unit (MDU) properties. Has the company launched similar campaigns to other groups?*

MW: That was our initial experiment with the hyperlocal approach to marketing – finding new ways of reaching consumers where they are online or where they physically live and work. The pilot was in the Washington, D.C., area, and then we took the campaign national to other key markets, going after the hipster-techno-

Broadband Communities
SUMMIT
2013

The Summit's multifamily program will offer three full days of sessions about providing broadband to MDU properties.

SERVICE PROVIDER STRATEGIES

savvy segment with a lot of success. Now we're taking the same tools and the same approach and using them to reach other subsegments – families and seniors – in the places they shop, the places they frequent online and the transportation they use commuting to and from work.

With the “techknowledgeables,” we saw that the segment indexed low for wired voice services but had a clear preference for high-speed Internet, so we offered them a double play of TV and Quantum-speed FiOS. The hyperlocal strategy tries to match a deep understanding of the segment – what pushes their hot buttons – with an understanding of the places they go.

The offer might be different for a senior community; for that group, you would likely have a wired voice component. We'll try out different offers to find the one that resonates the best and make the calls as we go.

As we take these hyperlocal approaches, we also see opportunities to add other value-added services, such as energy management. Being greener is an interest that folks across most of these subsegments have. In

senior communities, there's an obvious opportunity to use technology to improve people's lives with health and wellness applications – that's another natural extension of the hyperlocal marketing approach.

BBC: *How much interest are you seeing in services beyond the triple play?*

MW: Consumers are waking up to the fact that super-high-speed services have the ability to transform their lives. We're continuing to look for opportunities to bring other enhancements and applications to those products. The Virginian, a premier retirement community in Virginia, recently adopted FiOS and Healthsense [a health and wellness broadband application] to assist seniors with the benefits of remote health care monitoring to ensure resident safety, security and quality of care. The community is the first in the United States to have both Healthsense's wellness-related products and services and Verizon's FiOS TV, Internet and voice services.

For example, caregivers can respond quickly when there's a need,

help resolve the issue and keep people healthy for longer. There's a lot more that can be done – with today's aging demographics, current health care delivery models are not sufficient, so we're looking for the right partners and applications. For communities made up of families, enabling remote consultation with physicians via HDTV on an open platform may be a good model. It allows residents to access doctors when they need them without driving to doctors' offices and waiting.

We've also worked with a number of communities to build home monitoring and control applications into new units. That's an important step forward. Builders and developers understand these applications will be expected in the communities of tomorrow.

BBC: *In a survey of MDU owners and managers that **BROADBAND COMMUNITIES** sponsored last year, many respondents were unaware of fiber to the home or were hesitant about deploying it. Is that consistent with what VEC is seeing?*

VERIZON FIOS INNOVATION INDEX



WHY DO PEOPLE WANT EVEN MORE SPEED?

ALL CONSUMERS



31%
Connect with friends/family



24%
Connect with the world outside the home



19%
Meet the needs of my spouse/significant other



19%
Work related needs and demands



19%
Connected appliances and home services



19%
More connectivity equates to more convenience



13%
Try new high-speed based products and services



11%
Interests, needs and demands of my children



10%
Richer media experiences

Recent research by Verizon shows why consumers are still looking for increased broadband speeds.

We're focusing more on reaching small businesses. A high Mbps-to-cost ratio can revolutionize a business and jump-start economic growth.

MW: No, it isn't. Verizon has now deployed FiOS in more than 57,000 residential properties, with 2.3 million units open for sale, so in the FiOS territories, there is a widespread understanding that consumers desire and want these services and, in some cases, are even willing to move to get them.

Owners are also aware of Verizon's continued commitment to innovate with respect to products and with respect to unobtrusive deployment methods, such as bendable fiber and smaller optical network terminals.

In addition, owners are starting to realize that the availability of a partner, such as Verizon, which has been willing to invest millions of dollars in upgrading infrastructure for them, may not last forever, so it gets easier and easier to get property owners on board.

It takes time to educate property owners, but we now have a large list of properties that are lined up to get FiOS deployed, and we're signing up more and more.

After Hurricane Sandy, we began working with property owners to restore services [where infrastructure had been damaged], and we're going to restore with fiber-based services rather than with outdated technology. The owners understand that it's the right thing to do, to develop future-proof services not just for today but for the future.

BBC: Verizon has announced that it successfully tested the next generation of GPON technology. Are there plans to deploy that soon?

MW: We continue to look at bringing faster and better services to market – that's a given. The technology decisions we've made give us a lot of flexibility, and testing next-generation

GPON positioned us, without a lot of cost, to be able to make faster services available.

BBC: How about changes in deployment methods? Have costs been driven down as far as they can go, or are you working on new approaches to make deployment even more efficient?

MW: We've made a lot of progress by expanding the use of microtrenching, which makes it cheaper to bring fiber across the right-of-way; by making electronics smaller and less obtrusive; and by working with vendors to design prefabricated cabling systems that allow us to deploy fiber throughout a four-story walk-up building in a few hours. We're using smaller, more durable, paintable fiber that we can deploy without using molding systems. These are the kinds of innovations we'll continue to pursue. They both reduce costs and make deployment easier for property owners and tenants.

To accommodate the proliferation of in-home devices, we continue to push the capabilities of our broadband home router – we've upgraded it to support 300 Mbps download speeds, and we'll update the technology further as Internet access speed moves beyond those limits. Delivering fiber straight to the desktop – closer to where users are accessing services – allows us to bypass the old, outdated wiring found in older communities.

BBC: What do you see as the opportunity for marketing FiOS to businesses?

MW: We've been deploying fiber to the premises for small businesses for five or six years already, but we're focusing even more now on reaching small businesses. A very high Mbps-to-cost ratio can revolutionize

a business and help jump-start economic growth in our areas.

We have a small-business FiOS product today that's somewhat separate and distinct from the consumer FiOS products – for example, it includes a static IP address – but it's still a best-effort service. It doesn't incorporate the service-level-agreement requirements that enterprises have. In the future, we're planning to develop Ethernet services for small businesses; we always anticipate the needs of the consumers we're trying to serve. We can deliver Ethernet services over GPON very cost-effectively without having to put additional fiber in the ground.

BBC: What's the difference between marketing to MDUs and to commercial multitenant unit (MTU) properties?

MW: There are some important differences. First, on the commercial side, building owners want and expect us to deliver the specific services their tenants demand. Owners understand that business broadband demands vary more widely than in the consumer environment, so they don't insert themselves as gatekeepers. As they become aware that their tenants are demanding services, they're much more open to facilitating access to get these services available.

In addition, the MTU market is a little more fragmented than the MDU market. There are a lot of high-wealth individuals who own small amounts of commercial space, and it can be a challenge to get them engaged. Once they get engaged, they're very open, and it's not difficult to get agreements with them. But many strip malls or business parks have only about 25 or 30 business premises, so it takes more agreements to build up a sizable base.

We have terrific databases and great, experienced sales folks who help them understand the value proposition and get to "yes" quickly. Still, it's a smaller number of premises per deal than the big REITs that own tens of thousands of MDUs across their footprints. ❖