

Hyperoptic

London apartment blocks get gigabit speeds

New operator spies a missed broadband opportunity in the heart of the UK's capital city



Hyperoptic is bringing gigabit broadband to underserved homes in London – speeds 100 times faster than the national average. The company works directly with building owners and management companies to install optical fibre into large property developments, places that have generally been overlooked by other operators. In the kinds of large apartment blocks that Hyperoptic sees as its prime target, most residents don't have access to cable networks, and typically their phone lines are delivered by exchange-only lines, so they don't have access to the faster fibre-to-the-cabinet (FTTC) solutions either.

General Information

Company:

Hyperoptic Ltd.

Founders:

Dana Pressman Tobak and Boris Ivanovic

Location:

London

"What's happened, which is completely understandable, is that UK incumbent Openreach has focused on bringing FTTC to as much of the country as fast as they can, which is an absolutely valid goal for them," said Dana Tobak, founder and Managing Director of Hyperoptic. "But what it's done is that it's left these prime properties without proper broadband. We see a market opportunity, we see the customer demand and we can service that demand with a market-leading product, so it's a perfect opportunity for us."

Launched in 2011, the Hyperoptic story really begins much earlier. It is the second business venture for founders Dana Tobak and Boris Ivanovic. Their previous enterprise was Be Unlimited, which they started in 2004 and sold to O2 in 2006. Prior to that, Ivanovic had been running a company

in Sweden called Bostream, which was sold to its largest competitor. "What's interesting about that first business is that they were essentially doing fibre direct into buildings," said Tobak. "At the time that Boris sold that company, we happened to be chatting, and he said... the UK is so far behind in broadband infrastructure and speeds that there's a great opportunity to repeat what I've done in Sweden here in the UK, and I think you'd be the perfect person to run it. Essentially that was the foundation of Be."

Network

Size of network:

20,000 homes in signed-up buildings, but this number is increasing all the time (figures from March 2013). About two-thirds of signed-up buildings are live.

Technology/architecture:

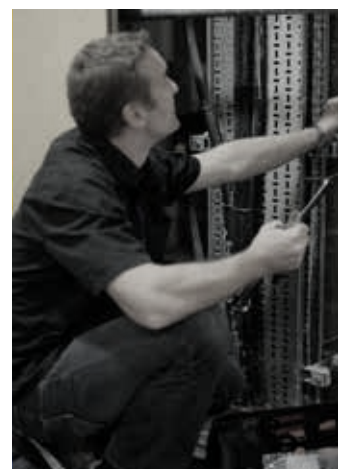
Fibre to the building (FTTB)

Deployment method:

Point-to-point fibre to individual buildings; optical fibre or Cat5e Ethernet cables inside buildings.

The partners had intended to do a fibre product through Be Unlimited, but they found the market wasn't ready for such an offering, nor were the costs of fibre infrastructure considered affordable. "The cost of putting in fibre lines has fallen about 50% since we started Be," said Tobak. "What we've got now is a change in mentality around the importance of speed, as well as a cost infrastructure coming down that allows us to put together a business model that works for Hyperoptic."

Hyperoptic's approach is fibre to the building (FTTB), concentrating on large residential and commercial developments of 80 units and above. An optical fibre is laid directly to the building and then broadband is distributed to different residences or offices using Category 5e (Cat5e) Ethernet cable or more optical cable inside the building. (Cat5e Ethernet cabling is specified to carry gigabit speeds for distances up to 100m, making it suitable for in-building networks, but not for the access network.) Hyperoptic prefers to run Cat5e cables inside the building, because installation is easier and it makes the footprint within the home smaller. In a customer's flat there is just an Ethernet face plate, similar



to a phone socket, so if the resident wasn't connected, they wouldn't even notice it was there.

Hyperoptic has two different models, as Tobak explains. "We do have circumstances where we sell into the property managers and they get agreement from the residents that everyone will take the service and we do a discounted group deal, which is great for both the residents and for us! But most of the time, we do have to do a wayleave permission with the freeholder, and then we contract to individual residents as they would with a normal broadband provider." Another idea the company is currently exploring with developers is providing the infrastructure and including broadband in the service charges in the same way that electricity or gas is already included.

Business Case

Investment:

Start-up funding was provided by the founders. In May 2013, Hyperoptic secured equity investment of £50 million led by Quantum Strategic Partners Ltd., a private investment vehicle managed by Soros Fund Management.

Business model:

Vertically integrated

Wholesale services:

Not offered

As broadband connectivity starts to affect occupancy rates and directly inform a tenant's or prospective homeowner's decision to purchase, it is increasingly having an effect on the property sector, says Hyperoptic. According to a survey of 1,500 homebuyers, carried out by comparison website Broadbandchoices.co.uk and property consultancy Henry Pryor, UK homebuyers would be prepared to pay 5% more for a property serviced by ultra-fast broadband. Hyperoptic's progress confirms this trend. In October 2012, about 13 months after it launched, the company announced that it had signed up more than 30 property developments to take its fibre-based services, covering around 10,000 homes. By March 2013, that number was closer to 20,000 and is increasing all the time, says Tobak.

One factor that's been vital to the successful launch of the business is customer service. As a vertically integrated company that owns and operates the fibre network, that means taking good care of the both end users and the building

owners. "From the end customer's perspective, we offer a very personal service," Tobak said. "They know the names of the customer service reps, and each building gets its own customer service rep." Hyperoptic also works closely with



the freeholders of the building so that it understands what their drivers are and can meet with whatever design rules they have for their building. "We want to do what's right for the building," said Tobak. "We're not married to a particular way... we work with the building owners to make sure that it's something that they look at as a positive investment into their building. And that's really the trick of it."

In July 2013, Hyperoptic was named as 'Best Superfast Broadband' provider at the 2013 Internet Services Providers' Association (ISPA) Awards, as well as being a finalist in three other categories, including 'Best Consumer Fixed Broadband', 'Best Consumer Customer Service' and the 'Customer Choice' award. The 'Best Superfast Broadband' category of this UK industry award recognises the ISP providing the best service offering at 30 Mbps and above.

End-user Services

Hyperoptic offers three product tiers:

Hyper-lite (20 Mbps), Hyper-active (100 Mbps symmetric) and Hyper-sonic (1 Gbps symmetric), with the following monthly pricing:

Broadband+phone packages:

Hyper-lite: £12.50, Hyper-active: £25.00, Hyper-sonic: £50.00; plus an additional £12.50 for line rental

Broadband-only packages:

Hyper-lite: £22.50, Hyper-active: £35.00, and Hyper-sonic: £60.00

Business users can request leased line replacement services

Where does Hyperoptic see itself in five years' time? "We'll still be urban based," said Tobak. "Right now we focus on blocks of 80 and above. That'll come down over time, so then we can go into the more suburban areas. We're not aiming to be a company that focuses on rural broadband, I think it's a great cause and I'm happy people are taking that up, but that's not what we're trying to do. We're trying to focus on the cities, on the places where we can bring a real fibre broadband product at a great price to our end customers." She says Hyperoptic is currently looking at a city outside of London that would become the operator's second city. The operator expects to start deployment in ten new cities by the end of the year, and expand its coverage to 500,000 homes in the next five years.

Written in August 2013

Photos courtesy of Hyperoptic
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