Webinar Successful Strategies for FTTH Operators, May 15 2012, Q&A Session Report

Questions Asked by Attendee	Reply
Q: Could you provide some more details on "home-centric services"?	Home centric services so far include essentially home management (appliance monitoring for heating, air conditioning and other home appliances and home surveilance offering enhanced burglary and hazard alarm systems.
Q: we are deploying ftth networks over alcatel lucent gpon in india and are giving it for no capital expenditure and no access charges. inspite of that my subscribers demand dsl rates. is there any developed market that has experienced this and if yes, what is the average time frame taken to win the dsl subscriber over and what were the top 3 USPs for the conversion? Q: we are deploying ftth networks over alcatel lucent gpon in india and are giving it for no capital expenditure and no access charges. inspite of that my subscribers demand dsl rate?	Converting existing DSL users to another platform without a differentiated offering is not as easy as it may seem even when it costs the customers nothing. The marketing challenge in this field is that customers who have not experienced fiber over dsl have a hard time conceptualizing how different it may be. The issue therefore isn't timeframe, it's generally differenciation.
Q: Another question, how do you evaluate the FTTX business prospects in underdeveloped markets, with currently low ARPU levels, and limited penetration compared to developed markets? Q: Do you believe LTE will form a threat on FTTX uptake, especially since the current demand on FTTX is not hindered with LTE, due to limited coverage, atleast in underdeveloped markets?	Q1: There is potential in emerging markets despite the common view that these markets are not mature enough for FTTx. The potential is realised in three areas: 1. dense urban environments where the cost to deploy is low (due to low cost of labor) and the density of potential subscribers is high enough to sustain the business model, 2. greenfield real estate where deploying fiber costs no more than deploying copper and 3. in gated communities where ARPU is not an issue. Q2. In emerging markets, LTE may constitute a competitive platform to DSL, but not to FTTx, especially if the service offerings on FTTx are elaborate (beyond just bandwidth).

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Q: Does income level has any impact on demand?	Yes, income level has an impact on demand because there is elasticity to price in this market like in others. It depends however on the availability of alternative platforms and on user maturity. For example, in lower income suburban or rural markets, we have seen very high levels of demand where alternative platforms offered poor levels or services. Keep in mind also that not every FTTH/B provider charges high prices compared to DSL.
Q: We have two evolving FTTH markets in Gulf area at the monent, UAE and KSA. So do you think that the same business studies are valid for Gulf and Middle East region? Or you can see major differences between FTTH markets in US, Europe, Middle East, and Asia? What are those differences in your opinion?	We see differences at two levels essentially: the business culture of privatized incumbents (more long-term in Asia, less so in Europe and North America), the involvement of governments in infrastructure (prevalent in China, some Middle-East countries and other emerging markets) and the appetite for content, which also varies strongly by market.
Q: Have any of the providers you talked to embarked on an education campaign to "explain" to their customers the benefits of FTTH to help uptake, or is this largely left to the consumer to work out?	Apart from the NBN's own initiatives in Australia, we haven't seen any large scale education campaign. The issue with education campaigns is that the generic tangible benefits (speed, low latency, etc.) are hard to conceptualize for customers, and the service oriented benefits are largely dependent on private players actually launching said services. Do check out HKBN's recent adverts though, they are of much interest!

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Q: Has regulatory risk to incumbent fibre deployment (enforced open access to fibre) played any role in a slower role out by incumbents?	We don't believe so, for a number of reasons. First because the disincentive for incumbents to aggressively roll-out a new infrastructure are not regulatory in nature but essentially financial (their shareholders are not happy to see them invest so much for long-term revenue prospects). Second because where regulatory holidays have been granted, it doesn't seem to have accelerated deployment much. We believe incumbents who are forced to deploy by competition (KPN, Swisscom...) do so no matter what the regulatory context (within reason) and in fact may embrace open access if that is necessary. Finally, our economic analysis suggests that a properly managed open access strategy may in fact enhance the business model rather than degrade it.
Q: what percentage of this 46%+ on the ARPU you think is due to the early adopters/higher income first pool of consumers, and if this could sustain to the general consumer base...	There is most likely an element of that, and we may expect the differential to get lower as penetration increases. It should be noted however that the two overperformers in the sample (Verizon and Altibox) are still experiencing take-up growth without ever having downgraded their prices.
Q: Not sure if this is in the survey - Is there a geographical barrier or dimension to supplying ftth eg city centre objections to street furniture and digging for cable installation?	It's not in the survey but we can make the following general comments: rights of ways and administrative contraints to civil works can represent significant hurdles to deployment, delays and additional costs. Interestingly, we see that projects that target suburbs and motivated tier 2 cities are often deployed faster and get better overall results despite being theoretically more expensive to deploy.
Q: what is chances of FTTH in Africa?	As mentioned above, the FTTH opportunity in Africa in the short term will be a mix of dense urban opportunities, greenfield real estate and gated communities.

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Q: Do you believe that city networks are successful? For example Rotterdam is considering to sell its network.	In order to answer one should decide what we mean by successful. The financial perpsectives of any FTTH/B network (municipal or not) is at least 7_8 years to ROI, more likely 10-12. Few private businesses are that patient, and maybe Rotterdam isn't either. One aspect that municipals often underestimate is how far from their core skillsets infrastructure deployment and management takes them. That's why we see public-private partnerships come in strong on these projects so that each player can focus on their core competencies.
Q: What parameters should be considered before setting up customer terrfi ..Mansoor from Saudi Arabia Q: Q: What parameters should be considered before setting up customer terrif ..Mansoor from Saudi Arabia	I'm assuming the question concerns customer prices. Obviously, like for any products, price elasticity should be assessed. The low threshold being cost, tariff should be ideally set at a level where at least basic profitability is reasonably established. Then choice exists between maximizing margin at the risk of minimizing penetration and maximizing penetration at the risk of missing out on some extra revenues. Diffraction Analysis has designed some tools to arbitrate these things for a specific project, feel free to contact me if you want more details.
Q: Here in India we have got very good response from the Greenfield Project Developers as compared to the exisiting developments; any ccomments on the strategy aspect for the same. Thanks Guneet Q: pls send the presentation on gun_gary@yahoo.com and guneet.singh@radiusinfratel.com thanks Q: When we talk about atractiveness vs profitability; what is as per the research the driving force for maximizing the customer base as per varios case studies. thanks, Guneet	Q1: The case for greenfield is comparatively easy because pulling copper into greenfield buildings costs the same (if not more) than pulling fiber. Q3: Driving forces for maximizing customer base are down to three things: price, differentiation of the offerings and local/street marketing.

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Q: do You have any kind of information about the average Payback Periods when deploying FTTH/B networks? Q: do You think that Public Private Partnerships between e.g. municipalities and alternative operators is the best solution to overcome the capex cost problem?	Q1: This was asked as part of this survey but few of the interviewed players agreed to answer. Generally, we see however a number of projects that become cash-flow positive after 5-6 years in operation and with full ROI around 9-10 years. Keep in mind this will greatly vary from project to project, however. Q2: Yes, PPPs are a great way to overcome CAPEX issues because they allow the public entity to tip the project into profitability and they allow the private player through long-term contracting to be able to build its revenue base with limited short-term pressure.
Q: higher ARPU on FTTH (46% on average) > is it a common trend all over the world or can we see big differences between geographies?	ARPU differentials tend to be lower in Asia and marginally higher in North America (but that is somewhat skewed because Verizon represents 80% of North American FTTH/B connections…)
Q: Any results concerning the OPEX savings for incumbents operators, between copper and Fiber networks ? Q: Do you have some metrics concerning the QoE/QoS differences between DSL and FTTH, that can be used to attract subscribers?	Q1: This was not part of the survey as such. We have anecdotal evidence that there are savings, but as far as we're aware, no service provider have publicly shared numbers on how much they were saving compared to DSL. Q2: Again, as far as we are aware there are no such metrics yet.
Q: What is driving the deployment of asymetric services rather than symetric srvices. Is it a technical issue or a business issue?	While there is a mild technical limitation to symmetry in PON deployments (PON offers twice the download rate to its upload rate) our understanding is that asymetry is more a result of market history (DSL was strongly asymetric) and how that has driven customer expectations than because of technical reasons.

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Q: Do opertaors see threat where small businesses move from expensive buiness lines to cheaper FTTH and is this a reason there are poor business offers.	Operators often miss that threat ahead of time and then are surprised by an onslaught of migration in the 'wrong' direction (including from medium sized businesses who either shift to residential lines or negociate the price of their existing lines). That however should encourage them to launch proper small business offers rather than avoid launching them so as to preserve the value of the business segment.
Q: How much of the roll-out are based upon own network vs rented fiber with the various players? do you see any pattern here influencing strategies? Q: when do you see a tipping point for incumbents pushing then to go for the transition? key factor as a driving force?	Q1: The amount of deployment on rented fiber is very limited and usually circumscribed to cities where dark fiber is abundent and near-ubiquitous. Q2: There might be a tipping point around 20-25% substitution where the incumbents realise the operational benefits of killing the copper. Verizon in the US seems to have come to that point. Still, we're a long way from there in most countries.
Q: Hi Benoit, how important is marketing at the begining/during/after FTTH roll-out for penetration?	Marketing is crucial at all stages and is often underdeveloped. Operators rarely measure the specific complexities of marketing to a localized customer base because they have been operating on national scales for so long.
Q: q: the three premium operators are above the trrend line for deployment(so they are going faster not slower surely? Q: If there is a 46% or even 34% uplift on ARPU, why aren't telcos deploying more agressively?	Q1: Verizon isn't. Altibox is, largely due to their pre-sales strategy. The issue is that the sample being small (only 13 operators) sometimes the specificities of one project will trump the trends. Q2: Because their core issue is not with revenue, it's with investment capacity and willingness to consider long-term paybacks.

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Q: Thanks for the answer Benoit, much appreciated! Q: What role (if any) are Governments playing to really help either deployment or uptake of FTTH? Q: Hi, I would be interested to hear which operators are offering specific small business services. Q: Are you seeing different uptake patterns amongst geographies with open access regulatory schemes?	Q1: This is largely market dependant as you may imagine. Governments in Europe increasingly want fiber to be deployed, but they're also pressured by economic circumstances to minimize the costs to themselves and to protect their incumbent. As a consequence, few initiatives in Europe on the national government side have really had significant impact. Sometimes, well-meaning governments can even hinder deployment by building a framework so complex that most stakeholders are disincentized to move. Q2: Orange, Portugal Telecom, Altibox and Verizon although not all of these offers are public. Q3: In the context of this project, we had few truly open access providers interviewed, not enough anyway to determine a correlation between open access and take-up.
Q: Does the presentation will be available in pdf format ? A: Yes, please send an email to info@ftthcouncil.eu and I will supply you with the pdf version of the presentation. Q: How is it relevant a copper switch off strategy ?	None of the players interviewed were actively pursuing a copper switch-off strategy. Verizon is disconnecting the copper when it connects fois customers, but more as protection from copper unbundling than anything else.
Q: James from CityFibre here. Just curious as to whether the "acquisition" strategy players articulated any vision of how they eventually dig themselves out of a deep discount to DSL pricing. Are they confident they can raise prices based on a superior offering?	On average, the discounts to DSL from acquisition players are around 20% which is indeed quite considerable. Generally, the players we spoke to expressed no concern that this was unsustainable in the long-term essentially because their cost bases were very low, certainly much lower than what one would expect an incumbent operator to have. Furthermore, through the sale or resale of various (often content related) services and a very low churn, they expect to both increase their revenues with VAS and keep their revenue base growing.
Q: When do you expect a 'move' by Deutsche Telekom, any estimation on this?	I don't know when to expect a move from Deutsche Telekom. If anyone has any insight, I'd be interested myself ;-)

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Q: Do you think OTT will eventually make Service Providers TV packages redundant? Q: were the premium operators gaining high ARPU with P2P or GPON access technolgies?	Q1: I don't know that they will make them fully redundant: I think there will always be some appetite for live events, especially around sports, and IPTV is certainly a much more efficient way to distribute that than OTT. Having said that, the part of content consumption that could be delivered over the top will keep increasing. The real question in each market is "who will the over the top players be?". The world looks at Netflix, but Netflix is predominantly North American and now Ireland and UK. One interesting thing to note from our study is that while TV is considered attractive by service providers, it's not considered very profitable. There may be an arbitration from some players along those lines! Q2: There was no measurable difference on the choice of technology.
Q: For an established FtTH operator apart from triple play services, on an average how many over the top services have been subscribed by the customers? Q: For an established FtTH operator apart from triple play services, on an average how many over the top services have been subscribed by the customers? Q: regarding the take rate analysis.. is thee any difference in green field vs brown fileld areas? Q: Will the Q&A session be available as text / recording? A: The complete Webinar (incl. Q&A) is recorded and will be uploaded to our webpage - link will be sent to all attendees.	Q1: The players we spoke to had no answer to this question. Q2: Anecdotally yes, Greenfield take up was higher, but the players we spoke to didn't share numbers on this.

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Q: Dear Benoit, FTTH operators want higher ARPUs, but at the same time wish for high take-up rates. Doesn't the high sub fees work against higher take-rates?	Yes, of course, it's a complex arbitration. One player (Altibox) seems to have found the Holy Grail and managed to get both, albeit at a comparatively small scale. The exact nature of price elasticity in FTTH/B is very market dependant, and even pre-launch surveys don't always accurately reflect customer behaviour once the products are on the market.
Q: What are payback times on FTTH network construction now for incumbent operators, given this +46% ARPU ? Q: Is there any push from content delivery players (e.g. Walt Disney) already visible in favour of FTTH networks ?	Q1: See above. Essentially, 9-12 years seems to be the norm, but there is no consistent sharing of that information. Q2: Not specifically to FTTH. Content players seem happy to distribute to broadband in general but few if any have targeted FTTH specifically. We believe that when a critical mass of FTTH subscribers will be available this may happen however.
Q: Can you talk to us about any interesting CAPEX management strategies that telcos currently utilise to go around this 'financing' issue?	I'm not sure what you mean by CAPEX management. There are strategies to minimize initial investment (building to a street cabinet and waiting for demand to go further, etc.) but these are generally so detrimental to take-up that we don't consider them to be strategies for a player actually commited to connect customers.
Q: What is the view on open access networks vs. closed, in penetration early vs. longterm	As mentioned above, the sample didn't allow us to make a correlation between open access and take up.
Q: Did you distinguish between industrial services (utility providers) and cable operateur (legacy coax offer) ?	We did not interview any cable operator in the sample. All the players were either telcos or utilitlies deploying FTTH.

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Q: Q: Have you looked at the marketing campaigns and been able to determine those that were more successful to drive the required take up?	As part of this project we did not examine the marketing campaigns. Separately, Diffraction Analysis has done some in-depth work in analysing marketing messages and advertising in FTTH/B, please feel free to get in touch if this is of interest to you.