

An Interview With Tom Nugent, Verizon Enhanced Communities

VEC's national sales director knows he has a good product to sell. But the real story may be in the services Verizon is honing for the MDU market – and for the entire FiOS footprint.

By Steven S. Ross ■ *Broadband Communities*

Tom Nugent and his team are responsible for Verizon's national accounts with property owners, developers, managers and real estate investment trusts (REITs). He came to the job earlier this year after leading a 220-person division within Verizon that grew a \$760 million business serving medium-size organizations. He began his career with GTE in 1995 after earning his undergraduate degree from the University of South Florida.

Recently, **BROADBAND COMMUNITIES** had the opportunity to chat with Tom about his vision for VEC.

BROADBAND COMMUNITIES: What in your background prepared you for VEC?

Tom Nugent: I started out with GTE handling enterprise accounts in the Southeast. After Bell Atlantic and GTE merged and properties progressed through new broadband generations, I found the whole FiOS build intriguing. As I positioned managed services with small and medium businesses across the nation, we were constantly doing fiber buildouts, whether SONET, Ethernet or FiOS. So I was already familiar with the technology itself and certainly understood the need for fiber.

BBC: What should property owners know about what VEC offers?

TN: We're entering a phase in which the broadband platform is outweighing the importance of ancillary income alone. The way consumers leverage data and TV platforms has led to exponential bandwidth demand growth. Putting in



mand], you're going to lose out down the road to owners and REITs that invest in fiber deployments.

BBC: In an existing building, why not bring fiber to the basement and reuse the existing copper to the unit?

TN: I think bandwidth is the number one fiber advantage. The second, whether it's real or perceived, is that residents see value in having that direct fiber access. One of the challenges we overcame early, of course, is doing this with as little disruption as possible, while keeping up the aesthetics of the building.

BBC: You get in and out awfully quickly.

TN: It depends on the structure and the

Putting the wrong infrastructure into a building will handicap you in the middle to long run of the building's life.

the wrong infrastructure will handicap you, as the property owner, in the middle to long run of your building's life. If you don't have that infrastructure [to support the growth in bandwidth de-

region of the country. After [contract] signature, once we've got an agreed design, buildings can be retrofitted within 90 to 120 days. We're starting to see several regions and several builders break-

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ing ground again, and greenfield infrastructure goes up much more quickly because we embed the fiber into the wall structure.

BBC: At what point do you get involved in a new building's design?

TN: We ideally want to be involved up front as our partners are doing the design of the building, well before they break ground. However, we have been successful with FiOS builds regardless of the building construction phase. Our goal is to work cooperatively on design that meets the client's needs.

CONCIERGE SERVICES

BBC: Can you talk a bit about Concierge and what it might offer down the road?

TN: Concierge is an amenities management platform that lays the foundation for communication among neighbors, communities and property managers. It has a range of functions, such as package tracking, resident alerts and mobile applications. A resident can ask for help with a maintenance ticket, view cameras on a property or order a pizza using a smartphone, a TV or a computer. We've even taken it out into the communities so there's a unified wallet that a resident can leverage to buy locally and to buy globally. Most recently, we added Groupon, 1-800-Flowers, OpenTable reservations and things of that nature that really set a property apart from others. The idea is to create that stickiness so that when residents' leases are up, they think twice, three times, four times, and then they resign rather than look at a new property.

We're seeing a growing interest in more than just voice, data and video. With Concierge specifically, we've seen that owners and property managers take a keen interest in communicating with their residents in ways that stimulate feedback. It's more than just the portal and more than just the Web access. People now are on the go and want to interact remotely, so mobile applications are hot.

The next thing that's coming is the whole concept of the Connected Home – everything from being able to control your lights and your security and manage your energy use not only to meet

VEC's new Connected Home services hit multiple hot buttons for residents – cost saving, carbon footprint reduction, security and, not least, the "cool" factor.

your economic goals but also to reduce your carbon footprint. It has been huge, and it's driven by the residents. We've got platforms in place that we're launching with developer packages throughout 2011 that will enable buildings to differentiate themselves.

BBC: Is that integrated with Concierge, or is that a separate thing?

TN: It will be loosely linked. You can have one without the other.

BBC: What does it cost owners?

TN: Our Concierge platform is free of charge for FiOS-enabled buildings. Owners can leverage Concierge as a communications channel with residents and a building-based social network to help make an apartment a longer-term home and help build a community. The Connected Home platform, which enables management of lights, camera monitoring, door locks, energy consumption and more, is a paid-for platform.

BBC: Who pays for Connected Home – property owners or tenants?

TN: Connected Home is paid for by the residents. We are finalizing the developer offers and have pilots starting that include bulk options allowing builders to buy on behalf of their residents at discounted rates.

BBC: A year ago, property owners were worried about these platforms' adding to their workloads. This year, those complaints seem muted. What improvements did you make?

TN: I wish I could say that Verizon alone was driving this. The reason Concierge and Connected Home are catching fire is simply that consumers are driving the need for these applications. What we're seeing is that this is a differentiator to help property managers, owners and

REITs attract and retain clients. There's also a small opportunity, and I would stress *small* opportunity, to drive additional revenues.

BBC: Any particular location or housing type causing the buzz?

TN: No. We see potential for Concierge and Connected Home across luxuries, high-rises, across geographies, across REITs, property owners and property managers all the way down to the residents. It hits multiple hot buttons. Can I save on energy? Can I reduce my carbon footprint? Am I consciously doing right by the world? Another hot button is this whole concept of safety and security, the ability to manage and monitor via cameras, the ability to turn lights on and off automatically so that when I'm stepping outside at night, the lights can come on for me, or when I'm about to come home, I can turn on the lights before I get there. I can monitor the environment via cameras to make sure it's safe.

The final hot button is the "cool" factor. A lot of folks like the cool convenience of being able to control their appliances, their bills and their lights all via their mobile pads or phones, via the Web and via the TV.

BBC: Down the road, app developers could create other applications for FiOS communities – telehealth, distance learning and so forth. Is that something VEC specifically, or Verizon as a whole, is considering?

TN: Health & Wellness is a corporate-wide initiative of which Verizon Enhanced Communities is on the leading edge. We've partnered with Healthsense, and we're in negotiations currently with several properties to embed wireless nurse calls and monitoring systems with FiOS as the underlying technology.

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Folks are using it in different situations. One is in traditional senior care, and you also see this in naturally aging communities. Loved ones and caregivers are interested in remote management and remote monitoring so family members can live an independent lifestyle longer.

Often Health & Wellness enhances our ability to pull through additional revenues while delivering high-end services to the senior community. Health & Wellness is how we're changing the story and making it resonate with a growing population of baby boomers and seniors, while driving revenue back to Verizon.

WHAT PROPERTY OWNERS NEED TO KNOW

BBC: When property owners start negotiating with VEC, what do they need to know ahead of time, and how do you tell them, "It's not just triple play anymore"?

TN: Our business development managers are trained in all these services in each of the regions where we've deployed FiOS. But we've taken it one step further; we've adopted the concept of having sales engineers who are technically savvy when they talk about these applications and what they mean to a property – not only to the folks who make decisions about ancillary income and infrastructure but also to the folks in charge of IT and marketing. We try to take a more strategic or consultative approach to selling.

BBC: But the triple play still drives revenue, doesn't it?

TN: We do believe the triple play of voice, video and data is still a primary driver today. But we see the applications in Connected Home, in Concierge and in Health & Wellness as what's going to take us over the top in years to come.

DEFINING THE CLIENT

BBC: Who are your clients? Are they end-user customers, building owners and managers, or both?

TN: Both. We have a unique strategy in the B-to-B relationship. We want to strike as many of those mutually beneficial relationships as possible to get to the B-to-C relationship.

BBC: Is there any particular contact point at VEC for people who have new apps or new ideas for you? How did you match up with Groupon, for example?

TN: Mike Weston, director of marketing for VEC, leads our business development efforts. His team does strategic planning and product design specific to the multifamily market.

THE FIBER ADVANTAGE

BBC: Why can all this be done only through fiber? Many of these applications don't need the high bandwidth.

TN: Some of it has to do with bandwidth, and some of it has to do with crystal clarity and reliability. We believe that fiber accommodates exponential bandwidth growth for the years and decades to come. We see mobile devices connecting at an exponential rate, we see gaming increasing, we see video demand climbing, we see the additional applications that we haven't even taken to market yet all driving bandwidth consumption. Without an infrastructure that's going to grow with the building, [property owners] are going to be left in the age of the dinosaurs. We truly believe that, and we've seen that many of our large national, regional and individual owner partners agree. They are seeing the benefits of being able to attract and retain residents via technology as an amenity.

BBC: So what about the old story line of ancillary income?

TN: We certainly address ancillary income via cooperative marketing agreements. We see the property as a partner in the business. However, ancillary income is not the lead value we bring to the table, nor do we lead with it. Clients want a superior product that differentiates their property. In addition, they want reliability – and FiOS is a highly reliable network.

When you start talking about applications that people not only become accustomed to but also become dependent on, such as Connected Homes and Concierge and certainly critical Health & Wellness applications, you can't have a network going down. So we've built a highly reliable fiber infrastructure.

BBC: What do you think is responsible for the entrepreneurial quality of VEC? Is it more entrepreneurial because it has a more focused mission or because of the technology?

TN: One of the things Verizon Enhanced Communities has been afforded by Verizon is investment. The company has invested a great deal in FiOS, but it has also seen that it is incredibly important to target the very niche MDU market. That approach requires a little more finesse and a little more touch and a little more creativity than the mass rollout of FiOS. Eric Cevis [the Verizon vice president responsible for VEC] has acted as a visionary. He has taken the investment that Verizon has made in VEC and consistently shown a return on that investment, not only for the corporation in the form of revenues, average revenue per user (ARPU) and expense-to-revenue metrics but also in consumers' eyes.

BBC: We see Verizon Enhanced Communities as something of a laboratory for all of FiOS and for the whole broadband industry down the road.

TN: Innovation is something that VEC, and Verizon as a whole, prides itself on. VEC has been afforded the opportunity to work with a special segment of the market. We have listened to the multifamily industry to deliver specific technologies and applications. I think you're constantly going to see this where we are today and in what we'll do tomorrow.

BBC: What you're really saying is that you'll be adding to ARPU with more services.

TN: I think that's a fair statement. On the Concierge platform, more than 180,000 living units (and growing) have Concierge services. And what we see in those properties is solid growth in Verizon penetration rates. That's good not only for the property that might be partnering with us to drive that penetration, but also, obviously, for Verizon. We're seeing that across each one of our geographies, and we're seeing it across each one of the different MDU styles, whether it's a garden style, a mid-rise or a high-rise, luxury facility.

When we talk about Connected Home, we have multiple properties in

negotiations right now. What we've seen in both owner-occupied and rental properties is that they are really trying to figure out how they leverage this connected home to help differentiate their properties via these "green" packages.

BBC: Do groups come to you knowing that you have the platform?

TN: We are spreading the word about Concierge, Connected Home and Health & Wellness through many channels, including the recent Broadband Properties conference. Each one of these application services goes through rigorous trials. We try to put on the glasses of the consumer – the MDU user, the tenant, the senior-living resident, those who would be interested in Connected Home or health applications. If it can pass the consumer test and we see a demand for it, we make sure we have a platform that will deliver. So I see an upward pressure in communities, with residents saying, "Hey, we're very interested in this health and wellness application or energy application." Candidly, that's really what we think turned the tide, as the REITs and the building owners are hearing the same thing. Their customers want this service, and they need help to deliver it.

BBC: And it's not costing them out of pocket, really.

TN: It does not have to cost the owner. In fact, the consumer is willing to pay because it provides value, whether it's an economic return or whether it hits the green, the safety or the cool benefits. Wellness is the same way. When you start talking about the security and well-being of providing care remotely, that's a huge value, and we're trying to offer this at a very low cost to the end user. Some of the building owners have said they want to bake this in, so for those owners we establish bulk offers with discounted rates.

BBC: You gave up the requirement for a two-year contract commitment from FiOS consumers. Are you going to continue that policy?

TN: In some scenarios, we don't believe we need a contract to keep that retention rate up – and consumers like [not hav-

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ing two-year commitments]. We're also looking at such policies as direct deposit to insure that we can get past some of the credit challenges for customers who want to use FiOS services.

MOBILE NETWORKS

BBC: In the next few years, Verizon and AT&T are putting their money into mobile networks, bringing fiber to cell towers, erecting more cell sites and so forth. We expect more mobile connections will be made through users' home networks, via either Wi-Fi or femtocells. Are you thinking the same way and planning for that?

TN: Absolutely. Mobility touches every aspect of our business, whether on the traditional telecom side or the core Verizon Wireless side. Verizon has an aggressive fiber-to-the-cell-site initiative. That is very public, and we will continue to invest in Verizon Wireless platforms. On the FiOS side, we deploy Wi-Fi routers with each data install to enable a connected lifestyle.

BBC: Are you seeing property owners interested in turning function rooms into work centers?

TN: We have seen a groundswell of work-at-home customers. We have seen some buildings that have set up work stations in common areas, but I think more predominantly we've seen it at the end-user level, [customers] turning parts of their residences into home offices.

BBC: When VEC first started bringing fiber to MDUs, owners had a lot of reservations about it. Are you still encountering those reservations, or has everyone more or less seen the light?

TN: One of the franchise areas that we recently opened is Washington, D.C. I was [there] yesterday talking to our business development managers and sales engineers who are actually going out into the FiOS-enabled wire centers. The positive response by the communities has been overwhelming. There is pent-up demand there, and people are very excited to experience FiOS and bring that to their residents.

It was amazing that they would almost recite the value proposition that we've been preaching for several years now, saying, "Please come in and offer us a choice. We need fiber for reliability, for speed, for crystal-clear pictures."

With that said, we certainly have areas where properties are in lucrative legacy contracts with cable providers and candidly, that's not the business we're in. So when those contracts expire, and [owners] want to move over to the value of Verizon for their tenants, we expect to capture some of those properties.

Our business motto is that we're here to help owners attract and retain residents. We have business professionals in each of the FiOS regions that are happy to talk to owners and walk them through what they as business owners can derive and what their residents can derive from enabling a property with FiOS. And we can also bring in our engineering teams to address any concerns out there with regard to greenfield or retrofit properties. ♦

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