

Q&A With Frank Latini, Gainesville Regional Utilities

## Wholesale Strategy Succeeds for GRU

GATOR NET is a winning brand in the Gainesville, Florida, market, where University of Florida students love their symmetrical gigabit service.

By Heather Burnett Gold / *HBG Strategies*

Since the late 1990s, Gainesville Regional Utilities (GRU), owned by the city of Gainesville, Florida, has successfully provided broadband services for University of Florida and Santa Fe College students. Recently, I caught up with Frank Latini, GRU's director of technology and services, to learn how the utility developed its GATOR NET business model and how it maintains its growth.

**HEATHER BURNETT GOLD:** *How did an electric utility get into the telecom business?*

**FRANK LATINI:** In the mid-1990s, two market events pushed GRU into the telecom business. Initially, GRU had a microwave system that it used to operate the SCADA communications network for its electric utility. When this frequency was reclaimed for use by the PCS cellular systems, the electric company needed to find a replacement communications system for its internal use.

In response, visionaries within the company advocated building out a fiber system to GRU buildings. Simultaneously, the local hospital asked for access to rights-of-way and utility poles to build fiber to all its remote clinics. GRU offered to build the network for it instead, thus initiating the first bulk deal.



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Once all this new fiber was laid, the company noticed that its fiber passed a lot of office parks that needed high bandwidth. Where there was no last-mile access, GRU built fiber into the (then) BellSouth central offices and connected the parks via either



The master-planned community of Brytan, known as Gainesville's greenest neighborhood, is wired for fiber by Gainesville Regional Utilities.

leased copper or a last-mile build performed as a competitive local exchange carrier (CLEC).

Because of its microwave transmission system, GRU owned 11 towers inside the city, which gave it an opportunity to create two new businesses: leasing space on the towers and providing fiber backhaul for cellular carriers.

The general manager and strategic planning department at the time had analyzed the electric utility side of the business and realized there was not a lot of potential revenue growth, but they saw that the demand for broadband bandwidth and cellular service could provide additional revenue opportunities.

As these two trends converged, they drove the expansion of the fiber network, now called GRUCom. Slowly, GRUCom covered all the Gainesville office parks and began picking up the multiple-dwelling-unit properties (MDUs). The MDU service is branded as GATOR NET.

**HBG:** *How does GATOR NET market its services?*

**FL:** Despite its extensive fiber network coverage in Gainesville, the company has stayed true to its initial marketing plan: focus on business (wholesale) relationships and leave the retail management to building owners, property managers and/or homeowner associations (HOAs).

GRU built this business by actively participating in most of the local real estate groups for apartment owners and property managers. The company sent representatives to all the monthly meetings and met with success developing the GATOR NET brand on a bulk basis. An MDU management organization, MDU owner or HOA pays GRUCom on a per-unit basis for 100 percent of the units at its location, and GRUCom operates and supports the services at that location. The property owner or manager uses the GATOR NET brand to attract tenants.

The vast majority of buildings are greenfield builds with fiber to the communications room, installed Ethernet switches and Cat 5 cable to the unit. Most contracts, which specify the delivery of a given bandwidth to each unit, are five to seven years in length. GRU is entirely opportunistic in its marketing approach, acting wherever it sees a potential building or an HOA that can be served conveniently. Winning a competitive bid and then subsequently crafting a contract to build out the school district and library systems enabled GRU to extend beyond the Gainesville city borders and contract with the HOAs to serve some smaller single-family communities with fiber.

**HBG:** *What have been the biggest changes in your market and services since you started?*

**FL:** Initially, everyone was marketing faster and bigger bandwidth. As

GRU and its major cable competitor spent years with each trying to advertise higher bandwidth than the other. Finally, GRU ended the competition by supplying symmetrical gigabit service to all its customers.

the price for higher-bandwidth electronics dropped substantially, GRU and Cox (the major cable competitor in Gainesville) each spent six to eight years trying to advertise higher bandwidth. Finally, GRU said “Enough,” changed its strategy to “Everyone gets symmetrical gigabit” and stopped going ever higher.

Another major change was the move to managed Wi-Fi. Because college students use wireless routers for all their devices, the push is on to provide high-quality Wi-Fi without the interference that individual Wi-Fi routers throughout a property campus can create. Senior communities also demand managed Wi-Fi.

GRUCom’s investment in route diversity to the peering exchanges by directly leasing transport into Atlanta and Miami had a major impact on the economics of its business model. Now customers pay only for transport, and they are directly connected to Netflix, Apple, Google and other services at the meet-me point.

GRUCom will soon have cloud exchange peering, which will enable more direct connection to AWS, Azure and other cloud service providers. The implementation of its leased fiber transport into the peering rooms and direct connections to application providers have greatly reduced the cost for internet connections and provide lower-latency data transport to the peering partners for GRUCom customers.

**HBG:** *Did you face opposition to entering the market?*

**FL:** At the time GRU entered the market, neither Cox nor AT&T was competing for the bulk billing segment. Later, as they saw GRU’s success, they attempted to grab market share. However, GRU stuck with its wholesale strategy, which was not its competitors’ sweet spot. GRU believes it owns the high-end business market in Gainesville.

**HBG:** *How have the incumbents responded to your offerings?*

**FL:** At first there was a lot of pushback. The incumbents complained that GRUCom was not operating on a “level playing field.” GRUCom demonstrated that by paying administrative overhead costs and contributing to the general fund transfer (a transfer of funds from the utility to the local government, which owns the utility), GRUCom was incurring costs similar to the costs – taxes, fees and so forth – associated with operating a private business.

**HBG:** *Do you ever consider expanding beyond your traditional market?*

**FL:** There are no prohibitions on expansion in Florida. When GRUCom built fiber to the school district and the library system, it reached the extreme edges of the county. But many of these communities have fewer than 1,000 people and therefore not as many opportunities for bulk deals. Most of GRUCom’s expansion opportunities are from filling in its footprint – for example, in an office park where it initially

built only into several buildings, it is now considering building a central cabinet so it can sell services into every building. These same techniques can be used in clusters of apartments, where GRUCom places a single switch in the middle of an area and then connects to all the buildings with lateral runs.

**HBG:** *What are the biggest lessons you’ve learned?*

**FL:** From the beginning, GRUCom recognized that the deployment and marketing of the telecom network was going to be a challenge. In retrospect, perhaps it should have gone to higher bandwidth faster.

One of its (and everyone’s) biggest challenges in student housing are the drop-dead dates. For example, there is a need to have students signed up by the start of the school year. Greenfield construction always has delays, so GRUCom needs to get contracts signed far enough in advance that it can purchase all the equipment needed to turn up the building on time.

GRUCom must be sensitive to the needs of all its customers. For its student housing, this means a customer base that is “on” 24x7 in terms of customer service. For all its customers, it must constantly monitor viruses, compromised systems, spam, and so forth.

The other very unusual aspect of GRUCom is its willingness to help others with startup issues. GRU has been an active member of the Fiber Broadband Association, where it gives needed advice about marketing and business plans. It has worked closely with new carriers in perfecting their entrance into the MDU market in their regions and in helping others complete their buildout plans. ❖

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