Winning Strategies for the Emerging Knowledge Economy

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Bristol Virginia Utilities

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Cedar Falls Utilities

Donny Smith, CEO
Jaguar Communications
The elements of success

TO ENSURE

Economic Growth and quality of life from broadband

YOU NEED

• Reliable, affordable BB
• Responsive customer BB service
• Meaningful utilization
• Local ownership to drive economic development
Why we build broadband networks

Operators

Revenues from client subscriptions
- Investment and maintenance costs
  = PROFIT

Local Economy

Increased productivity and competitiveness, increased revenues, new jobs, better quality of life, etc.
- Investment, maintenance, support
  = BENEFITS FOR THE COMMUNITY

"Off-balance-sheet"
Broadband creates jobs

Broadband is responsible for 19.6% of all new jobs

Percent of new jobs related to Internet by size of employer group

Source: SNG Digital Economy Database
n = 1,721 from NC and VA collected in 2010
Increased utilization enables revenue growth

Contribution of Internet to Revenues / Level of utilization
(Businesses with 1 - 99 employees)

% of Revenues attributed from Internet usage

Level of broadband utilization on a scale of 1 to 10

Businesses underutilizing the Internet miss significant revenue opportunities

Source: SNG Digital Economy Database
n = 687 from NC, VA, KY and LA collected in 2010
SNG projects have revealed common return on investment (ROI) multipliers from broadband investments.

<table>
<thead>
<tr>
<th>Economic ROI from Public Investments in Broadband</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution to GDP</td>
</tr>
<tr>
<td>Number of Jobs created and saved</td>
</tr>
<tr>
<td>Fiscal revenues increase</td>
</tr>
</tbody>
</table>

Source: SNG Digital Economy Database
Average multipliers identified from economic impact studies conducted by SNG.
Evolution of broadband thinking

Initial focus: How do you build a broadband network?

Problem! Operators seeing slow adoption when broadband is offered

Issue: - End-users not seeing the value of using broadband
- Low adoption harms ROI

Emerging question: How do you market and use the network now that it is built?

Response:
- Businesses, organizations and households need to be shown the value of BB
- Network operators need to personalize what BB means to their customers
- Adoption takes several steps – a multi-stage marketing plan is needed

The real question is HOW to make broadband relevant to the end-user and personalize the value?
Service and local commitment

• **Understanding** existing and new customers on a more granular level

• Diversity of products and services through **knowledge of market**.

• **Build ‘Stickiness’** with existing customers; attract new customers.

• Implications of a **digital lifestyle** – customers want what they want, when they want it, delivered in the form they want.
How to achieve, maintain and grow.

- **Grassroots local promotion** (BVU only uses mass media for new product introduction)

- Be a totally **integrated** part of the community.

- **Personal selling** – customer experience. Every customer ‘touch point’ determines your brand.

- **Utilization of network by operator** – need to leverage invested capital, through layered services. With marginal fixed cost, greater ARPU by building products and services around the pipe.
BVU’s customer experience and demo room is an integral part of BVU’s customer service.

How many departments do you have?

➢ In reality only one – the Customer Care Department
The adoption process for e-solutions by businesses

E-solutions with greatest impact used by those with most experience & skills (i.e. highest DEi Score)

- Fast / Early Adoption
- Slow / Late Adoption

Highest value, but requires awareness and high quality Internet connection

Source: SNG Digital Economy Database n = 4,533 from NC, VA, KY and LA collected in 2010
Broadband utilization and household earning power

Higher value e-solutions being used by fewer households

- **Highest value, but requires awareness and high quality Internet connection**

- **Biggest benefits!**

Source: SNG Digital Economy Database n = 4,638 from NC, VA, KY and LA collected in 2010
Meaningful use drives broadband demand

<table>
<thead>
<tr>
<th>Industry</th>
<th>Employment Size</th>
<th>Annual Revenue</th>
<th>Annual Operating Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional &amp; Technical Services</td>
<td>1 - 4</td>
<td>500,000</td>
<td>400,000</td>
</tr>
</tbody>
</table>

Select your e-Solutions

<table>
<thead>
<tr>
<th>What are you currently using?</th>
<th>What e-solutions would you like to ADD?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access government information</td>
<td>Rich media or service creation</td>
</tr>
<tr>
<td>Accessing collaborative tools</td>
<td>Selling goods or services</td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>Social networking</td>
</tr>
<tr>
<td>Banking and financial</td>
<td>Staff training and skills development</td>
</tr>
</tbody>
</table>

Estimated Benefits from Individual Additional e-Solutions

<table>
<thead>
<tr>
<th>Type of e-Solution</th>
<th>Revenue</th>
<th>Cost Saving</th>
<th>Net Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising and promotion</td>
<td>$ 45,100</td>
<td>$ 120</td>
<td>$ 45,220</td>
</tr>
<tr>
<td>Web site for organization</td>
<td>$ 40,150</td>
<td>$ 1,920</td>
<td>$ 42,070</td>
</tr>
<tr>
<td>Selling goods or services</td>
<td>$ 33,850</td>
<td>$ 320</td>
<td>$ 34,170</td>
</tr>
<tr>
<td>Social networking</td>
<td>$ 5,600</td>
<td>$ 240</td>
<td>$ 5,840</td>
</tr>
<tr>
<td>Supplier communication and coordination</td>
<td>$ 0</td>
<td>$ 5,720</td>
<td>$ 5,720</td>
</tr>
<tr>
<td>Accessing collaborative tools</td>
<td>$ 3,100</td>
<td>$ 1,320</td>
<td>$ 4,420</td>
</tr>
</tbody>
</table>

‘DEi Impact Calculator’ to motivate increased utilization of broadband
Local ownership to drive economic development

Prioritized Prospect List

1. **Public Facilities and Governments** - National Guard, County and City Facilities, Public Safety
2. **Education** - K-12, University, Community College
3. **Health Care** - Hospitals, physician groups, diagnostic imaging centers
4. **Industry and Commerce**
   a. Data center and disaster recovery enterprises
   b. Private ISPs, LECs, mobile carriers with fiber backhaul needs
   c. Enterprises engaged in e-commerce with critical up-time requirements
   d. Any business that needs to transport video and/or images
5. **Multi-site LAN support**
6. **Electric Utilities** with AMI, SCADA and smart-grid needs
7. **Multi-Family residential and student housing**
Capturing the business

85% of residents buy home internet service

<table>
<thead>
<tr>
<th>Provider</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFU</td>
<td>90%</td>
</tr>
<tr>
<td>Mediacom</td>
<td>3%</td>
</tr>
<tr>
<td>Century Link</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
</tr>
</tbody>
</table>

94% of residents buy pay TV service

<table>
<thead>
<tr>
<th>Provider</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFU</td>
<td>88%</td>
</tr>
<tr>
<td>Dish/Direct</td>
<td>8%</td>
</tr>
<tr>
<td>Mediacom</td>
<td>4%</td>
</tr>
</tbody>
</table>
Capturing the business:

- **Cultural shift** was Cedar Falls Utility’s biggest challenge – moving from utility mindset to selling telecom services

- Need to determine **who** sells it and **how**

- **Critical sales elements** – market intelligence, pricing strategy, end-to-end solution

- Embrace the advantages of **being close to the customer**
Local success stories in the emerging knowledge economy

Success stories from when you do it right:

• Non-town areas all at 50% uptake or greater in less than 3 years

• **Town of Hayfield** – working with local stakeholders to fast-track success: 9 months and 54% penetration

• **Circle Lake Area** 92% penetration in 18 months

• Towns that have seen declining populations and losing businesses for decades are reversing the trend

• **New opportunities** for Telecommuting and Health Care
Key Steps for economic development through broadband

Help your businesses and organizations be more productive and competitive

- Benchmark against peers and industry sector leaders, within and outside your region, as an integral part of the process to improve local productivity and competitiveness

- Understand where investment will have the greatest impact by identifying needs, gaps, and demand for broadband

- Develop strategies to drive innovation, promote awareness and utilization, and leverage assets to maximize socio-economic benefits locally

- Mobilize regional stakeholders to leverage broadband, build sustainability, and maximize local benefits

- Track outcomes, reveal impacts, adjust plans, and identify where investment is needed to further evolve into a 21st century economy
Thank-you

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