Business Network & IT Services:

CenturyLink Launches Fiber Infrastructure, Portfolio to Get a Jump on Broadband Competitors
August 11, 2014

Summary

Event Summary
August 5, 2014 – CenturyLink is deploying FTTx making symmetrical broadband speeds up to 1 Gbps available to business and residential customers in 16 cities: Albuquerque, Columbia and Jefferson City MO, Denver and Colorado Springs CO, Las Vegas, Minneapolis-St. Paul, Omaha, Orlando, Phoenix, Portland, Salt Lake City, Seattle, Sioux Falls SD, Spokane, and Tucson. The new service can increase businesses productivity by enabling access to cloud business applications, multimedia file sharing, streaming video content and real time data backup.

Quick Take

Competitive Positives
• CenturyLink beats cable broadband’s asymmetric speed tiers, making symmetric tiers from 10 Mbps to 1 Gbps available.
• CenturyLink’s fiber builds will pass more than 200,000 potential business customers.
• CenturyLink pairing fiber builds with Fiber+ portfolio that includes SLAs and QoS, competitively priced relative to cable broadband.
• Service is available through direct sales as well as through CenturyLink channel partners.

Competitive Concerns
• Service available in 16 markets, but deployment and availability will be limited within each market.
• Service builds are limited to markets located inside CenturyLink’s local footprint.
• Cable operators are preparing to launch their own Gigabit services in 2015 and 2016.
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Analytical Summary

Perspective: Positive

Positive on CenturyLink’s launch of a broadband service supporting symmetric speeds from 10 Mbps to 1 Gbps because the provider is deploying an FTTP-based, ultra-high speed alternative to current cable broadband and CLEC xDSL offers, available at compelling price points. CenturyLink’s deployments in 16 markets get a long lead time over cable competitors such as Cox Business, which are not expected to roll out Gigabit broadband services until 2015-16. CenturyLink does not note how deeply it has run its new infrastructure in its announced metros to date: AT&T and Verizon demonstrate that comprehensive fiber builds cost billions of dollars.

Vendor Importance: High

High to CenturyLink, because its new service tiers pass currently available broadband offers from competing cable operators. CenturyLink is launching symmetric services from 10 Mbps to 1 Gbps that are priced competitively relative to asymmetric cable offers with a typical maximum tier between 75 Mbps and 150 Mbps downstream, and between 10 Mbps and 20 Mbps upstream. Cable operators have been extremely aggressive in targeting SMBs. CenturyLink comes to market with new fiber-based services that are QoS-enabled, high speed and symmetric, backed by service level agreements. These services support CenturyLink bundles and services including video streaming, large file transfers, and access to cloud service providers in CenturyLink’s data centers.

Market Impact: High

High to markets where CenturyLink is currently delivering the service, but moderate on the overall launch against regional and national competitors. CenturyLink has launched the services in very specific areas within its 16 initial markets, and in those locations, cable operator and CLEC competitors will certainly feel pressure. However, the services are not widely available yet, giving competitors room to try to win business away from CenturyLink. Additionally, CenturyLink’s deployment is limited to areas where the company has an incumbent local carrier footprint. CenturyLink’s Orlando build, for example, serves select metro suburbs as AT&T is the city’s incumbent provider.

Competitive Strengths and Weaknesses

Competitive Positives

- CenturyLink gets the jump on cable competitors with Fiber+, offering attractively priced symmetric broadband speed tiers from 10 Mbps to 1 Gbps. Cable operators have been taking business away when incumbents offer slower xDSL services. With its fiber-based services, CenturyLink has a head start of at least a year on cable operators, which are awaiting availability of DOCSIS 3.1 equipment in 2015-2016 for their 1 Gbps launches. Google Fiber has announced FTTP plans in CenturyLink territory, but has no time frame yet.

- CenturyLink deployed fiber in 16 markets to support Fiber+, deepening its metro reach. CenturyLink traditionally targeted large office buildings with dedicated fiber. This fiber expansion uses Gigabit passive optical networks (PON) to reach multi-tenant office buildings housing two or more businesses per building. The provider estimates that the new fiber build gives it access to around 233,000 additional businesses that are in locations on or within 500 feet of its fiber.
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- CenturyLink’s Fiber+ symmetric tiers of 10 Mbps and 100 Mbps are competitively priced relative to comparable asymmetric speed tiers from cable operators, and CenturyLink includes SLAs and QoS – features usually missing from cable business broadband services. The provider is offering attractive pricing and the option to bundle Fiber+ with its Managed Office or Hosted VoIP solutions.

- CenturyLink is making its new service available through its direct and indirect sales teams, as well as its channel partners, giving the provider plenty of “feet on the street” to gain traction for the service while it has such a strong competitive lead. CenturyLink has a window of 18-24 months before competing 1 Gbps cable broadband services become available.

Competitive Concerns

- CenturyLink initially rolled the service out in 16 markets, based on its incumbent local carrier footprint. Within those markets, Fiber+ and Fiber+ Enterprise are available in very specific locations. CenturyLink is not deploying comprehensive fiber availability across each market.

- Most of CenturyLink’s highest-density markets are in its legacy Qwest 14-state mountain and northwest U.S. territory, where there are some major metro areas but many more small markets and open space. In Orlando, FL, CenturyLink only operates in portions of the market around the metro: Its own footprint does not go into Orlando proper, which is served by AT&T.

- Cox Business has already noted plans to launch 1 Gbps services in 2016 in Omaha, Phoenix and Las Vegas, and Comcast Business has demonstrated 1 Gbps services. Development of DOCSIS 3.1 equipment is underway and is expected to be commercially available starting in 2015. Cable operators will certainly be aggressive in rolling out these services once equipment is available.

Response & Recommendations

- CenturyLink’s near term plans should include making its Fiber+ services more widely available in key business areas within its current 16-city footprint. The provider’s longer-term deployment roadmap should include availability of Fiber+ in major metros reached by its fiber. Both Cox and Google have announced plans to launch ultra-high speed services in CenturyLink’s footprint, and the provider will want to prepare to meet that challenge.

- CenturyLink could look at the feasibility and cost of adding a WiFi option to Fiber+, where the provider would include managed WiFi services for businesses’ employees and public hotspots for their customers. This capability would allow the business to support visiting employees as well as those that frequently use tablets or other mobile devices in their jobs, and might be attractive to retail, restaurant and medical verticals.

- Cable operators that are planning DOCSIS 3.1 deployments need to make sure that priority is given to cities where service providers are offering or have announced plans to offer fiber to the premise (FTTP). In addition to CenturyLink’s Fiber+ rollout, AT&T had identified as many as 100 markets where it may launch “U-verse with GigaPower” FTTP services.

- CLECs such as Earthlink Business and MegaPath need to be wary of FTTP deployments taking away the copper wire they need to operate their broadband access services. At the same time, there will be many businesses in the 16 markets where CenturyLink is deploying its Fiber+ services that will not have access to CenturyLink’s new offer, providing plenty of opportunity.
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**Recommended Buyer Actions**

- CenturyLink is accompanying the Fiber+ launch with a full marketing effort including direct mail and email campaigns, so businesses that can subscribe to the service have likely already been contacted. These businesses can contact CenturyLink or their value-added reseller to find out more about the service to determine if it will meet their needs. Companies that have not received marketing information may not be in a location that is served by Fiber+, but can go to CenturyLink’s website and plug in their address to find out for sure.

- Current deployment of Fiber+ is quite localized. Businesses that are located in multi-tenant complexes or buildings in one of the 16 markets, and are interested in the service but cannot currently subscribe, should make their desire known to CenturyLink. One option may be to lobby others in the complex to contact the office management company and the provider. If enough customers indicate that they would subscribe to the service if it was available, CenturyLink might consider expanding, or accelerating expansion, to a nearby building or adjacent market.

- CenturyLink Fiber+ and Fiber+ Enterprise are priced and positioned for businesses in multi-tenant locations. Single and multi-site SMBs that don't have access to CenturyLink's fiber-based services, but that still want to do business with CenturyLink, can consider alternatives such as Core Connect, services such as Managed Office delivered via Ethernet over copper, or (for larger businesses) inquire about getting dedicated fiber to the building.

**Analytical Perspective**

We are taking a positive stance on CenturyLink’s deployment of FTTP in 16 metros and launch of its Fiber+ and Fiber+ Enterprise services, because the provider brings to market a competitively priced, ultra-high speed broadband solution. CenturyLink’s new portfolio can provide SMBs with services they need to access cloud applications and handle demands for large file transfers and video streaming.

CenturyLink offers two business flavors of its new service: Each is available as standalone Internet only or enabled to support CenturyLink VoIP services (Managed Office or Hosted VoIP). “Fiber+” targets small office/home office (SOHO) and SMBs with a business-class Internet service that includes a network availability SLA, and supports VoIP business lines with unlimited long distance calling. “Fiber+ Enterprise” targets mid-market and enterprise customers with a fiber-based data service that includes business grade SLAs and supports VoIP services.

CenturyLink’s new fiber builds target multi-tenant business locations with two or more businesses per building. Many businesses reached by the new offer may not have the need or budget for the 1 Gbps offer, but CenturyLink will likely see strong uptake of the 10 Mbps and 100 Mbps tiers, and the provider has priced these tiers to be extremely competitive with cable competitors’ asymmetric 10 Mbps downstream/2 Mbps upstream, 100 Mbps downstream/20 Mbps upstream and 150 Mbps downstream/20 Mbps upstream tiers.

In launching Fiber+ now, CenturyLink has gained a significant head start over competitors’ planned launches of ultra-high speed broadband services. Cable operators are expected to begin rolling out Gigabit services in 2015, with general availability in 2016 as DOCSIS 3.1 chipsets become widely deployed in cable modems and cable operators free up network capacity by transitioning to switched digital video and IPTV. Cox has already announced plans to launch 1 Gbps services in Las Vegas, Phoenix and Omaha in 2016. Google plans to launch its Google Fiber service in Phoenix, Portland, and Salt Lake City, although it has not announced any firm deployment dates for these markets.