

ANYWHERE. ANYTIME. BROADBAND.

New Business Horizons Using Rural Broadband as a Marketing Tool

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Introduction

Thank you for the opportunity to present to you today.

For those who do not know who Farmside is, we are New Zealand's leading rural broadband provider. Through using a combination of IPSTAR satellite, wireless and DSL, Farmside provides cost effective connectivity to almost anywhere in New Zealand.

Rather than talk about the technology we market to rural New Zealand, I will discuss how it can be integrated into your marketing mix.

I want to start by saying that I believe **rural marketing's next battlefield** will be e-commerce, and not surprisingly rural broadband, that is reliable and cost effective, as the key ingredient. The competition for this space will result in increased rural broadband uptake and the economic benefits generated from this.

Whoever wins the battle to control the "e-commerce gateway" into customer's homes and workplaces will have a significant competitive advantage in the rural marketing environment, as well as being in a unique position to leverage and influence rural commerce both locally and internationally.

We already know from watching trends internationally and here in New Zealand that the internet is the fastest growing way for consumers to spend their hard earned dollars. Statistics from Neilson, in 2007, showed that 80% of New Zealanders were "online". Nearly half of these numbers had indicated their intention to make an online purchase in the next twelve months.

In the US, eMarketer.com has estimated that ecommerce has grown by up to 32.6% as opposed to traditional average retail growth of between two and six percent. The fashion and apparel market saw the largest growth of all online shopping sectors in 2007 – this year outselling computers in the US, historically the leader, spending \$18.3B compared to just \$17.2B on computer hardware and software. In the UK in 2006, the amount on apparel spend was USD \$1.2B, a 461% growth on the year before.

Statistics New Zealand information shows those aged 25 -44 are most likely consumers to purchase online; of those 38.9% have already done so. NZ clothing retailers, often retail trend leaders, have started to go online to promote their brand and in turn, sales. Labels that have recently increased their online presence have included Barkers and Sabatini.

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The Key Benefits of Rural Broadband in a Marketing Context

The internet also has the ability to benefit rural suppliers (both profit and non profit) by making the cost of doing business more efficient, saving on printing, postage and communication.

Use of the internet allows the automation of core business activities; for example taking orders, booking appointments, remote monitoring and communication, reduction in the need for bricks and mortar and improving the ability to provide transparency through the production process.

As everyone here knows, there are still constraints to using the internet as an effective business tool in New Zealand, especially within the rural sector due to low broadband uptake, but this trend is starting to be reversed. It's extremely topical at the moment and we have already seen both major political parties positioning themselves on this issue.

I've focused on the commercial benefits of rural broadband. It is important to also note that the internet should be a mainstay in the not for profit sector as well in particular, rural education. From preschoolers to tertiary study – all are able to access appropriate learning tools, and use the net as a reference point. More importantly it's bringing the world to isolated areas of New Zealand. There is tremendous opportunity for growth in this area. I see no reason why this form of education won't continue to grow, which will enable country kids and those seeking to up-skill to stay within their rural communities while gaining quality and relevant qualifications.

As a company based in provincial New Zealand, Farmside strongly supports internet based learning. We rely on having appropriately skilled workers outside of the major centres and as such, Farmside has already invested in this area with our relationships with the Waikato Institute of Technology, providing broadband connectivity for their outreach e-learning courses and joint marketing campaigns, and also promoting e-learning with Timaru's Aoraki Polytechnic.

Broadband is enabling new business in rural communities and increasing the local skills base and in turn, economy. For example, we have a customer who is an accountant operating from home in Lake Tekapo; vets and medical practitioners covering wider regions by utilising online initial diagnostics; architects, land surveyors, fashion designers and engineers operating from rural bases to name a few sectors. These rural businesses are opening up new markets and requirements for connectivity, accounting software, resource libraries, business tools online e.g: IRD filing, banking, company's office, liaising with service providers as well as developing broader employment options for rural communities, in particular youth.

I would like to highlight the ability to get broadband in rural locations is very much a global issue as highlighted by Dr. Mark Elroy in his presentation yesterday. Between 25% and 40% (depending on the definition of what is rural) of Europeans do not have any affordable and effective access to rural broadband. Rural broadband uptake in the USA remains significantly lower than their urban counterparts, 25% as opposed to 44% in urban areas.

New Zealand has a unique opportunity to lead the world in this area, as it does in many other aspects of the agriculture sector, if we address the issue now.

Greater rural access has been shown internationally and locally to improve regional economic growth and in turn improve and influence purchasing decisions. US studies indicate a 7% increase in broadband connectivity could add \$134B annually to the US economy according to studies conducted by Connected Nation. (I promise this was in my speech already!).

Overseas it [rural access to broadband] is being credited for combating the effects of rural decline and urban drift in the UK as well as productivity. The University of Plymouth and Exeter studies have concluded that rural broadband access flows into the tentative first steps onto the e-commerce adoption ladder.

With satellite and wireless connectivity covering close to 100% of rural New Zealand and providing a cost effective solution, there is no reason why rural marketers cannot embrace e-commerce as a marketing tool.

Broadband as a Marketing Tool

There has been a lot of discussion about the consumer benefits of rural broadband within our industry already and we have heard some fantastic examples already at this conference. I believe that as rural broadband uptake steadily increases, we've reached the point where we need to look beyond simply the consumer benefits.

Let's also look at the wider strategic implications and benefits for rural marketers in embracing broadband in a marketing and communications context. These benefits can equally apply for commercial as well as not for profit organisations.

These benefits include:

- dramatically reducing the cost of delivering product and services while increasing value added benefits to customers
- rural connectivity is a strategic platform for targeted niche marketing and one of the most cost effective ways to reach and build more lasting relationships with your customers
- broadband connectivity has provided a gateway to the world. The opportunity of conducting business internationally and in turn generating export earnings has opened new avenues for many small and not so small businesses based rurally
- [rural connectivity] allows your store/business to be open 24/7, adding value to your potential or existing customer
- web recruitment – we heard yesterday from Eric Hillerton how the Dairy Industry faces a shortage of labour. We have a lot of customers who not only recruit their staff online, but use it as an attraction and retention tool
- increased web traffic increases potential income streams – advertising, website links and in turn search engine ranking, bundled services
- a connected rural customer base is a platform for stronger customer relationships and in turn:
 - easier, faster and more cost effective customer communications
 - when integrated with your database and website, you can ensure more targeted and customer centric offers and services
 - create the bundle - you can easily promote upgrades, add-ons and cross selling opportunities to increase spend from existing customers

- there's greater opportunity to differentiate your profile and leverage to your best advantage of who you are – tell your story.

Broadband Bundling

I would like to focus on two key elements of the benefits of broadband and having your customer connected. The first is using broadband as a bundled service and the risk of not engaging your customer through e-commerce.

Using broadband as a loyalty tool or bundled with your key services enhances your competitive advantage – while increasing customer loyalty. UK Studies show that customers are less likely to have reviewed price in the last 12 months, and are often willing to pay a convenience margin for bundled services; one bill and contact point, increasing customer satisfaction.

Farmside has been adopting this concept recently, entering a partnership to develop a monitored security solution run over satellite, and is about to launch several other bundled services.

Strong examples of service bundling are power, gas and broadband or insurance, security and broadband. With the growing trend in farm automation, we are starting to see the benefits of bundling broadband connectivity to allow remote monitoring and integration with databases to provide statistical and benchmarking analysis.

E-Retailing

E-commerce stores require less investment from customers, they are more likely to delete or block your email, leave your e-store without purchasing or shop around and research using clicks of their fingers.

When receiving addressed mail or having visited your store or business, the customer already has an emotional investment and is less likely to drive to another store (especially rurally where big box retail developments are almost non-existent) so more likely to purchase. Customers can get very frustrated and will switch off if they are on dial-up and your website is optimised for broadband. This causes the dilemma of wanting to have a website that presents your message effectively while remaining visually appealing.

Although the average age of a rural New Zealand is 45-50 (Statistics NZ), I believe we will and have started seeing the younger generation entering rural business. Generation Y is changing the way businesses market to urban customers in this age demographic and I believe this will also have a growing influence in rural New Zealand.

In the US, Generation Y spends \$200B and influences another \$300B USD per year. Worldwide there are 71 million generation Y'ers who are coming of age. These are the people who in the near future will be influencers in a rural town near you. A study of college students in the US shows that 97% own their own computer, 94% a cell phone and 76% use instant messaging. Over a third use websites as their primary source of news, blogs are a regular part of communication for just under 30% and 75% have a Facebook account.

All of this is proof that the “e-commerce gateway” is the new horizon for targeting the rural customer of all ages.

The lack of digital services and e-commerce tools focussed on rural New Zealand makes it hard to illustrate the real economic benefits of rural connectivity. Rural suppliers, marketers and service providers have a huge part to play in promoting rural connectivity through the development of web based tools to increase the productivity benefits of rural connectivity. These include e-government; e health, e-education and e-commerce.

Consumers are sceptical of marketing and even more sceptical of marketing people! Educating Rural New Zealand on the benefits of broadband needs to be a joint effort, as we all benefit from its adoption.

For marketers interested in building loyalty within the rural sector, news, and weather forecasting particularly flavoured to suit rural interests, is becoming a key part of service differentiation. The web is becoming a primary source of information and research. Tools such as multicast and video on demand are developing into excellent communication and potential revenue streams for rural organisations.

It is estimated that in the US internet video services will generate \$1.7B revenue and Worldwide IPTV subs are estimated to be \$13.2B by 2010. YouTube alone now consumes as much bandwidth in a year as the entire internet used in 2000.

So How Can Broadband be Integrated into the Rural Marketing Mix?

Rural New Zealand is starting to see the emergence of web based companies delivering services and products. In the coming years, if you sell products or services into rural New Zealand, your competitor may not even have an office or staff in New Zealand, just as this works in reverse for New Zealand exporters.

Connectivity has dramatically reduced the cost of delivering increased value to customers through either direct cost savings or providing relevant information. Good examples (but not limited to) of these types of companies include; www.agridata.co.nz, www.nzpotatoes.co.nz and www.freshvegetables.co.nz

These are just some examples of how rurally focused organisations are widening their service experience by incorporating news and information on their websites. Creating a strong web presence that contains relevant and interesting information, which keeps drawing your customers back time after time, more often than not requires data rich content and your customer to be on broadband to enjoy the experience.

By integrating back end databases with your website or farm automation systems, more targeted and customer centric marketing offers and services can be provided, plus a greater opportunity to differentiate your company from your competitors.

Web based marketing and e-retailing increases your geographical footprint and in turn traffic. This increases your opportunities to increase spend from existing customers and attract new customers. Through additional value added services to websites such as relevant news, blogs, accounting and farm management services and web portals (to name a few), combined with site optimisation, significant traffic will be driven to your site.

Even something as simple as having regular weather forecasts on your site or emailed to your customers can develop a relationship that sees your company being top of mind with your clients. This has already been adopted by leading rural retailers and I am told by many is the most visited part of their site.

The internet also provides customers the opportunity to research buying decisions prior to sale. Companies who are not represented well in this space (at the point of research) are risking missing the sale. It is also important to note that the bigger the level of expense, the greater the level of research. Intelligent companies are thus ensuring that their sites are information rich to empower their customers in the research process.

We are beginning to see companies realising that a connected rural customer base is a platform for a strong customer relationship. Companies who have embraced this concept can also significantly reduce the cost of communicating with their current and potential customer base, while communicating in a more timely and direct manner.

For example, a direct mail campaign to rural New Zealand can cost in the vicinity of \$40,000 (from our businesses experience). If half of rural New Zealand was connected, \$20,000 per campaign could potentially be saved. This is a significant saving to any company especially if customer communications are sent monthly for such things as statements.

All of this information poses a catch 22 scenario in that we know rural broadband uptake is not as quick as we all would want. I feel that rural telecommunications providers have a role to play in this area, but to create real growth in rural broadband uptake, it needs to be a joint approach with business, educational institutes, support groups, industry bodies, technology suppliers and the government.

We've got some ground to cover. There are still large numbers of rural New Zealanders that do not know what they are missing out on and how much they will benefit from a cost effective and more reliable broadband service.

Collectively we have to create the compelling case for rural broadband uptake.

Thank You