

# TECHNOLOGY REPORT

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'If I find one of our guys streaming a soccer game, with 1 gbps I don't care'

—Craig Waldman, CEO, DeepTech Inc., Page 12

## On broadband's cutting edge

Startups like Brooklyn Fiber offer Internet service 20X faster than typical fare—at 1/20th the price

BY MATTHEW FLAMM

Gigabit-speed broadband, which delivers Internet speeds that are 20 times faster than your typical connection, could one day make things possible that sound like science fiction: holographic conference calls or virtual-reality tours of foreign countries.

But, for the most part, in New York the high-speed service has been reserved for banks, data centers, hospitals and other large-enterprise bandwidth hogs that can afford a monthly tariff of \$3,000 to \$10,000.

Now that calculus is beginning to change with the help of several small, independent operators, most notably Red Hook-based Brooklyn Fiber. This month, the five-person startup began rolling out

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**SPEED DEMONS:**  
Brothers and  
Brooklyn Fiber  
founders Eric and  
Rob Veksler



# On the cutting edge of broadband

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gigabit service in Sunset Park's Industry City complex at the breakthrough price of \$500 a month—in the process demonstrating it is possible to bring super-fast Internet to the little guys.

And along with the growing number of affordable gigabit options, there will also soon be LinkNYC, which will begin replacing public pay phones with a free gigabit Wi-Fi network by the end of the year.

The quantum leaps in speed—the result of advances in technology as well as the willingness of new players to experiment—are still limited to small portions of the city. But the new ventures will make it possible for some businesses to leapfrog from old copper lines to broadband's cutting edge.

The question now becomes: What to do with the Ferrari of Internet connections?

After Google Fiber brought \$70-a-month gigabit broadband to Kansas City in 2012, civic groups began holding hackathons to figure out what to do with it. LinkNYC will do something similar: The consortium behind the project is planning workshops around the potential for a con-

## PICKING UP SPEED

Downloading (or uploading) a movie of 8 gigabytes file size:

100-mbps connection:	16 minutes
1-gbps connection:	1 minute, 36 seconds

Source: MeridianOutpost.com

nection that's 20 times faster than the city's average of 50 mbps.

### Bandwidth bandwagon

For now, though, the high speeds could make a big difference in Industry City, where Jamestown Properties has been welcoming Internet service providers since it took control of the former warehouse complex in 2013.

Postproduction studios, for instance, spend time and money compressing video files in order to transmit them. With "symmetrical" gigabit service, which provides the same speed for uploads and down-

loads, they wouldn't have to.

"They were looking at tens of thousands of dollars for this kind of bandwidth before," said Eric Veksler, chief executive of Brooklyn Fiber, who founded the company three years ago with his brother Rob. "This is going to draw those kinds of customers to these buildings. It's that important for them."

Animation and artist studios, tech startups and financial and health care companies are among the other small and medium-size businesses that might be drawn to low-cost gigabit bandwidth in Brooklyn. Firms like those are already making use of it in Manhattan, where startup Pilot is offering the service for \$1,000 a month.

"With all the extra bandwidth, we can now offer additional services, and being able to bill additional sales has more than paid for [the service]," said Craig Waldman, CEO of DeepTech Inc., an IT consulting firm on West 25th Street that switched to Pilot's gigabit connection three months ago. "And if I find one of our guys streaming a soccer game, with that amount of bandwidth I don't care."

Both Brooklyn Fiber and Pilot make some sacrifices to deliver these low costs. Neither provides a dedi-

cated line, which many large companies and some smaller ones require because it gives them greater consistency and reliability, and comes with a service-level agreement that puts strict limits on downtimes.

The providers say, however, that their shared connections offer virtually the same reliability as dedicated circuits, and that they can manage capacity so that customers never see a slowdown. The cost to providers of transmitting data runs about 50 cents per megabit—not counting construction or labor—so having multiple users share the connection is part of keeping prices low.

Pilot, which launched in August with the gigabit product and a 100-mbps service for \$500, is seeing the gigabit win out. But just offering it makes a statement.

"We're setting the bar high," said CEO Joseph Fasone, who created Pilot out of the startup accelerator Techstars NYC last year. He considers the company one of "a new breed of Internet providers."

But while they may be shaking things up, these new providers are a drop in the bucket in terms of serving the city's broadband needs. In Manhattan, the most-wired borough, only about 10% of commer-

cial buildings have business-class broadband, and most of those are in the financial district or midtown.

The high cost of running fiber from the street into buildings and the uncertainty over whether enough tenants will sign up have put a brake on broadband deployment.

### Hard digging in NYC

"It's so hard to dig in New York; even getting 100 megs in a building is hard," said Joseph Stornelli, an independent consultant who helps small and medium-size businesses with their IT needs.

The good news is that the providers are watching each other.

Independent ISP Stealth Communications currently offers gigabit service in Manhattan for \$2,000 a month, with a dedicated circuit. Later this year, the 20-year-old company will be extending its fiber network to Brooklyn, and is planning an even lower-cost option: a dedicated 100-mbps line that can offer "bursts" of bandwidth up to 1,000 mbps from a shared connection.

"We're conscious that businesses in Brooklyn are more price-sensitive," said CEO Shrihari Pandit, who is looking to create products in the \$200 to \$500 range. "We want to be competitive on capacity, not just pricing." ■

 LISTEN to a discussion at [CrainsNewYork.com/podcasts](http://CrainsNewYork.com/podcasts)

# Radio advertisers know what you're feeling

And they're using that knowledge to sell you stuff

BY MATTHEW FLAMM

Mood rings are coming to radio advertising.

Independent media-services giant Horizon Media is preparing to add how you feel to all the demographic information that marketers use for targeting their messages. That means the ads they cook up will take into account the time of day you're listening, whether it's on terrestrial radio or a digital platform like Pandora, and what sort of mood that puts you in.

It sounds a little flaky, but Horizon is dead serious. This "mood-based road map," the company announced last week, was developed in collaboration with iHeartMedia (formerly CC Media Holdings, parent of Clear Channel Radio) and relies on a study conducted by London-based brand-strategy firm Sparkler.

### Multimillion-dollar budget

Consumers and industry experts were also polled, including iHeartMedia Chief Executive Bob Pittman and Pandora co-founder Tim Westergren.

The project consumed a "substantial part" of Horizon's multi-



BOB PITTMAN of iHeartMedia weighed in on the many moods of radio listeners.

million-dollar research-and-development budget during the past year, according to a spokeswoman.

What did it find out?

AM/FM radio is likely to put listeners in a happy, outgoing mood, since it usually involves connecting with a community or the DJ.

That's in the evening. During the day, the mood might involve "filling a void"—as in getting through (or avoiding?) work.

Pandora or Spotify listeners tend to be more inner-focused, since people usually listen to digital

platforms alone.

The ad agency's research tracks a dozen moods, including "energetic, calm, content, surprised, inspired and excited," according to Lauren Russo, Horizon's managing director of audio and promotions.

"We've always known audio has a deep emotional connection with the consumer," she said in an interview. "We thought mood was a great avenue to explore. Instead of [making investments] based solely on demographics or scale, we want to reach people by key moods throughout the day."

The creative advertising side will have to come up with spots that make use of knowing your mood, Ms. Russo acknowledged. In addition, mood data will be combined with ratings information from Nielsen.

A dedicated division at Horizon will build out this "mood-based proprietary planning tool," which will go live in September and be the basis for all of the company's audio advertising investment within a year, according to the spokeswoman.

"We believe this will translate into the way things are bought and sold," said Sheri Roder, chief of Horizon's Why Group, which studies consumer behavior. "It won't be about the value of the demographic, it will be the value of the psychographic. That hasn't happened yet, but we're moving toward it, and this is another piece." ■

# \$50M funding lifts Gilt Groupe

The flash-sales site will use the money to speed expansion internationally

BY ADRIANNE PASQUARELLI

Gilt Groupe has received some fresh funding. The flash-sales site said last week that it raised \$50 million, its first round in four years. The new investment brings the e-commerce company's total funding to \$286 million since it was founded in 2007. "The money will be used to further accelerate marketing as well as international expansions," said a Gilt spokeswoman. The company last month partnered with travel site Luxury Link on global hotel deals.

Once an e-commerce darling for its innovative sales of high-end designer goods, Gilt has struggled to remain relevant as competitors have fallen by the wayside. It has long been expected to go public—the most recent speculation positioned an IPO, for which Goldman Sachs was hired, in late 2014. Gilt was val-

ued at \$1.1 billion in October.

The company has also prided itself on not needing to raise additional investment. As recently as October, founder and Chairman Kevin Ryan told *Crain's* that Gilt has not raised equity since 2011 because it has not needed it. He also noted that the company has more employees now than it had during its last funding round.

Gilt is up against customers who have grown weary of flash sales bombarding their email inboxes. The shopping model, which emerged during the recession as an answer for bargain-hunting consumers eager to save a buck on luxury items, has proved nearly impossible to sustain.

Designer-home-goods site Fab, once valued at \$1 billion, had several rounds of

layoffs before it was spun off into Ikea-like single-branded furniture company Hem, based in Berlin, last fall. Gilt's local competitor Ideeli was bought by Groupon last year, and tried to rebrand as Ideel. And Zulily, a flash-sale site for children's goods, went public in 2013 and has seen its stock price fall 80% in the past 12 months, plummeting to a recent 52-week low. ■



Kevin Ryan