

Latest MDU Survey: It's Over the Top!

Let the free-for-all begin. **BROADBAND COMMUNITIES'** latest survey of MDU owners and managers, conducted by Michael Render of RVA LLC, shows that owners still leave money on the table by undervaluing residents' broadband needs.

By Steven S. Ross / *Broadband Communities*

BROADBAND COMMUNITIES' latest survey of personnel at organizations that own or manage multiple-dwelling-unit buildings (MDUs) shows a continuing disconnect: Tenants and condominium owners want better broadband, but owners are unwilling to provide the very best – fiber to the home. Only one of four new MDUs includes FTTH, despite owners' and managers' reporting that broadband services now top the list of amenities desired by prospective tenants and unit owners.

Owners and managers see increasing use of over-the-top (OTT or “cord-cutting”) as a significant trend – and they perceive bulk Internet to be at least as important as bulk TV.

Although FTTH is now available to more than 20 percent of the U.S. population, only 39 percent of MDU owners and managers and 27 percent of residents are aware of the term “fiber

to the home” or FTTH. In general, however, perceptions of MDU owners and managers toward broadband-related issues, and particularly ultra-broadband issues, continue to lag the perceptions and needs of their own residents.

- Owners and managers are undereducated about needs for mobile access within buildings.
- Owners and managers responsible for large, upscale buildings or employed by large, active property developers are more attuned to residents' desires and their demand for more broadband.
- Marketing professionals, developers building new MDUs and owners of large, high-end MDUs are more likely than others to be aware of fiber to the home.

Michael Render, president of market research firm RVA LLC, conducted a survey of 300 MDU owners and managers for **BROADBAND COMMUNITIES** in March 2015 and presented the results at the Summit in April 2015. In some cases, he compared the responses to his spring 2014 survey of MDU residents.

The new survey comes at a turning point in FTTH deployment. Until now, telephone companies have deployed almost all residential FTTH. Cable companies have been active in deploying fiber to business customers but only rarely deployed residential FTTH. Now, telcos

Although FTTH is now available to 20 percent of the U.S. population, only 39 percent of MDU owners and managers were aware of it.

are focusing their capital investments to exploit the profit opportunities in cellular communications and to meet mobile data demands; at the same time, multiple new technologies allow cable operators to adapt their networks to handle two-way, high-volume broadband traffic:

- 100-gigabit switches and wave-division multiplexing allow cable companies to bring more bandwidth to DOCSIS nodes, which usually terminate the fiber portion of the cable companies' hybrid fiber-coaxial networks.
- Advances in compact, low-power electronics simplify node-splitting so that each DOCSIS housing or location can contain a dozen nodes, each serving 30 to 50 homes rather than 100 to 500.
- DOCSIS 3.1 has an option cable companies can use to carry broadband from the nodes all the way to the customer, if necessary, using Ethernet (and even GPON) over fiber, coax or a mixture of the two.
- Some cable companies are leveraging the fiber they built to reach business customers to serve nearby residences with direct fiber to the home.

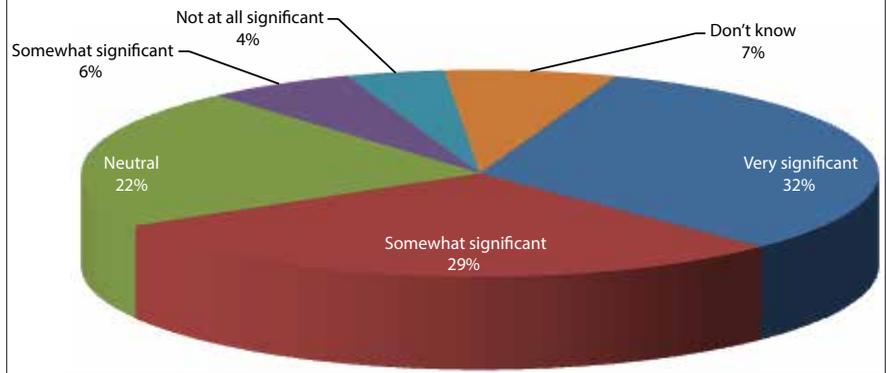
CORD-CUTTING AND BULK SERVICE

Recent consumer research by **BROADBAND COMMUNITIES** and others has consistently shown that use of online television services is significant and expanding and that it varies greatly by age.

Currently, more MDU residents have bulk TV than have bulk Internet. In the survey responses, both bulk numbers seemed somewhat high. According to Render, some owners and managers may have misinterpreted the question as asking about TV and Internet within their bulk-service properties, rather than as a percentage of all their properties.

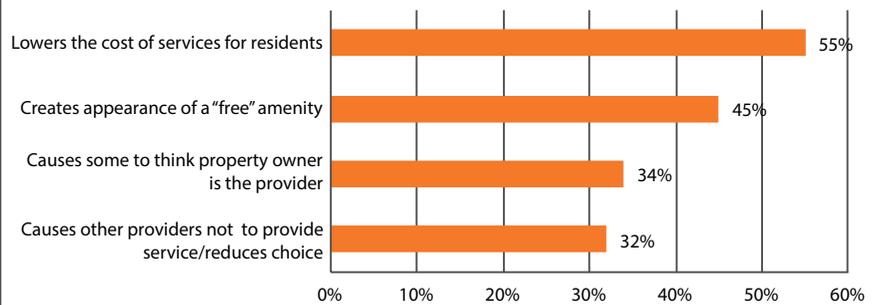
The most prevalent attitude about bulk services among the respondents to the 2015 survey is that they lower the cost of service to residents. Bulk pricing is, of course, often used in lower-income MDUs and in student housing.

More Than 60 Percent of Owners and Managers Called Trend to OTT Significant – Spring 2015



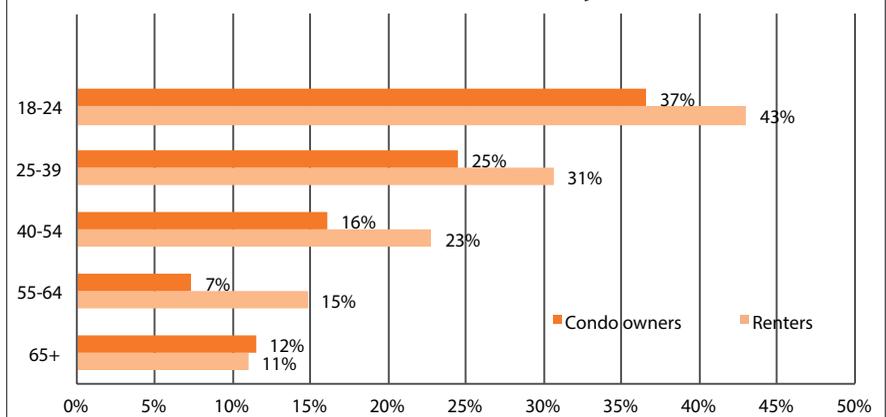
Owners and managers generally see increasing use of over-the-top (OTT or "cord-cutting") video as a significant trend.

Perceptions of Bulk Services Among Owners and Managers



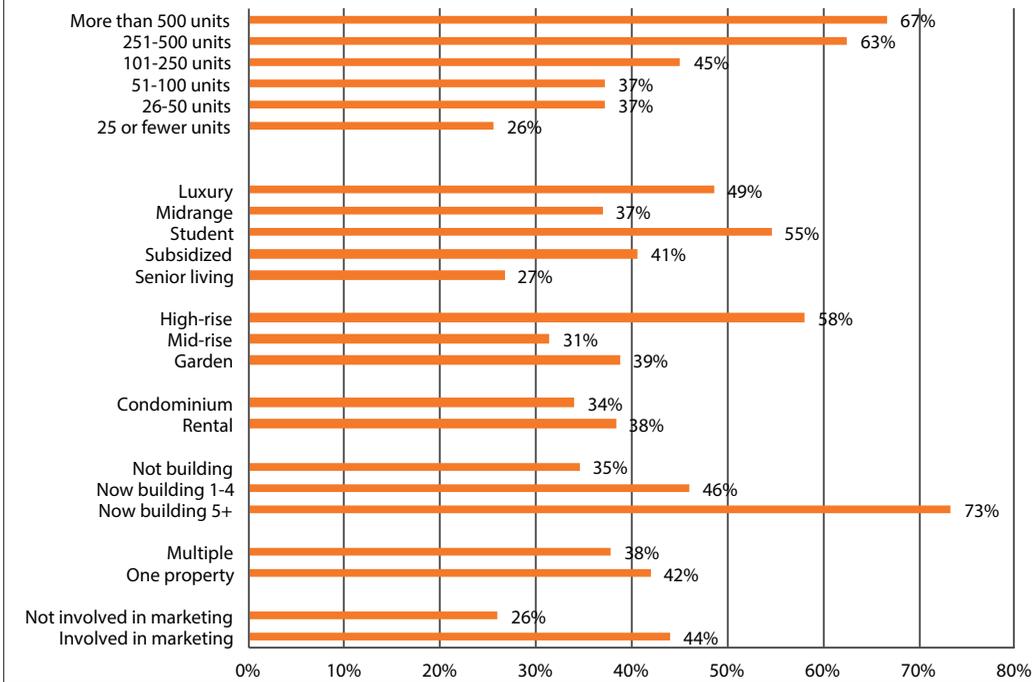
MDU owners and managers said that bulk services lowered the cost of service to residents.

More Than One-Third of Condo Owners and MDU Renters Used OTT by 2014



Recent consumer research has consistently shown that use of online television services is significant and varies greatly by age.

Awareness of FTTH Among Owners and Managers by Building Type



Awareness of FTTH is higher among owner personnel involved in marketing, those building new MDUs and those with large or high-end MDUs.

MDU Managers and Owners Versus Residents: The Most Important Amenities (Percent rating somewhat or very important to residents)



Owners and managers significantly undervalued some amenities, including fast Internet. Residents placed broadband well above cable television.

THE FIBER CONUNDRUM

More than 60 percent of MDU owners and managers said they marketed broadband as an amenity. Terms such

as “fiber optic Internet” and “gigabit Internet” may be better promotional choices than FTTH. According to other RVA research, the terms “FTTH”

and “fiber to the home” are relatively unknown outside the industry. On the other hand, “fiber optic Internet” is fairly well known, and “gigabit Internet” is gaining awareness in competitive regions.

Although owners and managers said they considered fast broadband their second most important amenity (residents place fast broadband at the top of the list), the survey responses showed some ambivalence. Only 39 percent of the owners and managers surveyed in 2015 (and the same percentage of residents surveyed in 2014) recalled discussing broadband before move-in.

Said one manager, “Prospective tenants *never* ask about Internet.

It only comes up long after they have committed to lease a unit. So Internet, like electricity or other utilities, is just that ... an expected and boring utility that costs money and is a concern for the nerdy only.”

Larger property developers are better informed. Owners that are currently building five or more new MDU properties place broadband in the top tier – above cable television. Consistent with **BROADBAND COMMUNITIES’** last survey of owners and managers, in 2012, the 2015 survey found that broadband was valued more by those currently building five or more properties, those with owner-occupied units, and those with larger- and higher-end properties.

The most important specific communications elements noted by owners and managers, aside from fast broadband, were universal mobile reception and fast Wi-Fi.

FIBER AND PROPERTY VALUES

In open-ended responses to questions, some owners and managers questioned the importance of additional speed from FTTH. Evidence needs to be presented to owners and managers as to the value of broadband to residents and of changed behavior because of this amenity.

In line with 2014 survey results from MDU residents, owners and managers agreed that fast broadband brought value to MDU projects. However, owners and managers seemed to think in soft-dollar terms. Nearly two-thirds of owners and managers acknowledged that fast broadband increases customer satisfaction. In terms of actual value, they rated higher occupancy rates, increased prices and fewer outages as most important. Although they said better broadband would lead to higher broadband satisfaction, they were less likely to say that broadband had important real value.

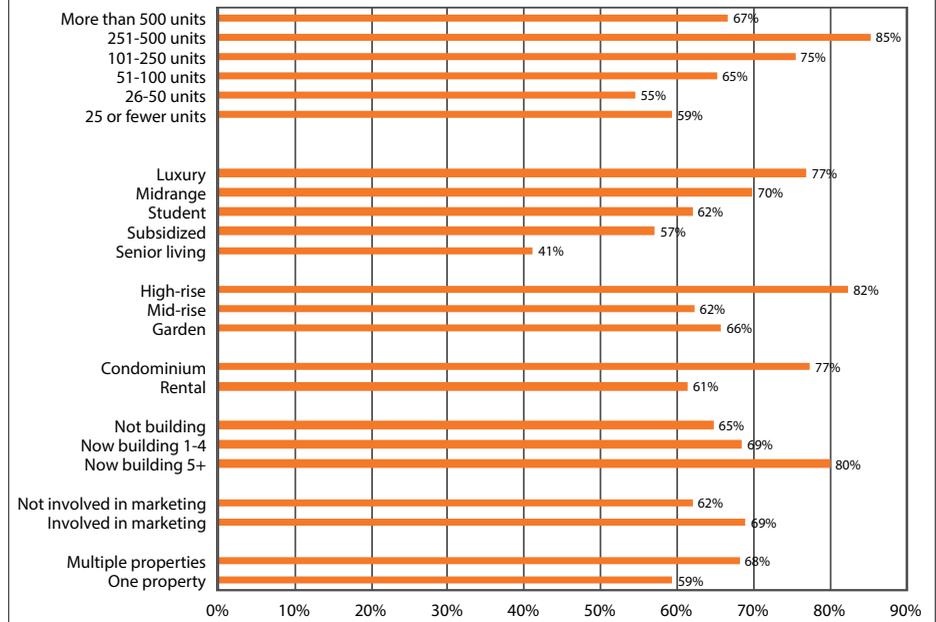
In contrast, MDU residents said that better broadband impacted their satisfaction with broadband; they also said that better broadband made them less likely to move and more willing to pay higher rents and higher condominium purchase prices.

Indeed, consumer data clearly indicates perceived value from broadband that would lead to lower costs for customer acquisition and customer replacement as well as higher rental revenue. Through a series of questions, residents indicated in 2014 that they perceived approximately \$5,600 in additional value for a \$200,000 home and \$81 additional monthly rental value for a \$1,000 rental apartment.

MDU residents surveyed in 2014 also reported higher satisfaction with FTTH compared with other types of broadband.

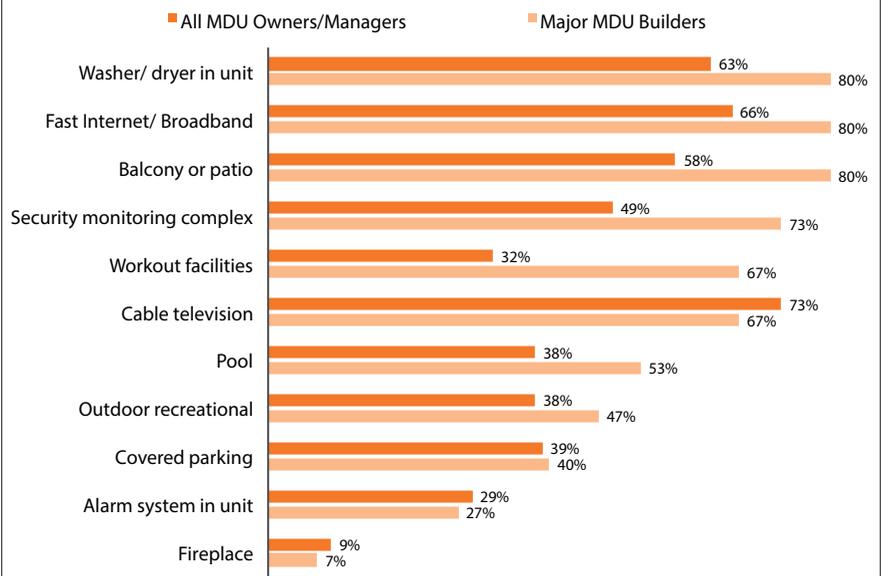
There also appears to be a correlation between overall home satisfaction and broadband satisfaction.

Importance of Fast Internet/Broadband as Viewed By MDU Owners and Managers



Within the various MDU industry segments, broadband was valued more by owners currently building five or more properties, managers with owner-occupied units and owners with large and high-end properties.

All MDU Managers and Owners Vs. Large Builders: The Most Important Amenities

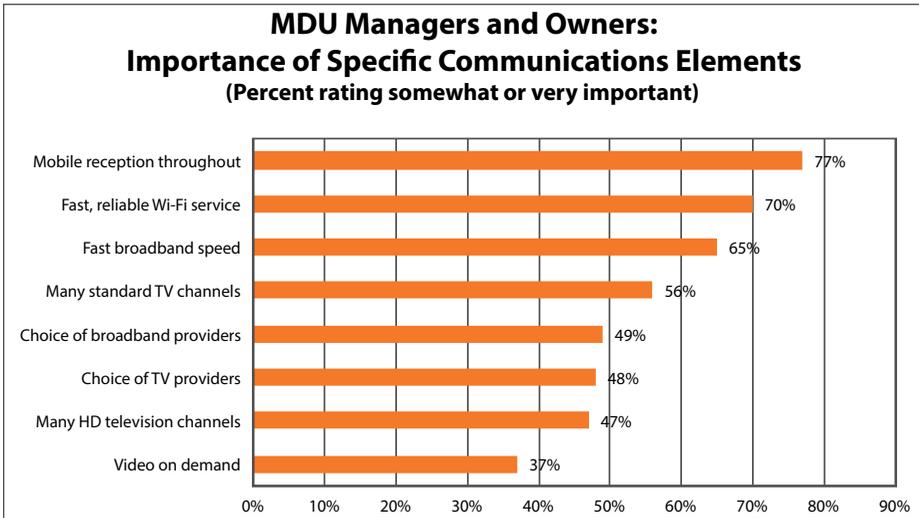


Owners that were in the process of building five or more new MDU properties placed broadband above cable television but below in-unit laundry equipment.

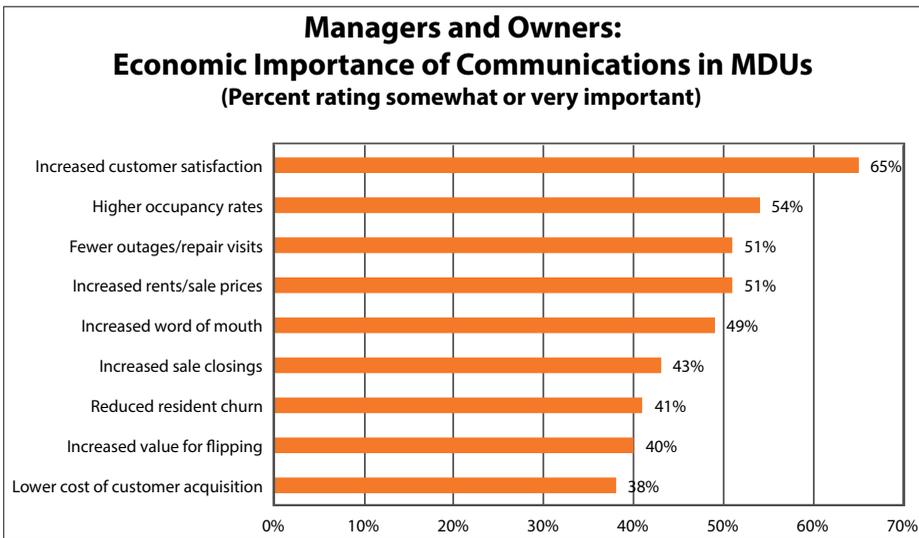
Satisfaction should lead to fewer resident complaints and lower churn. For example, there appears to be a negative correlation between having

FTTH and planning to move.

The broadband speed advantages of FTTH are now heavily marketed and appear to draw customers, even in



Broadband as an amenity means more than bandwidth. The most important specific communications elements noted by owners and managers were universal mobile reception, fast Wi-Fi and fast broadband speed.



Nearly two-thirds of owners and managers acknowledged that fast broadband increases customer satisfaction. They said important value drivers were high occupancy rates, high prices and few outages.

an age where the only application that specifically requires gigabit speeds is the application that proves a user has it. In other words, consumers apparently respond to speed claims even if they don't buy the current top tier available. However, they also strongly value increased quality and stability of advanced broadband.

In an open-ended question, FTTH users surveyed in 2014 rated better reliability and service above speed

as important FTTH advantages. FTTH users in 2014 also reported less frustration and fewer service problems than users of other types of broadband. Thus, the marketing message for fiber optic Internet should be broadened to include reliability and the value of speed (upstream and downstream) in real life.

Broadband's importance also shows in respondents' dependence on service. When asked to describe their last

frustration with broadband, about 60 percent reported temporary problems related to not being able to connect.

NEW CONSTRUCTION

Some owners and managers said their companies were building FTTH into all new buildings – even when fiber was not yet available to connect to in a particular area. Those placing FTTH in all new MDUs said they were often unable to offer fiber optic services to residents but believed in its benefits and were preparing for its coming availability.

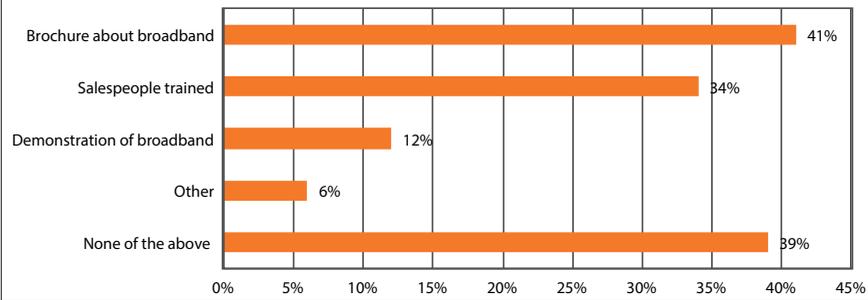
Indeed, in new construction, the cost of deploying FTTH is typically the same as or less than that of deploying copper. There's also a construction cost savings in smaller equipment rooms and smaller risers. However, only 17 percent of owners and managers building new properties said they placed FTTH in all new properties. Another 31 percent said they placed it in some. In total, FTTH is built into only a quarter of new properties today.

In both open-ended and structured responses, developers that were not building FTTH in any new MDUs cited cost, lack of service availability and lack of residents' need. Owners and managers need more evidence of the importance of advanced broadband and more education about its implementation – including the fact that there is not always additional cost. When asked what information about FTTH would be helpful, respondents' answers included cost, service quality and installation impact.

EXISTING BUILDINGS

Respondents interested in placing FTTH in all existing MDUs cited innovation, resident benefits and benefits to the business, such as increased sales and less resident churn. However, only 7 percent of MDU

How MDUs Market Broadband Amenity (2015 study, MDU owners/managers)



Though 60 percent of MDU owners and managers said they marketed broadband as an amenity, they also stated that few prospects asked about broadband.

owners and managers said they were retrofitting properties with FTTH. Retrofitting older buildings with FTTH is more common among those with large properties.

On the other extreme, open-ended responses by those who had no interest in retrofitting existing buildings noted factors such as lack of knowledge, a belief that adding FTTH would not make enough difference to their income, the perceived cost and lack of service availability.

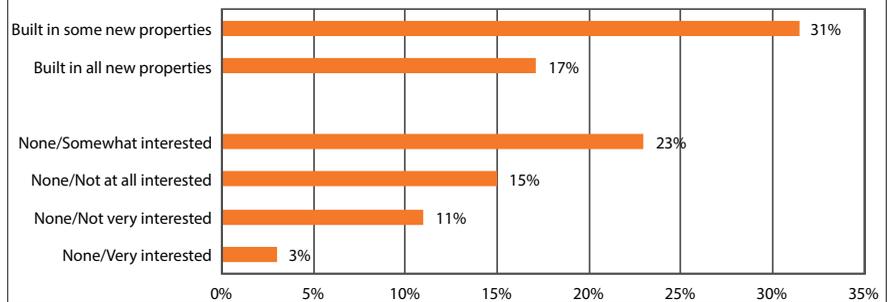
In answers to specific questions, MDU owners and managers said barriers to retrofitting included perceived costs, skepticism about ROI time and hassle.

BREAKING THE PATTERN

MDU owners and managers, as well as homeowner associations, could improve the value of their properties by aligning their perceptions of the importance of fast broadband with their residents' perceptions. Educating owners and managers will clearly require detailed illustrations of the value proposition of fast broadband and its impact on property finances. ❖

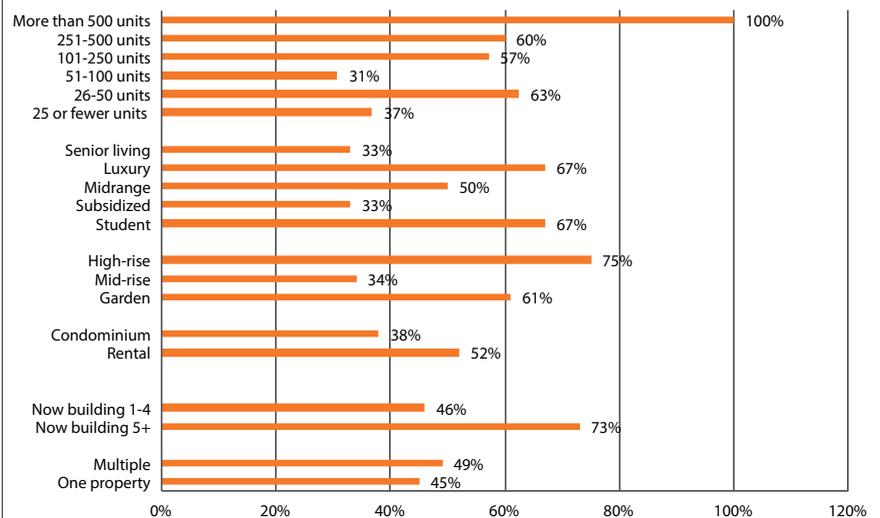
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New Properties Built With FTTH (2015 study, MDU owners and managers)



Only 17 percent of MDU owners and managers said they were building FTTH into all new properties, but almost half were building FTTH in at least some new properties.

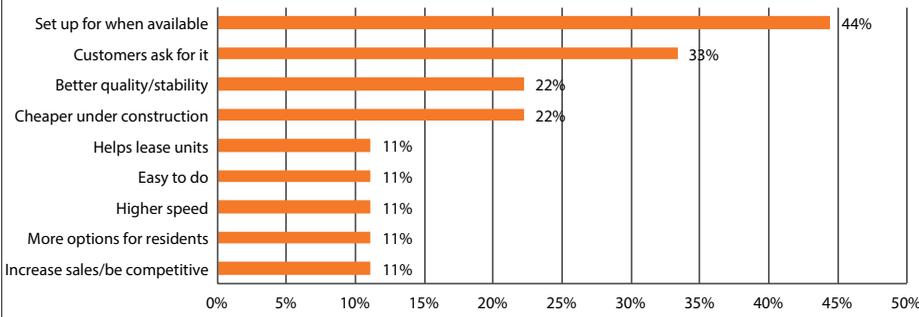
Respondents Building Some or All Current Properties With FTTH 2015 Owners and Managers Study by Typical Subgroups



Owners with many properties and those with large or affluent properties were more likely to be building FTTH.

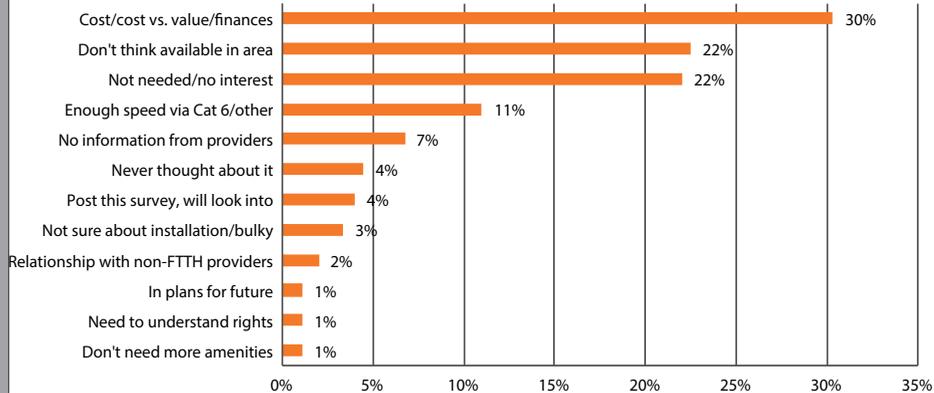
Fiber isn't always available at new MDU sites, and there isn't always a service provider willing to offer FTTH services. Some developers go ahead and wire new buildings with fiber anyway.

Reasons For Building FTTH in All New MDUs
(2015 study, MDU owners and managers, open-ended responses)

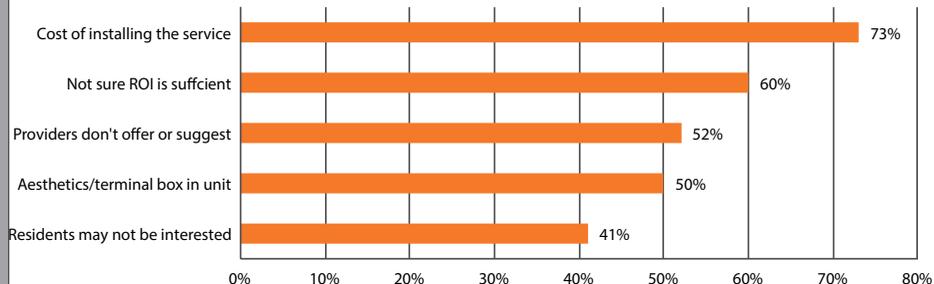


Owners placing FTTH in all new MDUs said they were often unable to offer services to residents but believed in fiber's benefits and were preparing for its coming availability.

Reasons For Not Building FTTH in All New MDUs
(2015 study, MDU owners and managers, open-ended responses)

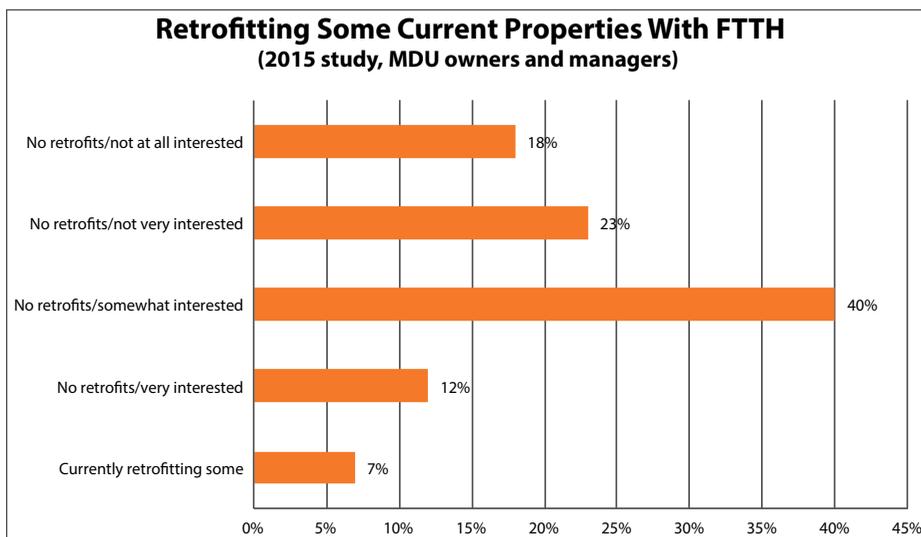
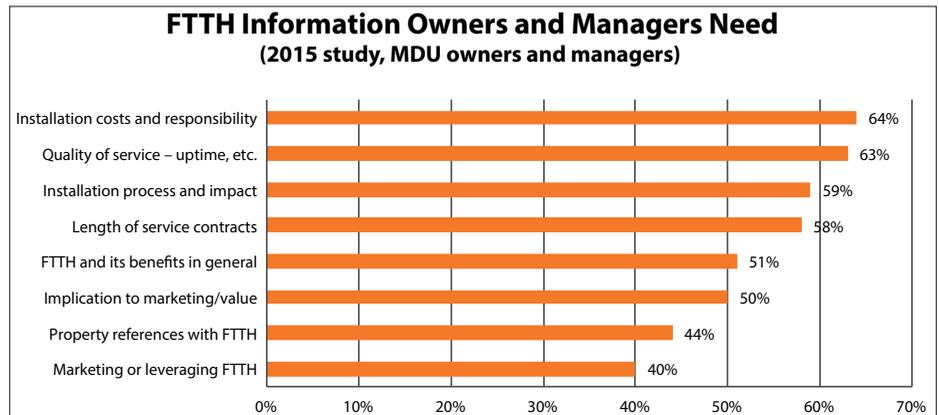


Barriers to Building FTTH in All New MDUs
(2015 study, MDU owners and managers, multiple choice)



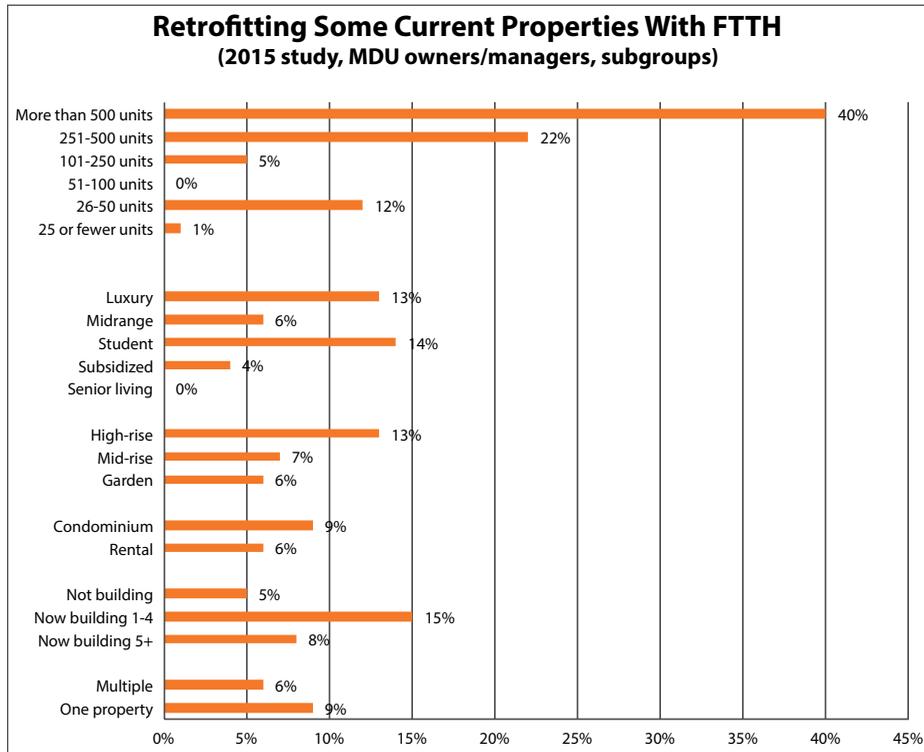
Owners that were not building FTTH in any new MDUs cited cost, lack of service availability and lack of residents' need.

When respondents were asked what information about FTTH would be helpful, answers included cost, service quality and installation impact.

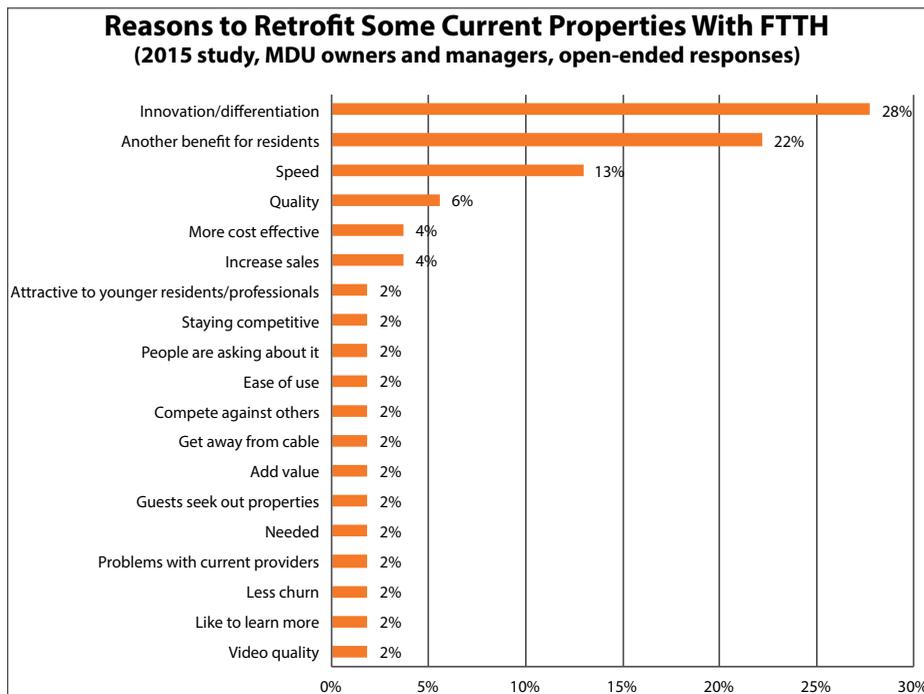


Only 7 percent of MDU owners and managers said they were retrofitting existing properties with FTTH.

Many property owners aren't building FTTH networks in any MDUs because they don't know enough about it. They need information about costs, services, reliability and the installation process as well as details about FTTH's impact on property values.

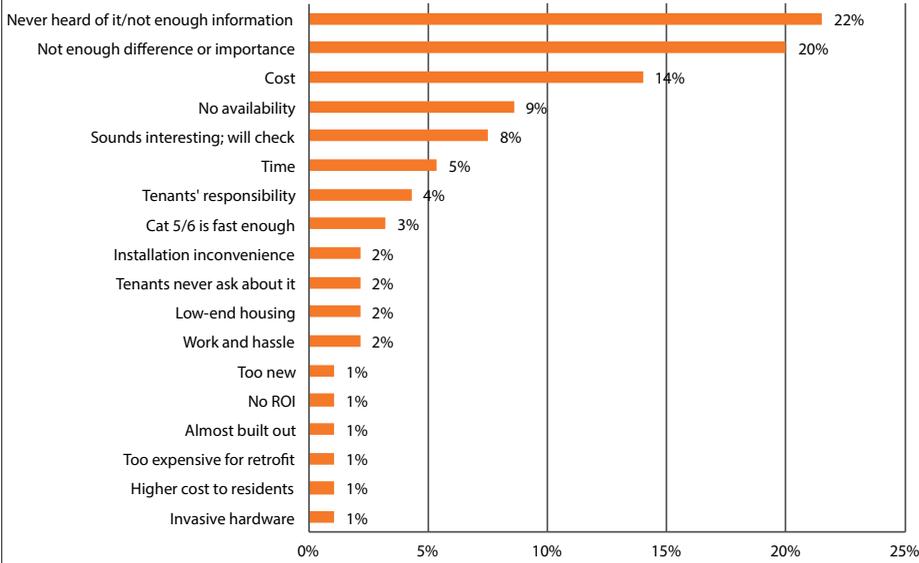


Retrofitting older buildings with FTTH is more common among owners of large properties.



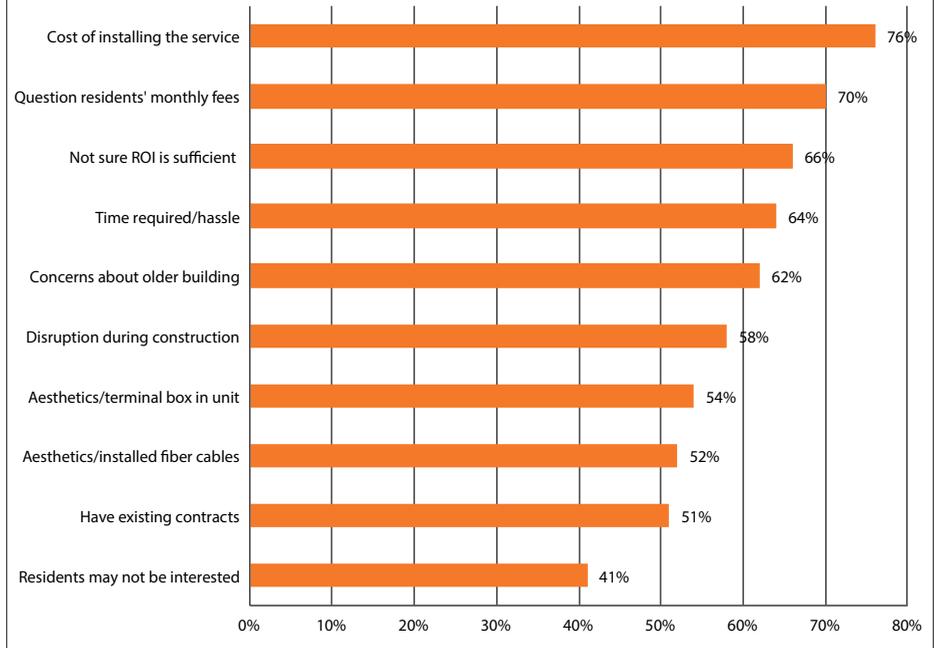
Respondents interested in placing FTTH in all existing MDUs cited innovation, resident benefits, and benefits to the business such as increased sales and less resident churn.

Reasons for No Interest in Retrofitting Current Properties With FTTH (2015 study, MDU owners and managers, open-ended responses)



Responses by those without interest in retrofitting existing buildings noted factors such as lack of knowledge, a belief that FTTH would not make enough difference to customers, perceived cost and lack of availability.

Barriers to Retrofitting Current Properties With FTTH (2015 study, MDU owners and managers)



Answering specific questions, MDU owners and managers said barriers to retrofitting properties with FTTH included perceived costs, skepticism about ROI, time and hassle.



For additional charts, see the digital edition of this article, online at www.bbcmag.com.