

# Addressing the Market: Profile of North American MDU Residents

A distinct group, they deserve special consideration and separate strategies.

By Amy Cravens ■ *In-Stat/MDR*

**M**DU residents are a unique breed. As compared to single-family home residents, MDU residents display a particular set of characteristics that define them as a separate audience from other residential consumers. More and more marketers, particularly communications service providers, are identifying the MDU as this unique audience and are developing divisions and strategies particularly targeted to this market.

## Sizing the MDU

And it is a growing market; the MDU has grown from 18.7 million households in 2000 to a projected 20.1 million households in 2005—which further highlights the importance in understanding this market. This represents a faster growth rate than overall US households over the next several years. In terms of absolute market size, the US is in the same range as Japanese and German MDU markets.

The Canadian market is only one-fifth the size of the US, but actually represents a greater percent of total households (30 percent of Canada's households are MDUs compared to 18 percent of US households). There is also a relatively high rate of MDU ownership in Canada, with 38 percent of MDUs being owner-occupied, which is similar to Europe. In the US, by comparison, ownership of MDUs is very low, with the exception of the top metropolitan areas like New York.

## Demographic of US MDU Dwellers

In-Stat/MDR conducted an independent primary research study of US consumer telecom usage in April 2004. The data collected in that survey was

segmented according to the residence type. The following data draws from the results associated with apartment-dwelling respondents in that survey.

Over two thirds of MDU residents are living in a building with five or more units. From a broadband delivery perspective, this is a positive indicator, as it suggests that the majority of MDU dwellers reside in larger apartment buildings/communities, relatively speaking. These larger properties are the more lucrative properties for service providers, as they represent more potential subscribers.

As would be expected, apartment dwellers also tended to be much more heavily concentrated in urban and, to a degree, suburban environments, compared to the total US households. Less than 30 percent of total respondents indicated living in an urban setting, while over 50 percent of apartment dwellers are in urban environments. It is not surprising that apartment dwellers are not concentrated in rural locations; it is, however, interesting that urban apartment dwellers were almost double the number of suburban dwellers.

Apartment dwellers tend to be younger, on average, than respondents residing in single-family homes. The largest group of apartment-dwelling respondents, by age, was the 25-34 age group. However, when looking at the percent of respondents in each age group that resided in apartments, the 18-24 age group was the largest, with 33 percent of respondents in this age category residing in apartments. Both of these results suggest that apartment communities tend to cater to a younger audience.

As is often associated with youth,

this audience also tends to have a lower annual income. Apartment dwelling respondents were most heavily concentrated in the under-\$25,000 income brackets, while the total respondent base was more evenly distributed through income groups up to \$75,000. From a marketing and promotions perspective, it is important to consider that residents in apartment communities tend to have less income.

However, although income may on average be lower than homeowners, spending on broadband services may be nearly equivalent. Discretionary income may not entirely correspond to income, as some of these individuals may have fewer financial commitments (mortgage, child care, children's education, etc), and, thus, in ratio to income a higher discretionary spending budget. These respondents, being young and more tech-focused perhaps, may choose to spend a greater percentage of that discretionary spending on communications (including cable TV, phone, and Internet).

Apartment dwellers represent a wide array of occupational groups. Interestingly, according to In-Stat/MDR research, the highest concentration of MDU residents were retired, with those aged 65 or older being well represented in apartment residences. Student was the second most frequently elected occupation among apartment dwellers, with a significantly higher showing than among the total residential market.

Unemployment is also more heavily concentrated in the MDU versus single-family residences, yet those in the medical profession also had a higher representation in the MDU. One group

with less representation was homemakers, which is likely because this is a younger audience, less likely to have kids and be in a financial position to stay at home.

#### Use of Communication Services

Apartment dwellers tended to have a slightly lower usage rate of most of the services, compared to the total respondent base. The category with the largest differential was Satellite TV (likely due to restrictions placed by apartment communities on the use of satellite dishes), followed by Internet access. Service providers could see lower adoption of Internet access as a barrier in that it represents a lack of interest on behalf of this audience, or it could be seen as a significant opportunity of serving the needs of this under-served market.

#### Which Services Do Apartment Dwellers Use Most?

	Total	Apartment Dwellers
Local phone services	98%	99%
Utilities	96%	94%
Long distance phone	65%	58%
Cable TV	60%	70%
Wireless phone services	54%	43%
Internet access	50%	38%
Satellite TV	21%	8%
In-home entertainment	20%	18%

Source: In-Stat/MDR, 04/04

Among those apartment-dwelling respondents that have Internet access, the majority has dial-up access, predominantly regular dial-up, but some high-speed dial-up as well. Use of broadband was higher among apartment dwellers with Internet than among the total respondents. This indicates that while these respondents may have less income, those that have an interest in Internet access, are willing to pay for a higher level of service.

## BUILT TO LAST

There's a sense of certainty when you can count on the permanence of something great. At 4COM, our unwavering commitment is to provide cable operators access to satellite programming services. Experience is our foundation. Enduring customer service is what you can depend on!

**4COM**

1-800-737-0852 • [www.4com.com](http://www.4com.com)

## What Type of Internet Access do You Use?

	Total	Apartment Dwellers
Regular Dial-up	50%	40%
Cable Modem	19%	22%
DSL	11%	14%
"High-speed" Dial-up	7%	11%
Fixed Wireless	4%	10%
Satellite	1%	0%
Don't know/Refused	7%	4%

Source: In-Stat/MDR, 04/04

Just under half of apartment dwelling respondents with Internet access feel "completely" or "very" loyal to their current Internet provider. This is just slightly lower than among the total respondent base. While this response of loyalty is fairly high, there is still a significant market of non-loyal users, which presents an opportunity for providers to win these subscribers from other providers. The vast majority of those respondents that are not loyal are also planning to switch providers in the next 12 months, representing significant opportunity to "win" these subscribers.

## Plans to Switch Internet Providers

	Total	Apartment Dwellers
Yes	16%	18%
No	80%	79%
Don't know/Refused	4%	3%

Source: In-Stat/MDR, 04/04

There is a significant interest in bundled services. Over one-quarter of apartments dwellers indicated that they currently have a bundle of services (meaning two or more services from a single provider). Furthermore, 42 percent of apartment dwelling respondents would be willing to consider switching providers to purchase services as a bundle, especially if services are discounted. Looking at loyalty and willingness to switch providers, there is significant opportunity to win current Internet subscribers with improved service, bundled packages, or discounted pricing.

## Do You Currently Buy Services in a Bundle from a Single Provider?

	Total	Apartment Dwellers
Yes	31%	26%
No	66%	69%
Don't know/Refused	3%	5%

Source: In-Stat/MDR, 04/04

## Willingness to Switch Providers to Purchase Services as a Bundle

	Total	Apartment Dwellers
Yes	19%	20%
No	50%	56%
Depends on Service and/or Price	29%	22%
Don't know/Refused	3%	2%

Source: In-Stat/MDR, 04/04

**What Does this Really Mean?**

MDU represents over one-third of total households worldwide. This represents an enormous potential, and current, subscriber base for broadband services.

While the majority of MDU households subscribing to broadband services are served by a traditional CO-based model (thus warranting no special equipment as is needed for in-building deployment), this market does still demand a special strategy and marketing focus.

*The MDU has  
been an arena  
to showcase new  
Technologies*

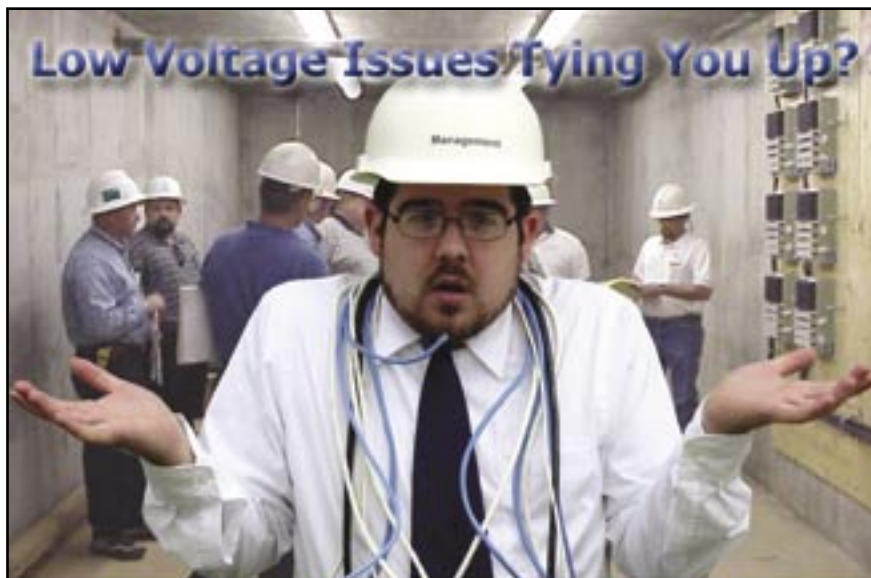
MDU residents tend to have a different demographic than single-family home residents. MDU residents tend to be younger, and often of lower income, compared to homeowners. This translates to an audience that has to be economical, but often highly values communication services and, thus, chooses to spend a higher proportion of their income on these services compared to other demographic groups.

Furthermore, most MDU properties are located in urban settings with robust WAN infrastructure and, thus, are better able to get superior Internet service. The MDU has also been an arena to showcase new technologies, whether they are in-building networks or FTTH.

Thus, from the infrastructure to the target audience, the MDU continues to present exciting opportunities for those providers targeting this market. ❖

**About The Author**

*Amy Cravens is an analyst with Cabners In-Stat Group. She may be reached with questions or comments via email at [acravens@instat.com](mailto:acravens@instat.com)*



**Maybe it's time for FTTA™.**  
Fiber to the Apartment.  
Simply a better structured wiring solution.  
Exclusively from the Low Voltage Design Experts at

**InfiniSys™**  
ELECTRONIC ARCHITECTS

Award-Winning Designs  
Voice, Video, High Speed Data  
Home Theater  
Energy Management  
Access Control  
IP-Based Intrusion Alarm  
Blown Fiber  
Project Management  
Technology Assessments  
Service Provider Negotiations  
Property Positioning  
Post-Installation Support

Daytona Beach 386.238.0072  
[www.electronicarchitect.com](http://www.electronicarchitect.com)

*Winner*  
**2004 TechHome**



**Mark of Excellence**

*Attend Next Year's Broadband Summit*

Mark your calendar for this extraordinary event in September 2005.

Don't get left out. This year's Summit sold out of exhibit space far in advance.

Contact Irene Gonzales: 316-618-0230, [irene@broadbandproperties.com](mailto:irene@broadbandproperties.com)