

Why network quality is more important than ever

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Today, network quality is under the spotlight in every household and enterprise worldwide as more and more work from home. However, as new research indicates, network performance has always been a mainstay of market demand.



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Today, more than ever, we see the value which mobile connectivity brings to our societies. In times of crises, the world's mobile networks are proving yet again that they can deliver the performance and reliability to support both consumers and enterprises in their hour of need. In fact, the quality of the network has been an important driver of market dynamics for a long time.

However, today's demands for network quality and capacity are not a new development. In fact, they have been driving market demand for a lot longer and to a much greater extent than most would probably expect.

For almost a decade now, we have analysed why some service providers grow and drive higher revenues than others. We call these leaders 'Frontrunners'. While Frontrunners share common traits, they often deploy a variety of strategies to enable profitable, sustainable growth. The real key to their success is that they seek differentiation to create better return.

In a new analysis, based on 4G life cycle data from more than 30 countries, we have drilled deeper into how much good network performance benefits Frontrunners. And our research shows that investing in network quality is a powerful way for service providers to drive lower churn and/or higher average revenue per user (ARPU).

Network quality and service providers

In all countries we analysed, the service provider with the highest network quality has either higher ARPU and/or lower churn compared with the service provider with the lowest network quality.

In the top half of cases, where network quality is highest, we found that the lead service provider enjoys a higher average ARPU (+31%) and lower average churn (-27%). In the bottom half, where network quality is generally lower, we found that some service providers still enjoy higher ARPU (+61%) but with higher churn (+39%), while others have both lower ARPU (-14%) and lower churn (-32%).

When we looked across all service providers, not just leaders and quality laggards, network quality correlated with increased ARPU and reduced churn.

After macro-economic factors, network quality is one of the biggest influences on churn according to a multivariate analysis. Put simply, investing in network quality keeps subscribers happy. Or, as one executive at a service provider told me: "It is easy to attract customers. The problem is that when they see our poor network performance they leave."

In aggregate, ARPU fluctuations seem to be driven primarily by macroeconomic factors. However, our analysis of Frontrunners shows significant revenue upsides for those investing first in high performance. The Frontrunner group achieved a 9.9% ARPU compound annual growth rate (CAGR) with 4G, while the rest of the market was at -0.8% CAGR. With 5G we already see Frontrunners charging price premiums averaging 15%.

It is clear that network quality already matters to consumers. This is hardly surprising as the service providers product is their network. We also see that network performance features more prominently in the marketing initiatives from successful service providers. One of our most successful customers – who have generated a strong market share gain and growth over many years – allocate more than 50% of advertising spend to network performance.

Important for consumers, but we are convinced that the quality of connectivity will mean even more for enterprise users, as enterprises will depend on connectivity for their business survival.

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