

# THE IMPORTANCE OF THE HOME NETWORK FOR DELIVERING HIGH- QUALITY DIGITAL APPLICATIONS

Whitepaper



Digital services and applications have become critical to everyday life, and the network that delivers them down to the device is an essential element for ensuring a high quality of experience (QoE) and meeting customer expectations. Based on a survey of 1,000 end users across three countries – Spain, the Netherlands, and Sweden – this report offers insights on consumers' perception of their home network performance, helping service providers understand what is required to improve QoE.

## Key findings

- The home network is a critical part of the end-to-end network. Wi-Fi has become the technology of choice for the home network, but even though it has significantly improved over the years, the typical home network remains relatively simple in nature and far from perfect for streaming high-definition media around the home.
- Value for money gains customers, but it is QoE that keeps them. Although price remains the number one factor when choosing a new service provider, it is not the main reason consumers churn service providers; they are more likely to churn because of poor speed and reliability.
- Broadband speed alone is not enough. If a broadband service is not reliable, or indeed available, in all required rooms of the home, then simply offering the fastest speed will not get service providers very far. Consumers value speed, but reliability, availability, and good customer support come top of their priorities.
- The industry needs to take responsibility for the home network if a good-quality service is to be experienced by all. In our survey, only 20–30% of users never experience Wi-Fi issues such as poor range or limited bandwidth. Even when issues are only experienced on an infrequent basis, they have an impact on the user's perception of the QoE they receive. However, few respondents feel confident they know what to do to improve the quality of their home network. The majority believe the responsibility of doing so lies firmly at the door of their broadband service provider.
- Service providers should look to turn the home networking issue to their advantage. By investing in the home network, service providers reduce customer churn and increase ARPU. As the power of the traditional service bundle wanes, differentiating around features such as the home network will become increasingly important.

## Recommendations for service providers

- Treat the home network as a strategically important part of your network. Customers judge their service providers on the performance of the end-to-end network. In order to differentiate around quality, service providers should explore business models that enable them to invest in the home network rather than simply treat it as a cost burden on their bottom line.
- Look beyond a one-size-fits-all strategy. No home is the same, so a single home network solution is unlikely to work. Broadband service providers therefore need to develop a more flexible home networking solution that will meet the needs of all customers.
- Position more advanced products carefully. Service providers need to think carefully about how they position home networking products. Not every home will require the most advanced home networking solution, but at the same time service providers need to be careful when

advertising such products not to make customers with standard solutions feel they have an inferior product.

- Be prepared to help your customers. The vast majority of customers have little idea about how home networking technology works, what different solutions are available, what the difference is between products, and what is going to be the best solution for them. In a nutshell, they need help, and service providers need to develop cost-effective solutions that enable them to provide such advice.

## The Connected Home Survey

The Connected Home Survey was carried out in December 2016 and included 1,000 respondents across three countries: Spain, the Netherlands, and Sweden. All respondents had access to fixed broadband at home, with 33% based on DSL access, 25% on cable modems, and 42% on fibre. The respondents had relatively advanced broadband services, with 63% of respondents who knew what speed they received claiming to have services of more than 30Mbps.

### Speed alone does not deliver QoE

When respondents were asked to score the importance of various characteristics on the quality of their broadband service, broadband speed of course was an important factor, scoring on average 8.4 out of 10. However, it came out fourth in terms of importance behind reliability (8.8), good customer service (8.5), and good Wi-Fi coverage (also 8.5). If we only analyse the 10-out-of-10 scores in terms of importance, the difference in perceived importance between reliability and good availability to basic speed is even more striking.

### Wi-Fi is still far from perfect

Majority of users still encounter Wi-Fi issues. Only 20–30% of respondents claimed to never experience issues such as losing connection, network slow-down, or network latency, which given the importance of the Wi-Fi connection in terms of delivering digital applications, equates to a major issue for service providers.

### What this means for broadband service providers

Whether technically correct or not, the home network is perceived to be the responsibility of the broadband service provider by the majority of consumers. When asked if they agreed with the statement "My broadband service provider is responsible for ensuring the quality of my home network," on a scale of 1–5 (with 1 being strongly disagree and 5 being strongly agree), 40% of respondents gave a score of 5 and nearly 80% gave a score of 4 or above.

Because it is perceived to be part of the overall network, the home network is a key element of broadband service providers' offerings. Having a "make it as cheap as possible" strategy will lead to the perception of a low-quality offering not just within the home network, but for the broadband service as a whole. Service providers need to take control of this part of the network and enable the best end-to-end service that they can.

### Turning a curse into a blessing

A low-quality home-networking strategy will only lead to increased calls to customer services and higher customer churn, whereas investing in the home network not only increases the stickiness of the service

but also potentially increases consumer ARPU. Offering an advanced home network solution is as powerful as offering a 30% increase in broadband speed in encouraging customers to sign for a new 12-month broadband contract, and significantly more powerful than offering free access to a video service such as Netflix.

A large percentage of respondents said they would also be willing to pay an extra amount on top of their broadband service to ensure a high-quality home broad-band network experience. Nearly 40% of respondents said they would be willing to pay more than €2 (\$2.1) a month for such a solution.

## Reducing the reliance on Wi-Fi in the home

In addition to Wi-Fi, there are other solutions that could be used in conjunction with Wi-Fi to enhance the home network. One such solution is to install a wireline backbone around the home, connecting individual Wi-Fi hotspots.

Such solutions of course increase the complexity and cost of installing the home network, as well as (and perhaps most importantly from a customer point of view) not being as aesthetically pleasing. However, in some cases, adding physical wiring around the home might be the most effective – or the only practical – way of improving the overall network. In this case, 42% of respondents in the survey said they would rather pay twice as much for thinner cabling that is hard to see, in order to minimise the impact of wiring on the look and feel of the home.

Source: Ovum Telecoms

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**Web:** [www.telecomsacademy.com](http://www.telecomsacademy.com)

**Email:** [training@telecomsacademy.com](mailto:training@telecomsacademy.com)

**Tel:** +44 (0)20 7017 4144