

# Operators cannot rely on price rises to boost revenue in 2024 but digital services could help

July 2024

Ben Taylor

Telecoms operators are continuing to prioritise revenue growth. Approaches range from the radical, such as SK Telecom aiming to reinvent itself as an AI company, to more traditional connectivity-focused approaches by operators such as Iliad that are seeking to undercut the competition on price. Many operators are pursuing a strategy that sits in between; they are aiming to increase revenue from the core connectivity business but are attempting to accelerate this growth by selling IT services or expanding into new verticals.

This article is based on our latest report exploring the [revenue growth strategies of 12 operators](#).

## Operators are not relying on price rises to boost revenue in 2024

Many operators increased their revenue in 2023 (Figure 1). Inflation helped the large established players to justify price rises while budget operators benefitted from price-sensitive customers churning from premium operators.

Revenue growth will be more challenging in 2024 because inflation-linked price rises will be much lower than in 2022 or 2023. In addition, customers may be sceptical about further rises. Price rises linked to inflation may have increased operators' revenue, but may not have been accompanied by any improvement in the service. As such, with inflation decreasing in 2024, a comprehensive revenue growth strategy is more important than in recent years.

**Figure 1: Operator revenue, 2023, and year-on-year revenue growth, 2022–2023**

Operator	Revenue growth in 2023, year-on-year	Revenue in 2023 (USD billion)
Digi	12.5%	1.8
Iliad	10.4%	10
Zain	10.1%	6.2
stc	7.3%	19.3
Axiata	7.0%	4.4
MTN	5.8%	11.6
Spark NZ	4.0%	2.4
e&	2.5%	14.6
Proximus	2.3%	6.5
SK Telecom	1.8%	13.3
Telefónica	1.8%	50.6
AT&T	1.4%	122

Source: Analysys Mason

## A connectivity-focused strategy works well for some operators, but many must do more to increase their revenue in real terms

Analysys Mason has classified 12 operators according to the emphasis of their revenue growth strategies; either ‘connectivity-focused’, ‘upsell-focused’ or ‘AI-focused’ (Figure 2).

**Figure 2: Classification of operators based on the emphasis of their revenue growth strategy, 2024**

Focus	Description	Operators
Connectivity-focused	Connectivity is the main engine for revenue growth.	AT&T, Digi, Iliad
Upsell-focused	Connectivity remains crucial, but these operators also prioritise upselling digital services to their telecoms operator customers.	Axiata, MTN, Proximus, Spark NZ, stc, Telefónica, Zain
AI-focused	Connectivity is the largest part of the business, but these players are exploring new verticals. They are integrating AI across most products and services.	e&, SK Telecom

Source: Analysys Mason

AT&T, Digi (RCS & RDS) and Iliad are all trying to use connectivity services to boost revenue but have different approaches. Digi and Iliad, Europe-based operators, pursue a volume-based strategy. These operators increased their revenue in 2023 by increasing the number of their customers. This was mostly achieved by offering low-cost mobile and fixed contracts to undercut the competition. Digi also expanded the reach of its fibre service in Spain.<sup>1</sup>

Digi and Iliad are looking to expand their mobile connectivity into new countries; Digi will launch as a mobile network operator (MNO) in Belgium and Portugal in 2024 offering mobile and fixed services in both countries, and Iliad is considering expanding into Ukraine.

AT&T also intends to expand its services geographically, but by reaching new customers in underserved areas of the USA, rather than by entering new countries.

## Operators’ business service revenue typically grew faster than their connectivity revenue in 2023

Some operators are continuing to aim to increase connectivity revenue but are also trying to increase revenue by offering other products and services.

These operators are pursuing various strategies, but most are offering some IT services (such as cloud connectivity) and a range of other B2B2C or business solutions such as wholesale, fintech, energy, insurance or healthcare.

<sup>1</sup> In April 2024, Digi announced plans to sell its FTTH business in Spain to help finance its ambitions to become an MNO in Spain.

IT service revenue growth generally outperformed operators' connectivity revenue growth in 2023; this would be expected for operators with small business divisions, but it was also true for larger providers such as Telefónica Tech.

However, [selling B2B2C services \(such as communications platform as a service \(CPaaS\)\) was a less successful strategy in 2023](#). Operators had mixed results with vertical-specific solutions.

## SK Telecom's AI strategy is attracting the attention of competitors

Some operators are diversifying away from connectivity. These operators still invest in connectivity services and generate a significant percentage of revenue from connectivity but it is not the main focus of their strategy. Instead they are focusing on emerging technologies and new verticals.

SK Telecom's AI strategy is the among the most ambitious. Most other operators are using AI for data analysis, chatbots or for some business solutions. However, SK Telecom is framing its entire growth strategy around its aim of becoming an 'AI company'.

SK Telecom is investing in data centres and semiconductors that are specifically designed to handle the increased capacity necessary to support AI applications. It is integrating AI into its ability to personalise product offerings, and is exploring how AI can be used in healthcare, advertising and mobility (specifically, through urban air mobility). It has invested in several GenAI projects, including the creation of a large language model (LLM) that is solely focused on the telecoms industry and another focused on the Korean language.

Several operators, such as Deutsche Telekom, e& and Singtel, have established AI-related partnerships with SK Telecom. Others are also watching closely to see how successful SK Telecom's strategy is and whether they can replicate elements of it.