

How operators are performing in their core businesses is largely dictating their revenue growth strategies

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Operators' strategies for revenue growth remain sharply divided. Some operators, notably NTT DOCOMO and Orange, continue to make large investments in areas such as banking. A larger group of operators, including Airtel, China Unicom and Telefónica, are experimenting with initiatives in areas such as fintech and analytics services, but they are not making major investments. Most other operators are focusing on their traditional core connectivity businesses. The big US operators, AT&T and Verizon, are in a standalone group because they appear to be reducing their exposure to non-core areas. Our research suggests that operators' activity in new areas is dictated by the state of their core businesses.

This article reviews the growth strategies of a diverse range of operators and is based on our report, [Telecoms operator growth strategies: case studies and analysis \(volume III\)](#).

NTT DOCOMO and Orange are the keenest innovators

The operators we cover in our report can be classified into five groups (see Figure 1). NTT DOCOMO and Orange are the keenest innovators out of all the operators covered. Pressure on domestic telecoms operations is a key driver of the move to new service areas for NTT DOCOMO but, like Orange, its strategy is also driven by a bullish optimism about pursuing new opportunities. Both Orange and NTT DOCOMO consider new service areas to be not only sources of revenue growth, but also the basis for building new ecosystems in order to lower customer churn and improve the return on 'assets' such as customer data.

Figure 1: Five types of operator growth strategy

Group	Description	Examples
Digital service pioneers	These players have a strong focus on service innovation and new segments (such as media, data/analytics and fintech).	NTT DOCOMO, Orange
Media over-extendors	Media over-extendors are already well-diversified operators that are at a crossroads in terms of their ambitions.	Verizon, AT&T
Enterprise innovators	These are operators whose large enterprise divisions generate a significant portion of the total revenue and are considered an engine for revenue growth.	Vodafone
Digital experimenters	Digital experimenters are seeking diversification through select investments.	Axiata, China Unicom, Airtel, Telefónica
Connectivity players	These are traditional connectivity players with limited digital service ambitions that are concentrating on areas such as consumer telecoms and traditional B2B services.	América Móvil, Millicom, Telkom SA

Source: Analysys Mason, 2020

Beyond core connectivity, Orange's service portfolio includes its established financial services and media operations, as well as a range of business services. Orange is rolling out its Orange Bank service across Europe and is planning to enter the banking market in Africa.

NTT DOCOMO is developing a membership model that is primarily supported by its 'd-point' rewards scheme and its payment and content services. At the same time, enterprise revenue growth via co-creation initiatives with partners from various verticals is a key focus. NTT DOCOMO plans to have 5000 enterprise partners by FY2021/2022.

Over-extension has been a key concern for AT&T and Verizon

AT&T and Verizon form a standalone group in our report. Both have historically been aggressive investors in non-core areas such as media, advertising and IoT, but poorer-than-anticipated performance has resulted in these operators reining in their ambitions.

AT&T is deleveraging and selling off non-core assets due to investor pressure. The long-term future of its media empire remains unclear, though it seems stable for now. Further acquisitions remain unlikely, however. Verizon has also been paring back on its non-core areas and is instead emphasising financial discipline and is concentrating on its 5G roll-out. The performance of these two operators should act as a warning about overreaching, losing focus on the core business and failing to realise the synergies that underpin aggressive M&A pushes.

Enterprise innovators such as Vodafone are building out their enterprise capabilities in various ways

Another group includes enterprise innovators; that is, operators with large and growing enterprise businesses. However, the specific approaches of these players to revenue growth vary.¹ For example, Vodafone is placing emphasis on connectivity products such as SD-WAN and IoT and is adopting a partnership-based approach to cloud and hosting services.

There is no single way of doing things among digital experimenters

The approaches of various operators including Airtel, Axiata, China Unicom and Telefónica are characterised by digital experimentation. These operators know that there is potential for revenue growth outside of the traditional telecoms business, but are exploring their options carefully because of a lack of clarity regarding their viability.

Each member of the digital experimenter group is investing in a different way depending on the opportunities that are available to them and their geographical footprint. Axiata, for example, is building new digital businesses in fintech, digital advertising and analytics and APIs. Telefónica's investment interests outside the core consumer business are primarily based on data/analytics and media, and its fintech presence is limited to Spain and Germany. The formation of Telefónica Tech may represent a greater emphasis on security and IoT, but the operator will need to grow revenue organically in these areas because it appears to have ruled out large acquisitions.²

¹ Note that Elisa, KPN and Swisscom are included in [volume II](#) of our report.

² For more information, see Analysys Mason's [Telefónica's aims for its new IoT, cloud and security unit look challenging](#).

Most operators remain focused on connectivity for revenue growth

We define connectivity players as those that are still focused on traditional domains for revenue growth (for example, via RGU and/or ARPU growth). Examples of operators in this group include América Móvil and Millicom. Many of these operators do most, if not all, of their business in regions with promising economic growth prospects.

Investing in upgrading speeds and improving coverage is a priority for these operators. Building a presence in media or fintech is secondary, and where these operators offer such services, they are little more than ornaments to their core offerings. Most operators in this group are consumer-focused, but some, such as Telkom, have big enterprise businesses. Time will tell how this group will fare, but many of these operators are based in stable markets.

In summary, how operators' core businesses are performing is the primary determinant of their growth strategies. Orange and NTT DOCOMO have stable or stagnating core business revenue, which is pushing their attention to new opportunities in different spaces. AT&T and Verizon are rationalising old acquisitions, and Vodafone (and others in the enterprise innovator category) are waiting for core business revenue to stabilise. The digital experimenters do not have the funds for bigger plays (for the most part), and the connectivity players lack strong incentives to take risks.