Non-Core, Big Impact: The Commerce Shift Shaping CSP Futures

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Executive Summary: Non-Core Commerce Services Are Critical to Driving Sustainable Growth for CSPs

CSPs are under increasing pressure from new competitors such as Amazon and other hyperscalers offering connectivity services. With core communications services reaching saturation, margins are eroding, with only 2% compounded annual value of core service according to Omdia, forcing CSPs to explore new revenue streams. A recent Amdocs and Omdia research study shows that innovative services can generate up to **4% revenue growth**, and leading CSPs, such as Telefonica and Veon, have already set them up, achieving significant non-core revenue streams.

This whitepaper summarizes recent research by Amdocs and Omdia exploring the challenges and opportunities for CSPs in diversifying their portfolios to ensure sustainable growth. The primary growth directions include digital gaming, financial services products, and e-commerce sales of third-party products and services. Many CSPs are looking into offerings that bridge the digital and physical world, such as:

| Smart home services | Utilities | E-Health | Wellness | Insurance Services |

However, CSPs face significant challenges, including complex systems and heavily customized operating models.

According to our research, delivering a positive return on investment was the top challenge cited by CSP leaders when launching a non-connectivity offering.

As such, if a new non-connectivity product launch fails to meet expectations, subsequent launches may fail to get the appropriate level of investment and support, reducing the likelihood of success, and leading to a vicious cycle of underperformance and underinvestment.

CSPs can break this cycle of failure, unlock new revenue opportunities, and ensure long-term sustainability by investing in a unified platform to manage these complex challenges, and successfully launch beyond connectivity offerings over any channel. CSPs looking to sell more and expand their portfolio will need a platform leveraging AI to deliver personalized offerings at scale through digital and physical channels and ensure maximum flexibility with offerings, payment models, and deployment approaches. This comprehensive approach to managing new, non-core products and services will help CSPs deliver offerings that will drive customers' lifetime value and generate revenue that extends well into the future.

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CSPs at a Crossroads

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CSPs are at a crossroads, seeking to maintain solid revenue growth amid several internal market challenges and external forces. As fixed and mobile subscription numbers for voice and data products have reached a saturation point, these communications products and services have reached price commoditization, impacting CSPs' ability to increase average revenue per user (ARPU) in any meaningful way.

In addition, non-traditional service providers, including satellite communications companies and cloud-computing vendors, are rolling out new communications services that may further erode traditional CSP market share, limiting the ability of CSPs to grow while relying solely on voice or data products. Indeed, data within Omdia's Consumer Digital Revenue Opportunity Dashboard, 2023–28 indicates that mobile and voice revenue will decline by 12% and 6%, respectively. during those five years.

12%
Mobile
Revenue

6%
Voice
Revenue
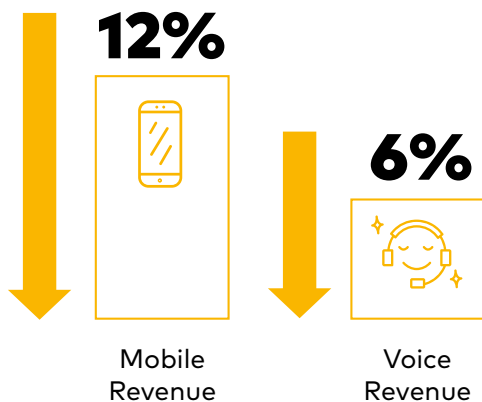
CSPs must look for ways to create customer stickiness and drive new, long-term value. Offering non-core products and services allows CSPs to offer new revenue-generating services to their consumer base and increase customer satisfaction, reducing customer churn, a major contributor to operational costs.

Amdocs and Omdia, conducted telecoms-focused research to uncover the primary challenges and key considerations for implementing beyond telco offerings that drive sustainable growth efficiently.

Seeking New Revenue Sources

Recognizing the imperative to move beyond traditional communications services, CSPs have made varied attempts to diversify into non-core services and products. While a few notable providers have successfully tapped into new revenue streams to support ambitious growth targets, many continue to grapple with identifying and implementing sustainable opportunities.

Omdia data highlights several high-growth, communications-adjacent areas poised for expansion over the coming years: smart home services, online video, and digital gaming. With a robust and integrated delivery and billing platform, CSPs can capitalize on these segments, ensuring seamless integration of new offerings to meet evolving customer demands.

Telefonica and **Veon** have demonstrated the tangible benefits of diversifying into services other than communications. Telefonica has successfully expanded into sectors like energy, entertainment, fintech, gaming, health, and smart home services, driving additional revenue streams, resulting in **30% of its revenue coming from non-communication products.**

Veon generates 10% of its revenue from non-communication digital services like fintech, healthcare, and entertainment, with plans for further growth.

Omdia research indicates that future investments in non-core areas will likely target utilities (59%), insurance (58%), E-health and wellness (57%), and third-party product sales (52%). By utilizing a flexible commerce platform to support purchases with physical world fulfillment, CSPs can strengthen their role as trusted delivery partners, driving brand loyalty and market differentiation.

Consumer digital revenue opportunity vs. integrated service provider relevance, 2024–29
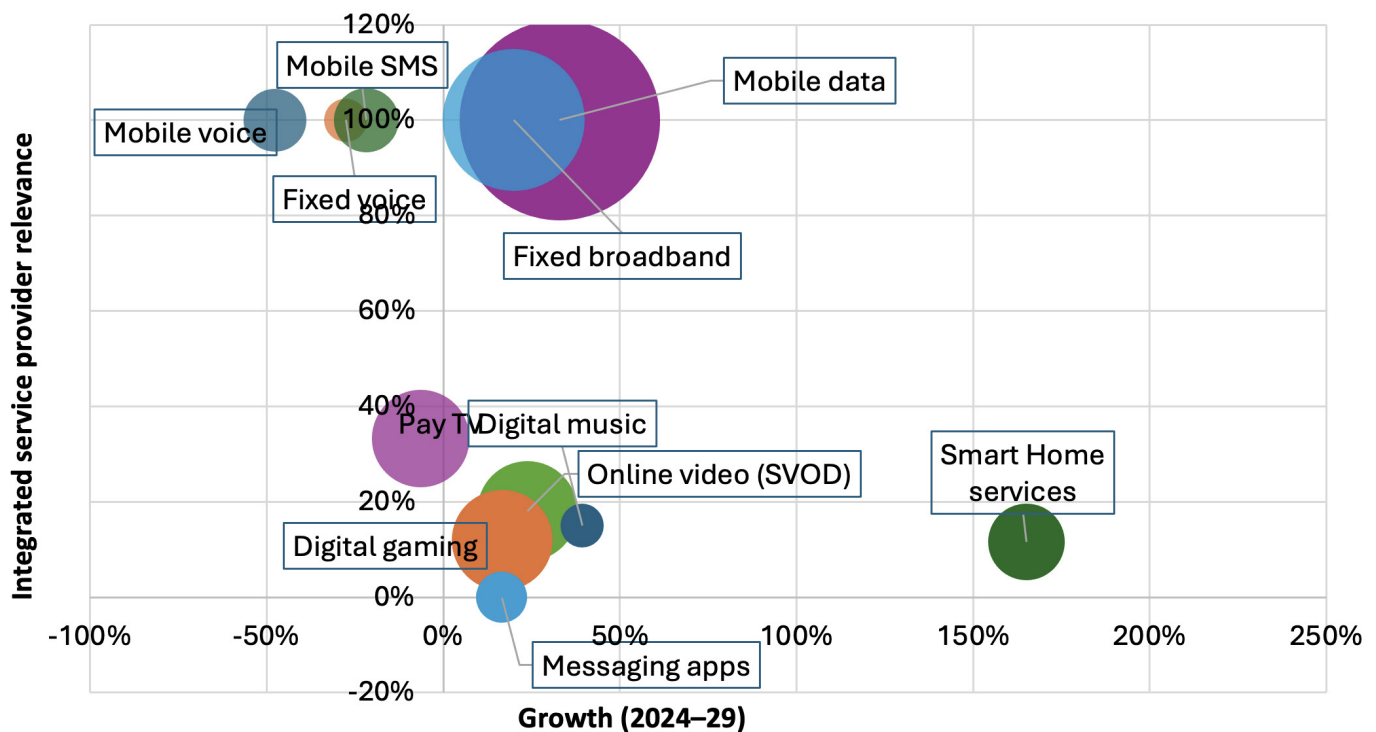
Note: Size of bubble represents total size of market in 2027

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Figure: 1 CSP Non-Core Products in the B2C Segment (Source: Omdia)

Overcoming the Persistent Barriers in CSP Markets

CSPs face a persistent cycle of challenges when attempting to expand and face significant barriers beyond connectivity offerings. This cycle stems from complex, rigid systems, inflexible processes, and a historical focus on infrastructure over new revenue streams, leading to lackluster initiatives that struggle to capture customer interest. CSPs are caught in this cycle as they grapple with slow partner integration, manual processes, and back-end complexities that ultimately erode customer experience and stifle support for innovative projects.

The risk of failure is high, particularly in new markets where revenue potential and market share are uncertain. **Our research with CSPs found that many projects are saddled by a lack of conviction and pressure for rapid results. This results in projects being canceled by the company's Board at an early stage instead of waiting enough time to obtain the desired project results**. Many CSPs follow a typical startup model where only a small investment is committed to the initiative, and if the pilot isn't successful, the project is quickly canceled. This further reduces executive support and funding for future initiatives. Figure 3 illustrates the areas where CSPs face challenges in gaining support.

Breaking these barriers is essential for CSPs to achieve sustainable growth. According to the survey, while CSP executives show strong confidence in investing in new products to drive growth, **70% identify proving ROI as the most significant challenge** in bringing these offerings to market. Reinforcing the need to address these foundational obstacles.
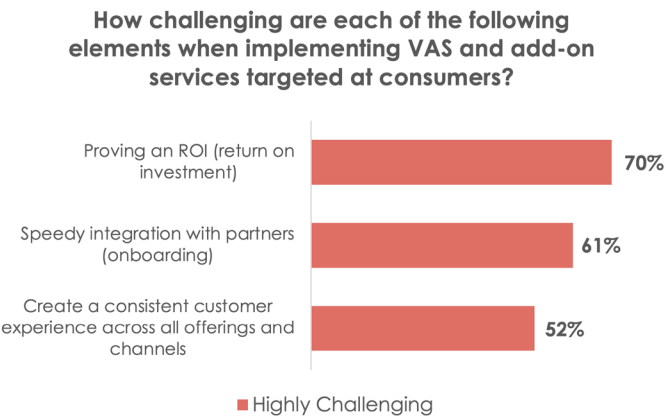

Figure 2: Challenges by Area (Source: Omdia)

How challenging are each of the following elements when implementing VAS and add-on services targeted at consumers?

Proving an ROI (return on investment) — 70%
Speedy integration with partners (onboarding) — 61%
Create a consistent customer experience across all offerings and channels — 52%

■ Highly Challenging

Figure 3: ROI Challenges to Success (Source: Omdia)

Essential Elements of a High-Impact Commerce Solution

Our research shows that **innovative, non-core services can drive revenue growth by more than 4%**, highlighting the importance of diversifying with the right technology foundation.

To capitalize on these opportunities, CSPs must identify, activate, and manage them. They are uniquely positioned, with valuable assets and established billing relationships with millions of customers, each a source of insights that power personalization, upselling, cross-selling, and targeted recommendations.

However. unlocking full revenue potential requires a streamlined approach to overcome the complexity of launching new, beyond communications offerings.

AI and GenAI enhances efficiency for CSPs

by analyzing vast amounts of customer data and turning it into actionable insights. By understanding individual preferences and behaviors, GenAI enables CSPs to personalize services at scale, helping agents provide faster, more precise support while aligning solutions with customer needs. This intelligent assistance streamlines operations and empowers agents to focus on higher-value tasks.

For end-users, GenAI delivers intuitive, in-context interactions. Customers no longer need to search for information or navigate complex processes. Instead, they receive real-time, contextualized recommendations and responses through in-context interfaces. Whether via chat, voice, or other channels, these interactions feel seamless and effortless, reducing friction while enhancing satisfaction.

By unifying these capabilities within an AI-powered platform, CSPs can deliver an engaging, efficient digital experience, combining the power of data-driven insights with user-friendly, intuitive tools for both agents and customers.

The Five Essential Elements for Sales Growth for CSPs:
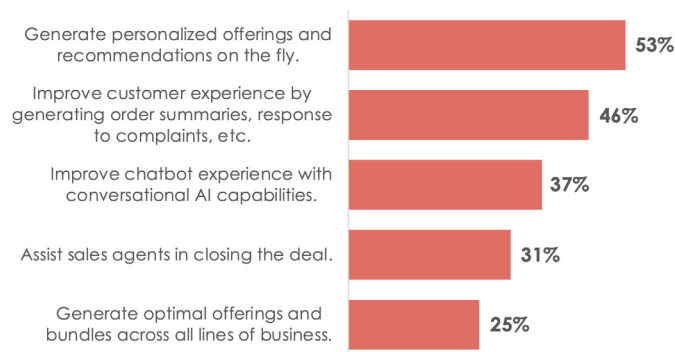
The Top Two Generative AI Use Cases That Will Have the Greatest Impact on Driving Commerce (Source: Omdia)

To achieve sustainable growth and expand revenue streams, CSPs need to ensure each offering is designed to unlock new sales opportunities. These core elements empower CSPs to grow beyond traditional connectivity, turning every interaction into a sales opportunity that maximizes customer lifetime value. By leveraging these capabilities, CSPs can broaden their scope, drive higher revenues, and establish deeper, more valuable customer relationships.

85% **Flexible Payment Options:** Efficient, adaptable payment methods are cited as the most important factor in driving success beyond communications services and are critical to building customer loyalty and increasing adoption.

77% **A Unified Commerce Solution:** A modern, unified commerce platform was named as the top catalyst for a success in non-core product and service implementation. By centralizing customer data across channels, supporting flexible bundling, and streamlining partner onboarding, this integrated solution enables CSPs to deliver tailored experiences, leverage customer insights, and accelerate revenue growth.

72% **Efficient Partner Setup and Management:** Efficient partner onboarding is the most important aspect to launching non-core product or service successfully. A platform that simplifies integration and partnership management helps CSPs quickly scale and diversify offerings to meet customer demand.

56% **Sales Channel Mix:** A digital first strategy is pivotal with 56% identifiying digital channels (websites, apps, and virtual agents) as crucial for selling and supporting non-core services. To meet diverse customer preferences, CSPs should also include human-led channels like call centers (35%) and physical stores (27%), as well as hybrid options like messaging apps (42%) for a hybrid engagement approach.

33% **Bundling and Segmentation:** Stand-alone subscriptions rank as the most-used purchase model, while 24% preferred non-core products bundled within a comprehensive service package. This highlights the need for options that cater to diverse customer preferences.

Percentages represent respondents in agreement

Commerce Success with AI and GenAI-Driven Personalization

In today's digital-first world, deploying AI and GenAI as core enablers is essential for CSPs to advance their commerce strategies. Leveraging predictive analytics and hyper-personalized recommendations, AI and GenAI empower CSPs to translate insights into action, create deeply tailored customer journeys, enhance visibility of new offerings, and accelerate new product and services adoption. Survey respondents consistently cite AI and GenAI as transformative forces for enhancing commerce experiences.

In conclusion, our research found that industry executives know the significant challenges and immense opportunities in telecom commerce. They recognize the essential capabilities to break through these barriers and drive growth. To succeed, CSPs must seek a solution that addresses the five critical capabilities. By investing in a robust, unified commerce solution that meets these needs, CSPs can build executive confidence in achieving sustainable growth beyond connectivity.

Amdocs helps those who build the future to make it amazing. With our market-leading portfolio of software products and services, we unlock our customers' innovative potential, empowering them to provide next-generation communication and media experiences for both the individual end user and large enterprise customers. Our employees around the globe are here to accelerate service providers' migration to the cloud, enable them to differentiate in the 5G era, and digitalize and automate their operations.

Listed on the NASDAQ Global Select Market, Amdocs had revenue of $5.00 billion in fiscal 2024.

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