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Enterprise messaging:
Four operator strategies to improve monetization

Executive summary

Application-to-person (A2P) messaging is an area where operators continue to see steady growth. An increasing number of enterprises are recognizing the importance of SMS in their omnichannel strategies on account of its ubiquity and reach, and this rise in A2P messaging offers revenue potential for mobile operators that is yet to be realized today.

To unlock it, operators need to apply better monetization strategies that address changing end user habits and new enterprise needs. This whitepaper explains how.

Protect against sophisticated bypass fraud with advanced firewall solutions

Implement differentiated pricing policies for A2P SMS termination

Embrace RCS to take default messaging functionality to the next level

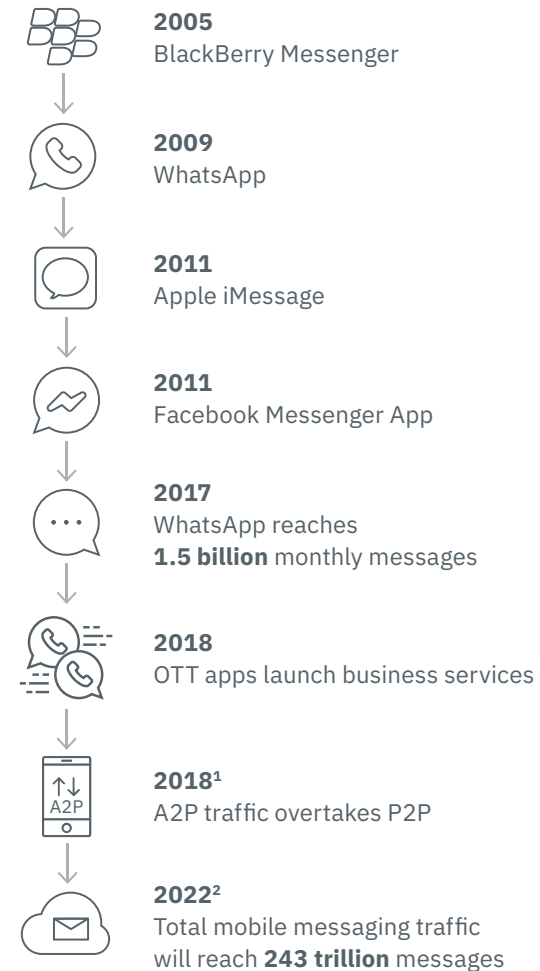Form profitable partnerships with enterprise messaging specialists

Introduction

The first text message was sent in 1992, when a 22-year-old British engineer sent the message "Merry Christmas" to an Orbitel 901 mobile phone. In the years to follow, SMS boomed in every country and person-to-person (P2P) volumes increased year after year. Texting became a part of everyday life.

However, with the increasing computing speed of mobile phones and the rise of smartphones, over-the-top (OTT) messaging applications started to gain traction. A phenomenon was born whereby OTT messaging slowly gained market share and eventually surpassed traditional SMS in volume. The richer experience and features, and the perception that it was "free", made OTT messaging one of the fastest growing communication channels since the invention of the telephone.

The emergence of A2P messaging rejuvenated the messaging business and offered a compelling new growth avenue for mobile operators. During the past decade, operators have taken the opportunity created by the increasing popularity of A2P messaging to start monetizing it, seeing increases in SMS A2P revenues as a result.

But in recent years, operators have been faced with another consideration: OTT messaging apps are gaining traction in the enterprise business communications market. Instant messaging is becoming a greater part of communications platform-as-a-service (CPaaS) and omnichannel offerings on account of the rich interactivity and advanced features on offer.

Today, mobile operators have the opportunity to implement strategies to grow their enterprise messaging business.

2005
BlackBerry Messenger

2009
WhatsApp

2011
Apple iMessage

2011
Facebook Messenger App

2017
WhatsApp reaches
1.5 billion monthly messages

2018
OTT apps launch business services

2018[1]
A2P traffic overtakes P2P

2022[2]
Total mobile messaging traffic
will reach **243 trillion** messages

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[1] https://www.juniperresearch.com/press-release/mobile-messaging-pr2
[2] https://www.openmarket.com/blog/three-big-trends-for-the-future-of-mobile-messaging/

The rise and dominance of enterprise messaging – today SMS, tomorrow RCS

A2P messaging has seen steady year-over-year growth in use from 2012 and continues to grow even today. In fact, Juniper Research has predicted that total operator revenues from A2P messaging services will reach $54.5 billion by 2025, up from an estimated $42.7 billion in 2020[3]. Carried across the mobile network in the same way as P2P messages, A2P messaging differs in that it can be automated and sent out using a web interface or custom application programming interface (API). This has numerous benefits for enterprises and many have embraced SMS as a key channel for a range of use cases, from sending one-time PINs (OTP) to marketing and post-sale customer service.

On the basis of their popularity in P2P communications, and their rich multimedia and interactive capabilities, OTT messaging platforms are also slowly being integrated into enterprise omnichannel strategies. However, there are challenges associated with rolling them out on a global scale, including the need for user installation, closed environments with no interoperability, relatively limited reliability, and privacy. This discourages enterprises from using them to send critical and sensitive communications. What's more, OTT messaging platforms rarely have universal popularity.

The rich communication services (RCS) initiative of the GSMA, and the global standardization efforts that go with it, may offer a good alternative. RCS messaging is driven by mobile operators who possess inherent trust and provide much needed security for business operations. RCS will be available natively on all Android devices, comprising more than 70% of all smartphones in the market today, providing a large installed user base that's ready to go. Many networks have already launched RCS and industry wide efforts are being made to enable this as the next generation of messaging.

A2P Messaging

Ubiquitous communication

Available natively on any handset

Brand agnostic with no user installations required

Highly reliable delivery

Inexpensive for sender and recipient

High level of security

A2P RCS market will be worth
US$72.8bn by 2025[4]

[3] Juniper Research, A2P Messaging – Deep Dive Data & Forecasting 2020-2025
[4] https://www.marketsandmarkets.com/Market-Reports/premium-sms-44.html
[5] https://www.voicesage.com/blog/sms-compared-to-email-infograph/

Operator strategies to secure and monetize messaging business

Mobile operators have a significant opportunity in the messaging domain to improve the monetization of A2P SMS. While OTT platforms offer a rich messaging experience and a large user base, mobile operators provide reliability, trust and ubiquity.

Effective firewall solutions to tackle sophisticated bypass fraud

Bypass fraud, grey routes and other forms of telecoms fraud have plagued SMS monetization for years, with fraudsters bypassing legitimate routes to terminate traffic through low-cost or free alternatives. While operators have managed to address this issue to some extent, thereby securing SMS revenues, fraudsters and non-compliant SMS aggregators have started to look for other ways to deliver SMS. As a result, we are seeing increased use of SIM farms as well as new forms of local bypass. Advanced firewall solutions and sophisticated SIM Box detection methods that incorporate machine learning techniques can help mobile operators manage this, thus keeping SMS a trusted channel for enterprise communication.
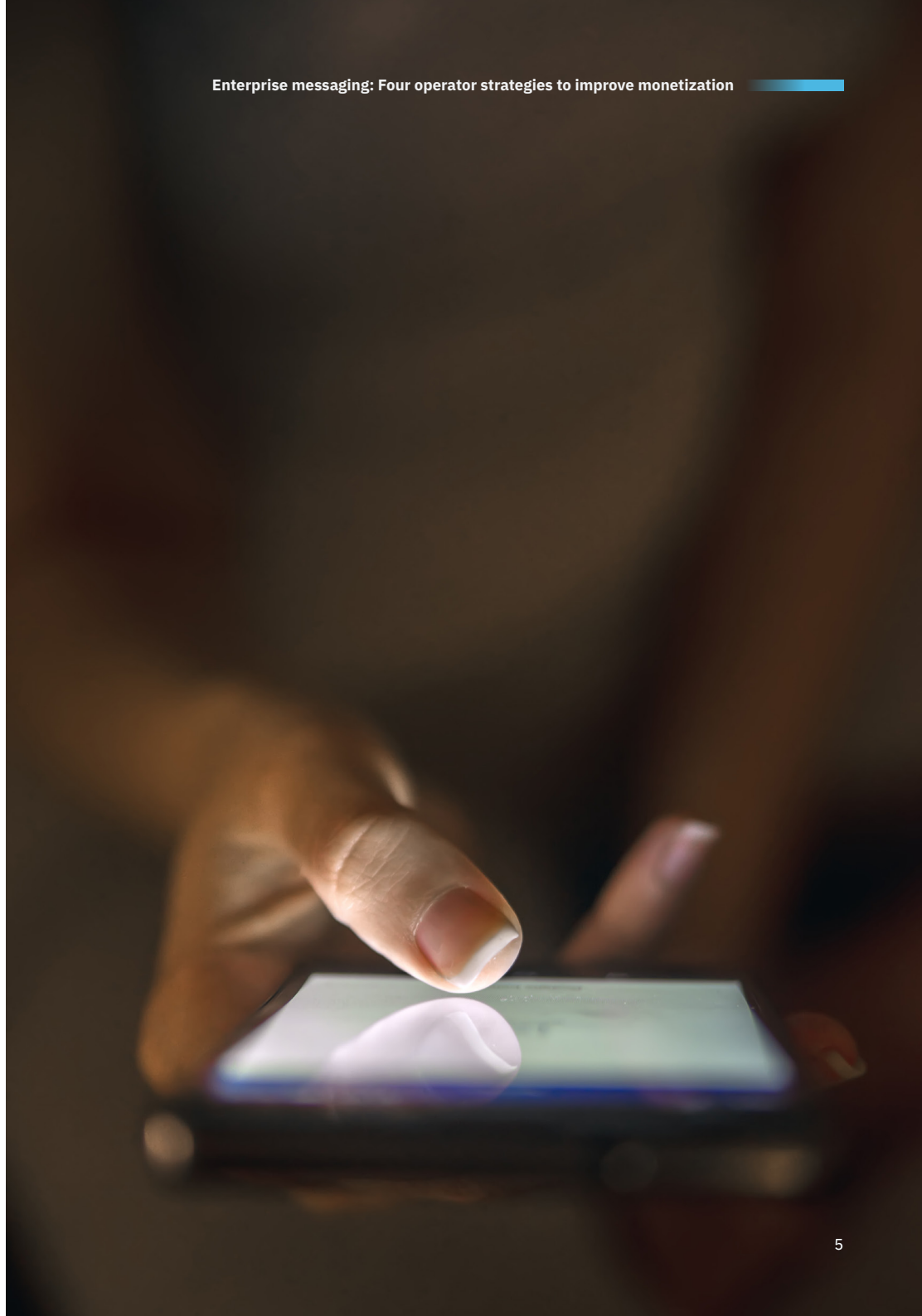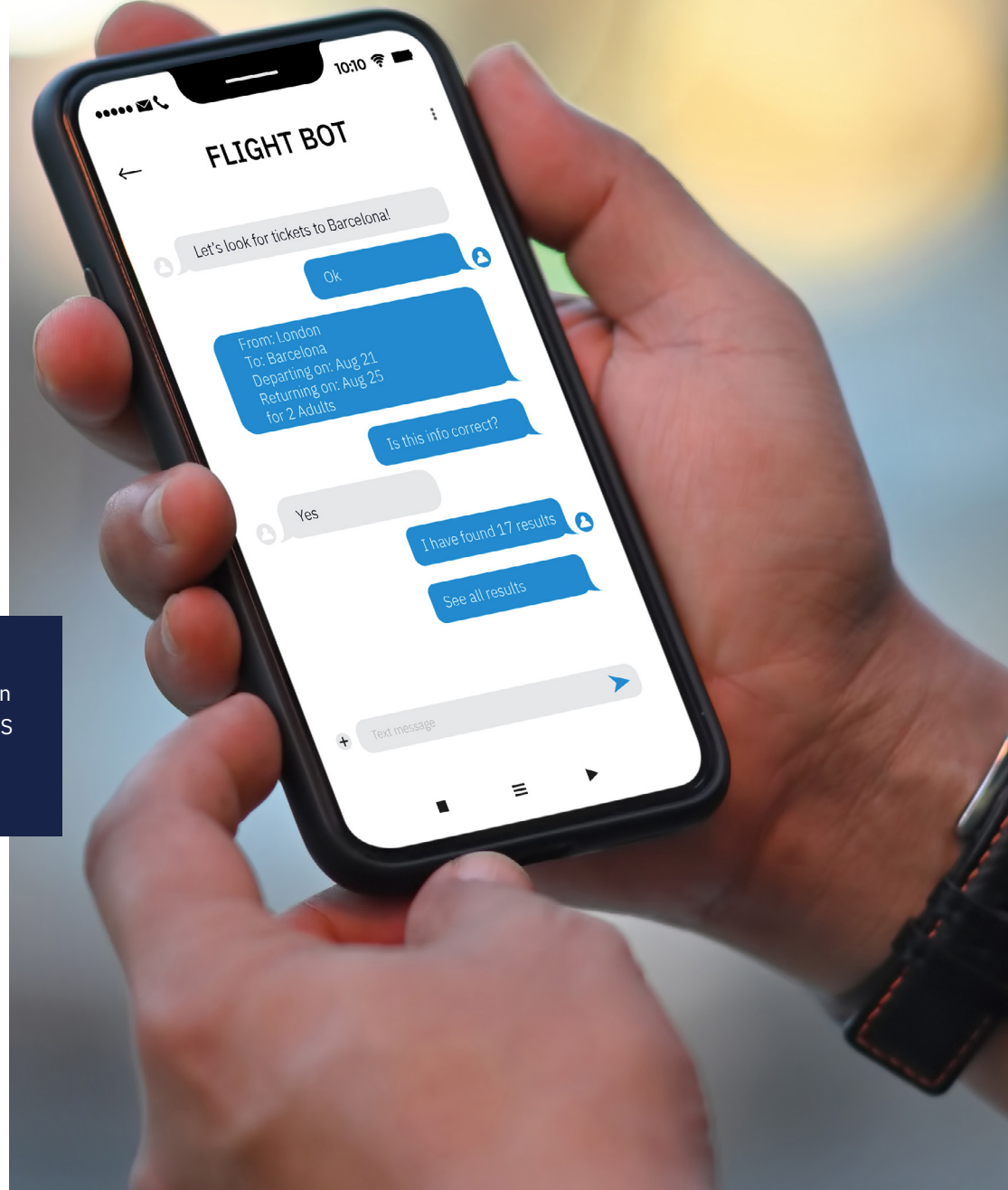
Using RCS to reinvigorate default messaging functionality

Operators must also move forward in line with OTT messaging providers that are offering rich, interactive two-way connections with customers.

It was announced in 2020 that WhatsApp now exceeds two billion monthly active users who send more than 100 billion messages per day[6]. In 2018, WhatsApp launched WhatsApp Business – a free-to-download Android app that lets small businesses connect with customers.

By throwing their weight behind the RCS initiative, operators can gain access to a global product that is equal to OTT messaging in feature set. In addition, RCS offers several significant new advantages, including compliance with legal intercept, GDPR, and other regulations. It is ubiquitous and available natively on mobile phones, and provides access to the vast majority of the subscriber base of a mobile operator. RCS has the potential to become a major communication channel for enterprises. RCS business messaging is projected to account for just under 10% of operators' A2P messaging revenue by 2023[7].

In 2017, Google created an Early Access Program to make it easier for brands to take part in RCS business messaging. Since, Google has worked with partners to support RCS launches in more than 24 countries, helping deliver a richer messaging experience on Android.[8] In the US it has since worked with Sprint to enable campaigns with brands like Booking.com, Subway and 1-800-Flowers.com.

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[6] https://techcrunch.com/2020/10/29/whatsapp-is-now-delivering-roughly-100-billion-messages-a-day
[7] https://www.juniperresearch.com/press/operator-a2p-messaging-revenues-62-billion-2023
[8] https://blog.google/products/messages/access-assistant-messages-plus-latest-rcs/

Pricing strategies

Despite being the sole gateway for SMS termination, operators must exercise care in setting SMS termination rates. While the rate set must be beneficial from a monetization perspective, an overly high termination cost could and will result in enterprises restricting A2P messaging to critical SMS only, and using other channels for marketing and customer relationship building instead. Mobile operators must be considerate of this when setting prices and offer differentiated pricing based on the type of traffic and the enterprises they serve.

Partnerships with next generation messaging specialists to secure traffic

Operators need to consider strategies to attract and secure high volumes of enterprise messaging traffic in the shortest possible time. By forming profitable partnerships with enterprise messaging specialists, they can access traffic from a large base of organizations seeking to communicate with consumers via messaging channels in a cost effective and efficient manner. These partnerships can save operators from having to conduct widespread global outreach into the enterprise market to secure small volumes of traffic.

By leveraging a worldwide footprint and extensive relationships with hundreds of global organizations, SMS messaging specialists can offer operators access to large traffic volumes from enterprises all around the world. These mutually beneficial relationships can even be extended into rich messaging and RCS in the future.

Conclusion

The age of P2P SMS as a big revenue generator is over, but the last few years have shown us huge growth in A2P SMS. Many mobile operators have been able to capitalize on this through solid strategy, which has enabled them to increase their A2P SMS revenues.

The future of messaging continues to look promising and in order to succeed operators must:
• Continue to fight against all (new) types of SMS bypass fraud
• Define the right pricing policy for A2P SMS termination
• Embrace RCS as a true alternative and counterpart to OTT messaging

For more information on how BICS can add value to your business contact us at www.bics.com.

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