The Messaging Mix: Navigating the Future of SMS, RCS, and OTT

MEF CONNECTS Business Messaging

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How Is the Business Messaging Landscape Currently Looking?

SMS is the most popular channel for sending A2P messages, due to its familiarity, ubiquity, and reliability, which is especially important for business-critical messages.

However, this dynamic is changing due to high international SMS rates in many markets.
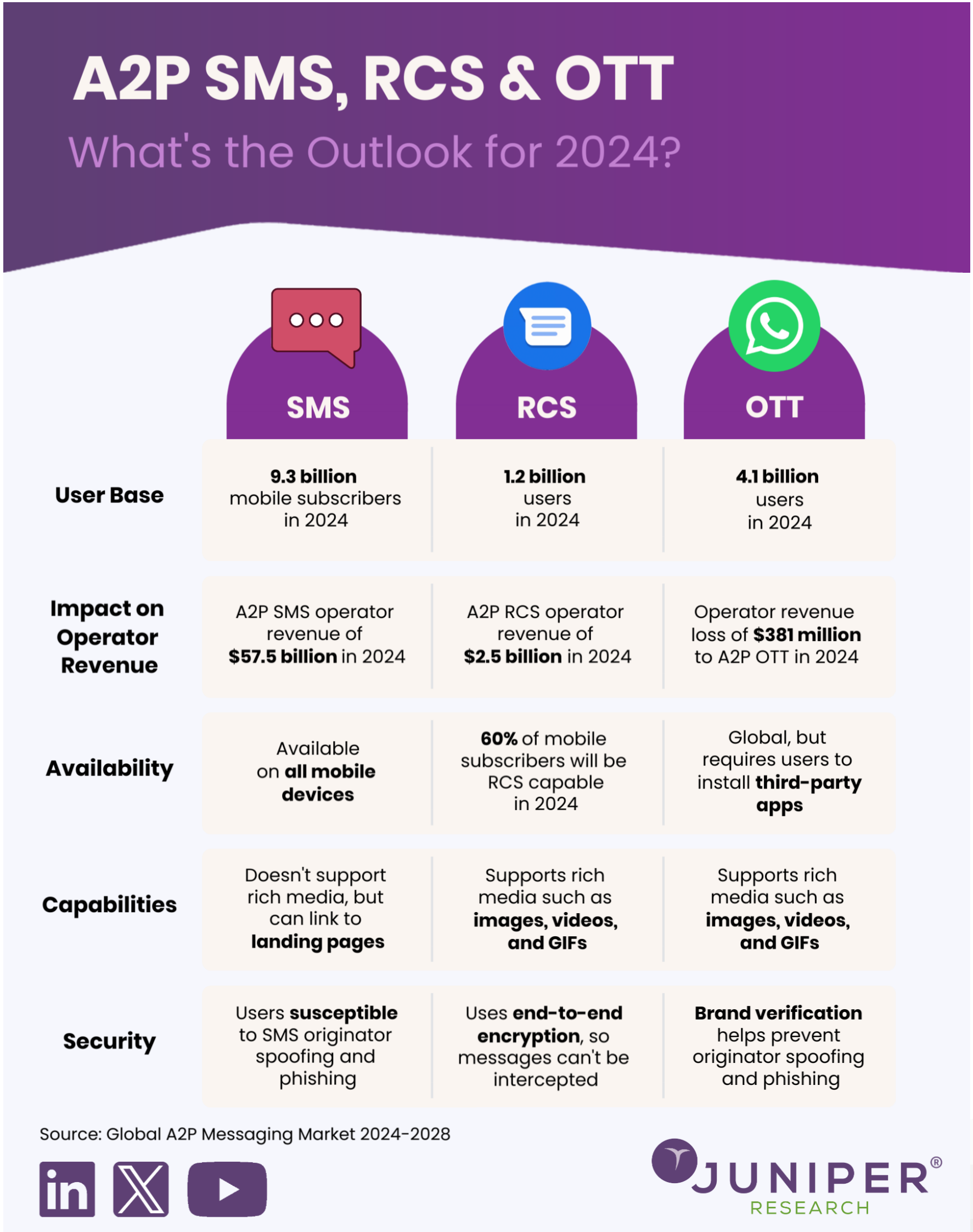
The launch of WhatsApp Business authentication use cases poses a significant threat to A2P SMS traffic.

DMA (Digital Markets Act) to reduce OTT's regional fragmentation in the EU.

Apple's support for RCS Basic Messages will serve as a 'stop gap' for RBM (RCS Business Messages).

Global RCS-active subscribers will rise from 1.2 billion in 2024 to 2.1 billion by 2025.

A2P SMS, RCS & OTT
What's the Outlook for 2024?

	SMS	RCS	OTT
User Base	**9.3 billion** mobile subscribers in 2024	**1.2 billion** users in 2024	**4.1 billion** users in 2024
Impact on Operator Revenue	A2P SMS operator revenue of **$57.5 billion** in 2024	A2P RCS operator revenue of **$2.5 billion** in 2024	Operator revenue loss of **$381 million** to A2P OTT in 2024
Availability	Available on **all mobile devices**	**60%** of mobile subscribers will be RCS capable in 2024	Global, but requires users to install **third-party apps**
Capabilities	Doesn't support rich media, but can link to **landing pages**	Supports rich media such as **images, videos, and GIFs**	Supports rich media such as **images, videos, and GIFs**
Security	Users **susceptible** to SMS originator spoofing and phishing	Uses **end-to-end encryption**, so messages can't be intercepted	**Brand verification** helps prevent originator spoofing and phishing

Source: Global A2P Messaging Market 2024–2028

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2020 vs 2028 – Migration of Business Messaging Traffic

SMS
2023 – AIT drives increased price of SMS traffic.

Now – business messaging traffic migrating to more affordable channels.

RCS
2022 – limited support from operators and no movement from Apple.

Now – RCS/RBM presence in every country, with 1.2 billion active RCS users.

OTT
2023 – migration of business messaging traffic follows the same pattern as P2P traffic, but with limitations.

Now – DMA deployed in the EU to reduce fragmentation problems.

Use of APIs will allow operators to leverage their networks to capitalise on authentication revenue despite the slowing growth of SMS traffic.

Global Proportion of A2P Messaging Traffic Attributable to Each Channel 2020-2028 (%)

2022 – 95%
2028 – 65%
2028 – 23%
2028 – 10%

SMS Business Messaging   OTT Business Messaging   RCS Business Messaging
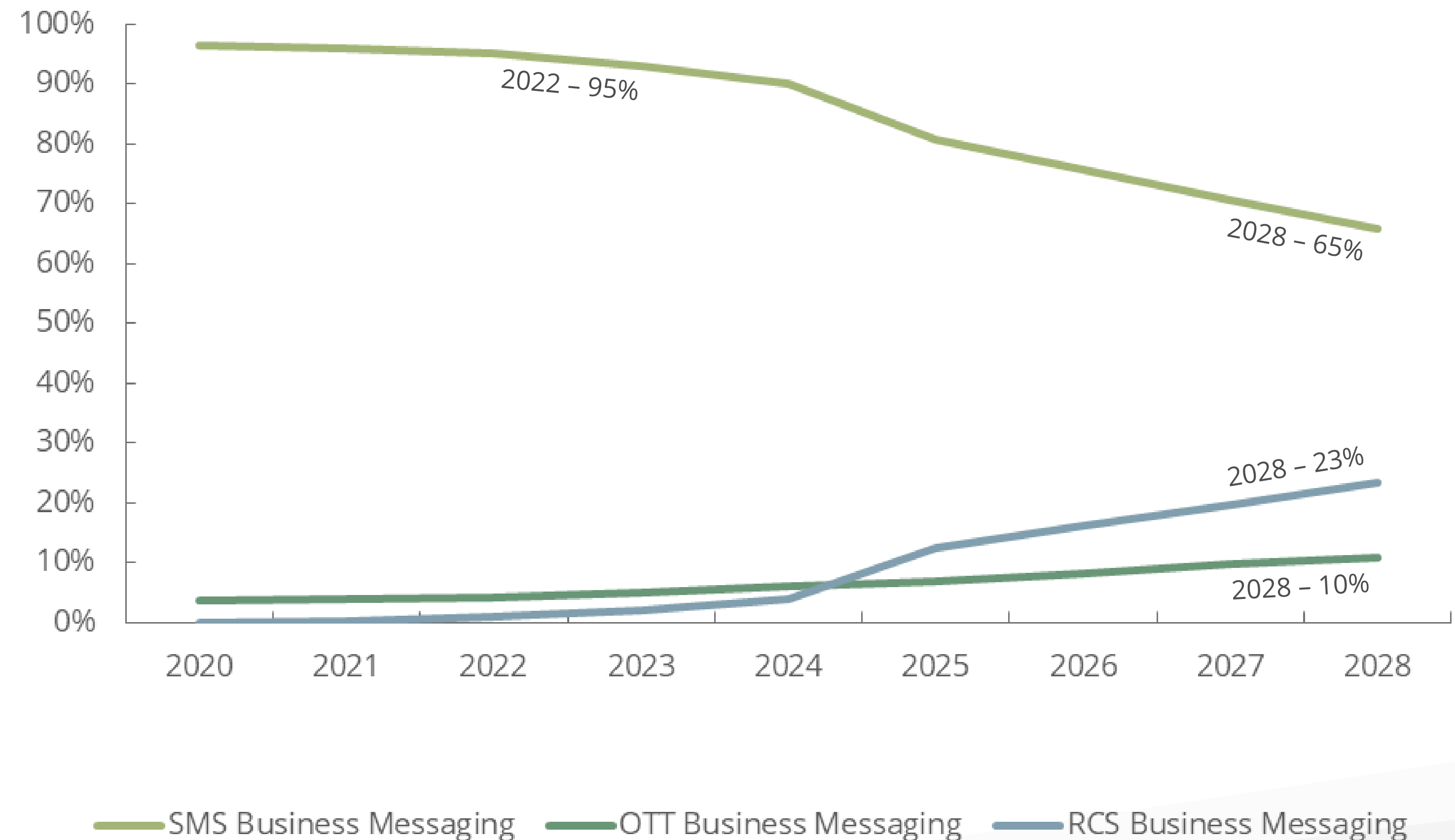
Source: Juniper Research

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Benefits of SMS Business Messaging
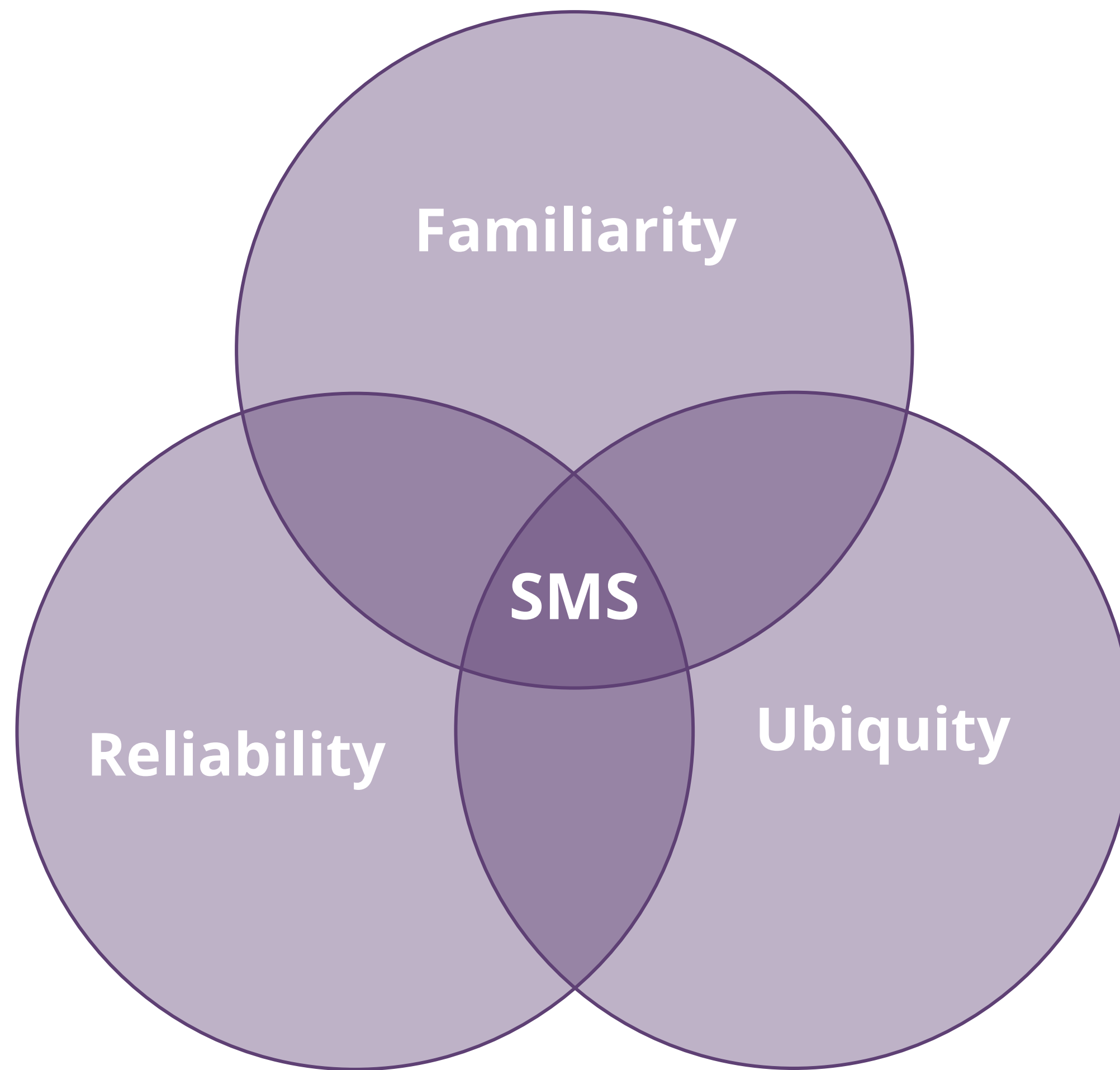
- SMS is established as a reliable revenue stream for MNOs, with its product development now being considered more strategically.

- The use of A2P SMS will be particularly strong in geographies with low smartphone penetration rates:

  - Africa & Middle East

  - Central & East Europe

- With P2P SMS traffic declining, developing new business messaging use cases will be key.

- Key use cases for SMS business messaging include:

  - One-time Passwords

  - Multi-factor Authentication

  - Notifications

  - Mission-critical Information

- However, these use cases are now under threat.

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SMS Market Outlook

- SMS continues to face competition from other channels that can be used for authentication, including voice, push notifications, and silent network authentication.

  - Enterprise spend is driven by ROI and therefore SMS needs to be priced more competitively.

  - If price continues to rise, SMS may become a last resort for authentication use cases, rather than a first choice.

- SMS will not disappear as a business messaging channel. However, its growth will slow considerably, and an increased proportion of traffic will migrate from SMS to WhatsApp and RCS.

Threats to the Growth of SMS Business Messaging Traffic

SMS Business Messaging Fraud

Flash Calling

APIs

OTT Messaging Apps

Password-less Biometrics

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How Can SMS Pricing Be Reduced?

- Despite the benefits of SMS, operators face increased pressures from initiatives such as the GSMA Open Gateway, CAMARA and flash calling for authentication use cases, **causing a rise in price.**

- This price increase provided an attractive revenue avenue for fraudsters, **creating widespread AIT fraud.**
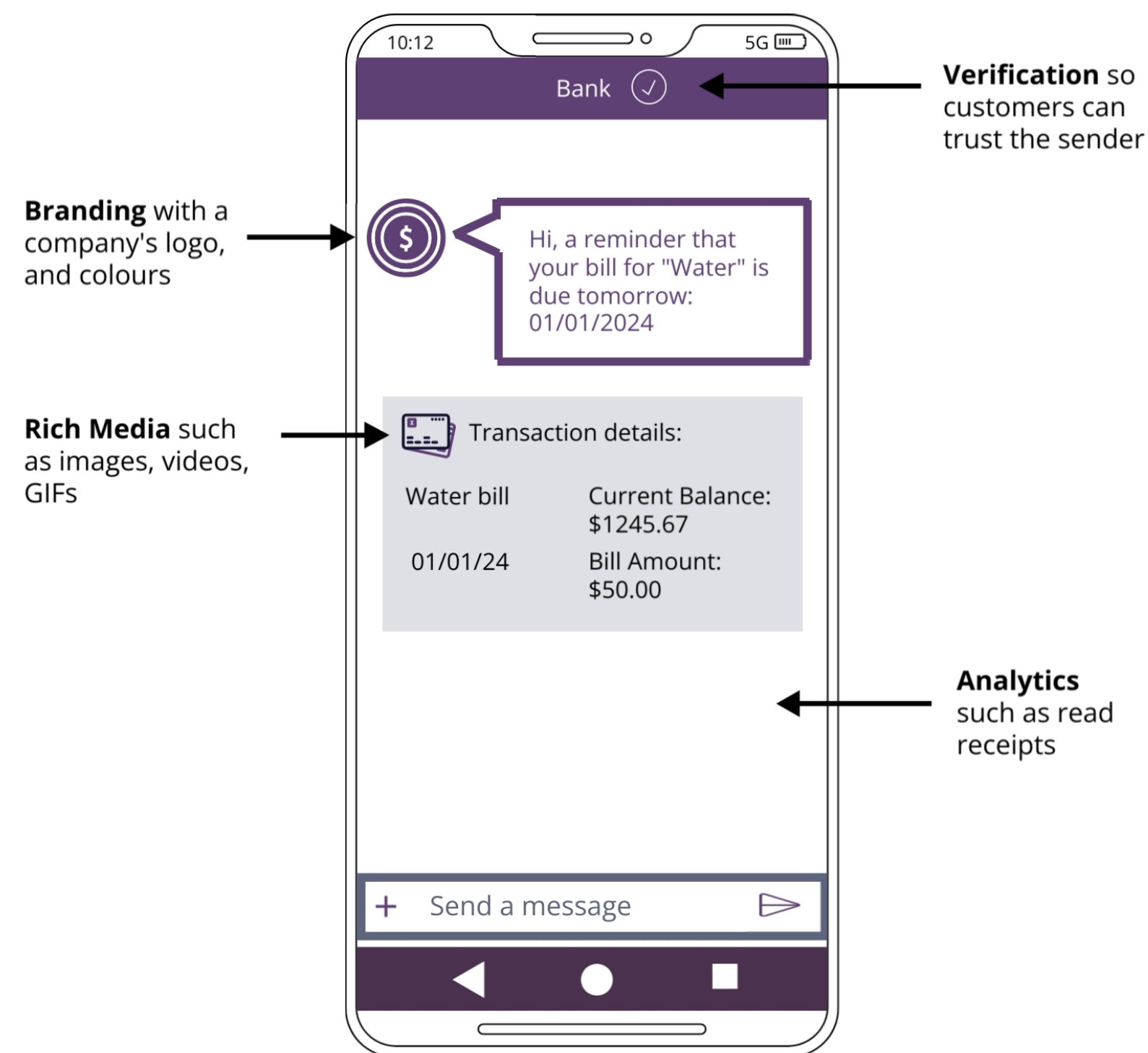

Fraudster   **Enterprise**   **A2P Messaging Vendor**   **Fraudulent MNO/ Aggregator**
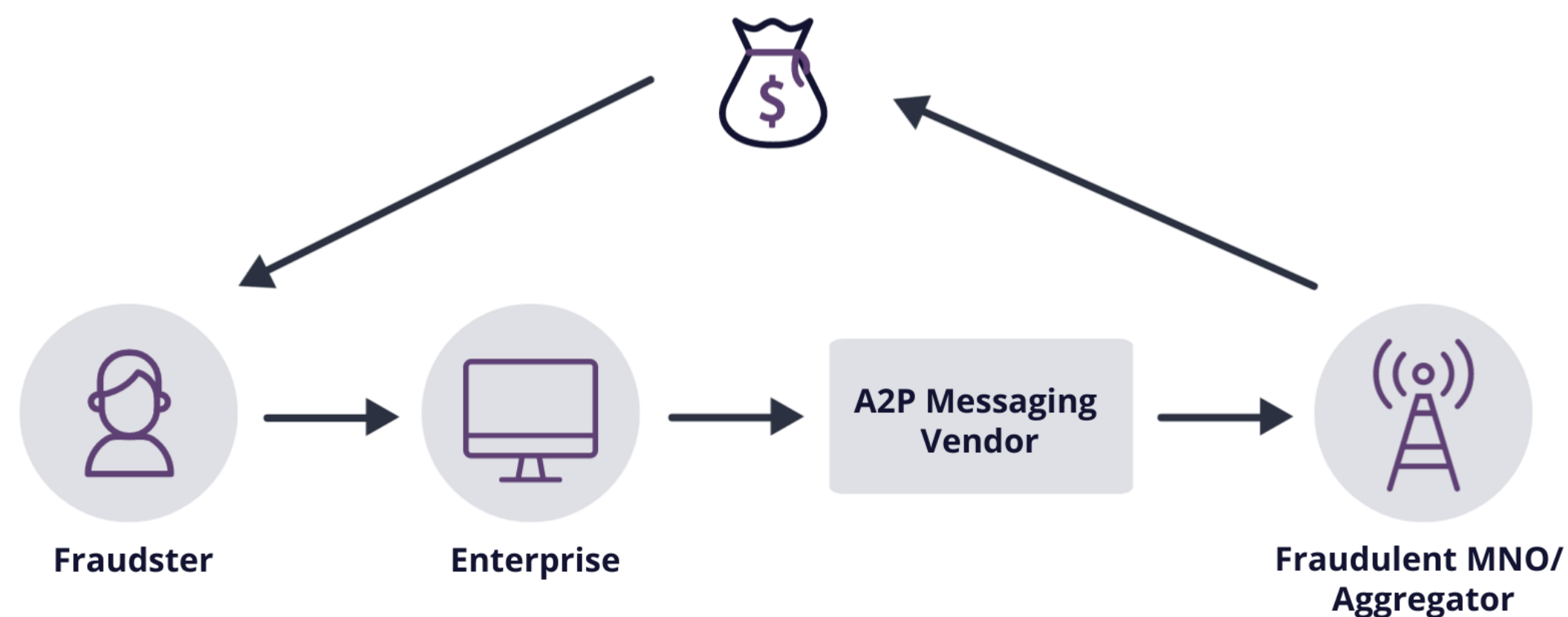
- AIT fraud has resulted in some enterprises adopting new channels for authentication. This will result in the growth of A2P SMS traffic slowing over the next 5 years, and to counteract this, operators have increased SMS prices.

- MNOs must maintain competitive A2P messaging pricing for long-term sustainability of SMS.

  - Price cap must be introduced

  - Must move away from volume-based pricing

  - Collaborate with CPaaS providers to develop new pricing models, such as subscription-based pricing or fair usage policies

- Market collaboration is required to reinstate trust in SMS as a business channel.

  - Price transparency with operators

  - Introduce concept of whitelists to combat fraud

- Network APIs provide a way for enterprises to maintain traffic on telecoms networks as the growth of SMS slows.

  - Operators must fully integrate themselves with this migration to API-based authentication, whilst continuing to support the demand for SMS business messaging

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RCS Business Messaging Market Outlook

Example Use Case for A2P RCS Messaging and Key Features

Verification so customers can trust the sender

Branding with a company's logo, and colours

Rich Media such as images, videos, GIFs

Analytics such as read receipts

Source: Juniper Research

- RCS has emerged as a channel for a number of rich business messaging use cases, as the number of RCS-capable subscribers has increased over the last two years.

- Apple announced its support for RCS messaging in November 2023, and will implement this support on iOS devices in 2024, following implementation of the EU's DMA.

- In the meantime, operators have introduced billing models for RCS Basic Messages that have price parity with SMS.

  - This will allow brands and enterprises to receive the additional benefits of RCS without the additional cost.

  - Brand verification and end-to-end encryption features will appeal to verticals such as banking and healthcare, where the exchange of sensitive information is frequent.

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RCS Business Messaging Future Market Outlook

- Total number of active RCS subscribers will rise from 1.2 billion in 2024 to 2.9 billion by 2028.

  - Increased consumer awareness, coupled with rich capabilities (such as brand verification) will mean it will be the fastest-growing business messaging channel over the next four years.

- Adoption of RCS for authentication has been slow, as it currently has low penetration in many countries.

- Instead, it is anticipated that RCS business messaging will first be adopted for promotional messaging.

  - Features such as carousels and call-to-actions will be particularly useful in retail and eCommerce settings.

Global RCS Active Mobile Subscribers (m), 2024 & 2028.
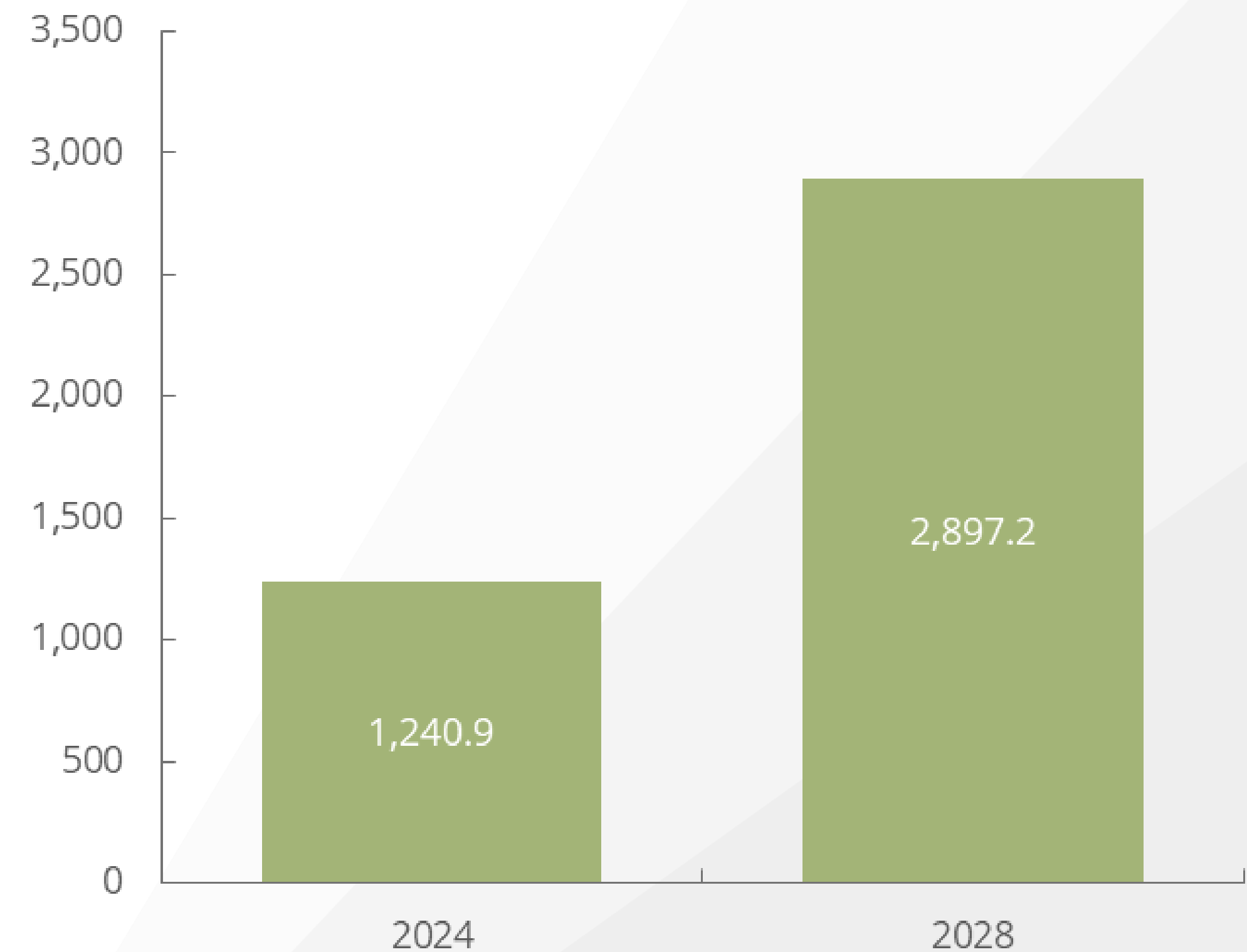
Source: Juniper Research

RCS Business Messaging – Future Challenges

- Regulations for RCS have already been a problem (e.g. the blocking of RCS in India in 2022).

- Regulation frameworks need to be stronger.

- If consumers receive high volumes of spam messages across RCS, then they are less likely to engage with messages.

- RCS can prevent some of the types of fraud that occur with SMS, such as originator spoofing and phishing through brand verification.

- The onus is on operators to keep consumers informed of emerging threat tactics

Extent of Apple's Support

**Fraud/ Regulation of Messages**

RCS
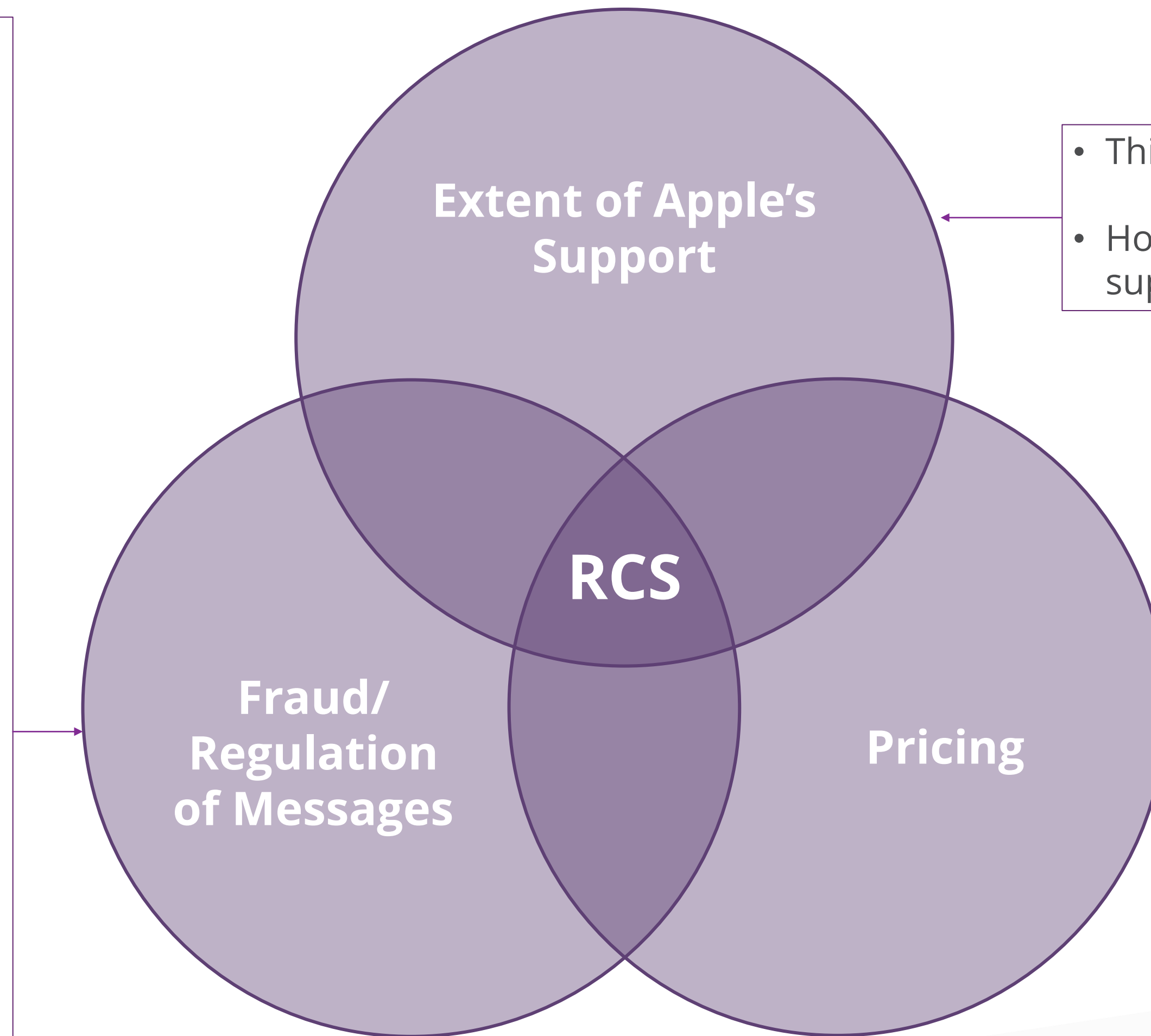
Pricing

- This initial implementation will be for P2P traffic.

- However, it is still ambiguous whether Apple will support RBM.

- Currently no unified pricing model for RCS with different operators in the same country having different ways of pricing RCS.

- RCS Basic Messages have price parity with SMS – however, SMS pricing is currently problematic.

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OTT Business Messaging - Market Outlook

Potential Operator A2P Revenue Loss to A2P OTT Messages ($m), 2024 & 2028
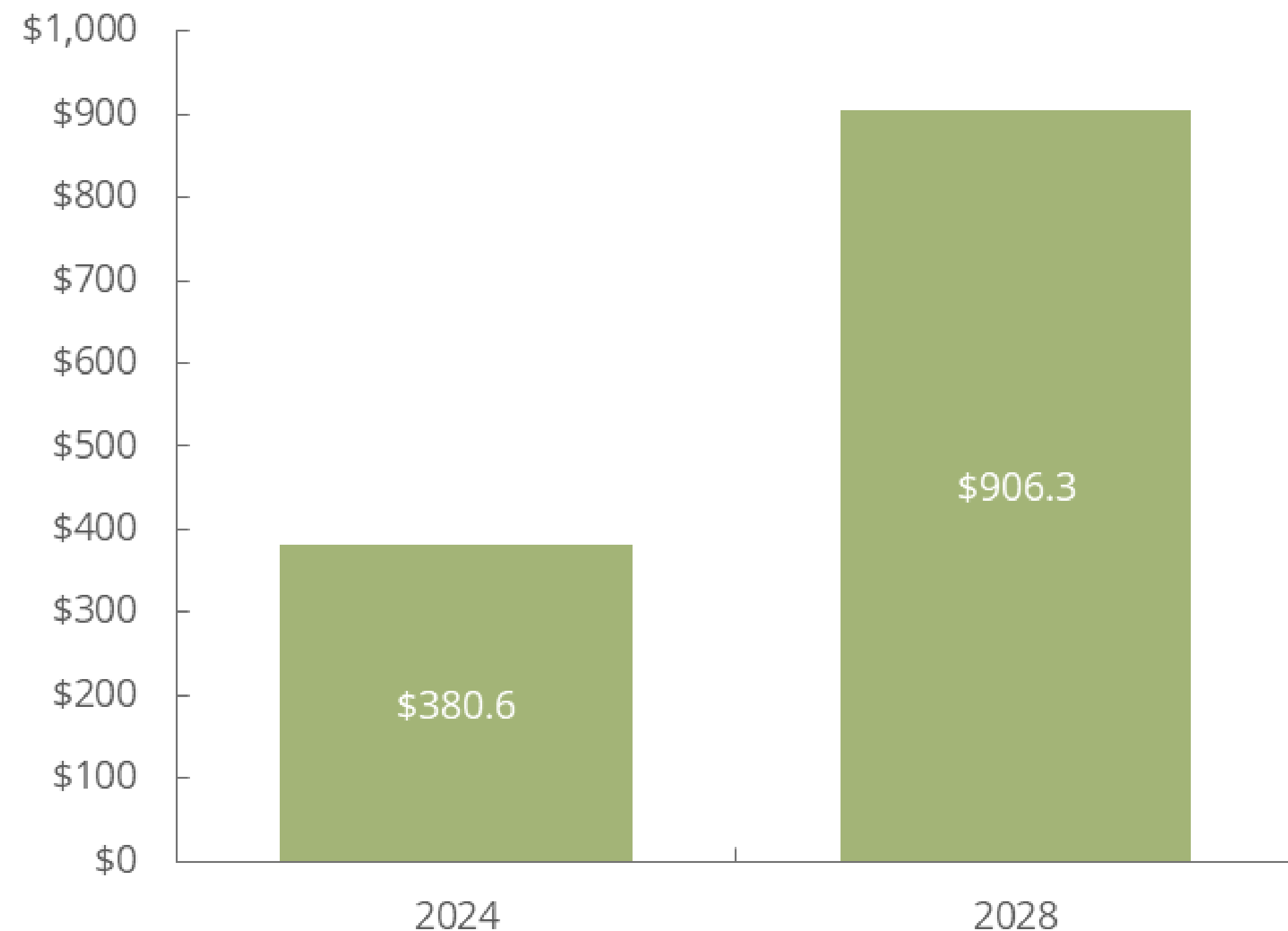
Source: Juniper Research

- Juniper Research forecasts that the total operator revenue lost to OTT business messaging will rise from $380 million this year, to $906 million by 2028.

- However, an enterprise's use of OTT channels is dependent on its technological maturity.

  - SMEs that operate nationally will be more likely to try using OTT messaging apps for A2P communications.

  - Additionally, larger enterprises such as Microsoft and Google agree A2P contracts on a country basis. Therefore, the opportunity for OTT business messaging is also strong for large enterprises.

- As consumers are required to download a third-party app, regional fragmentation is an issue for adoption.

- Whilst there are a number of OTT messaging apps, WhatsApp is the most dominant channel in the business messaging market. The app has particularly high penetration in markets including Brazil, India, Mexico, Spain, and the UK.

  - The app has released a number of commercial and feature changes over the last 12 months.

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WhatsApp Business: Pricing Business Models

February 2022

User Initiated

Business Initiated

June 2023

- **Authentication conversations** will provide a more attractive value proposition for one-way messaging use cases.

- We anticipate that this will further increase the competition between OTT apps and SMS for business messaging for OTP use cases.

However, June 2024...
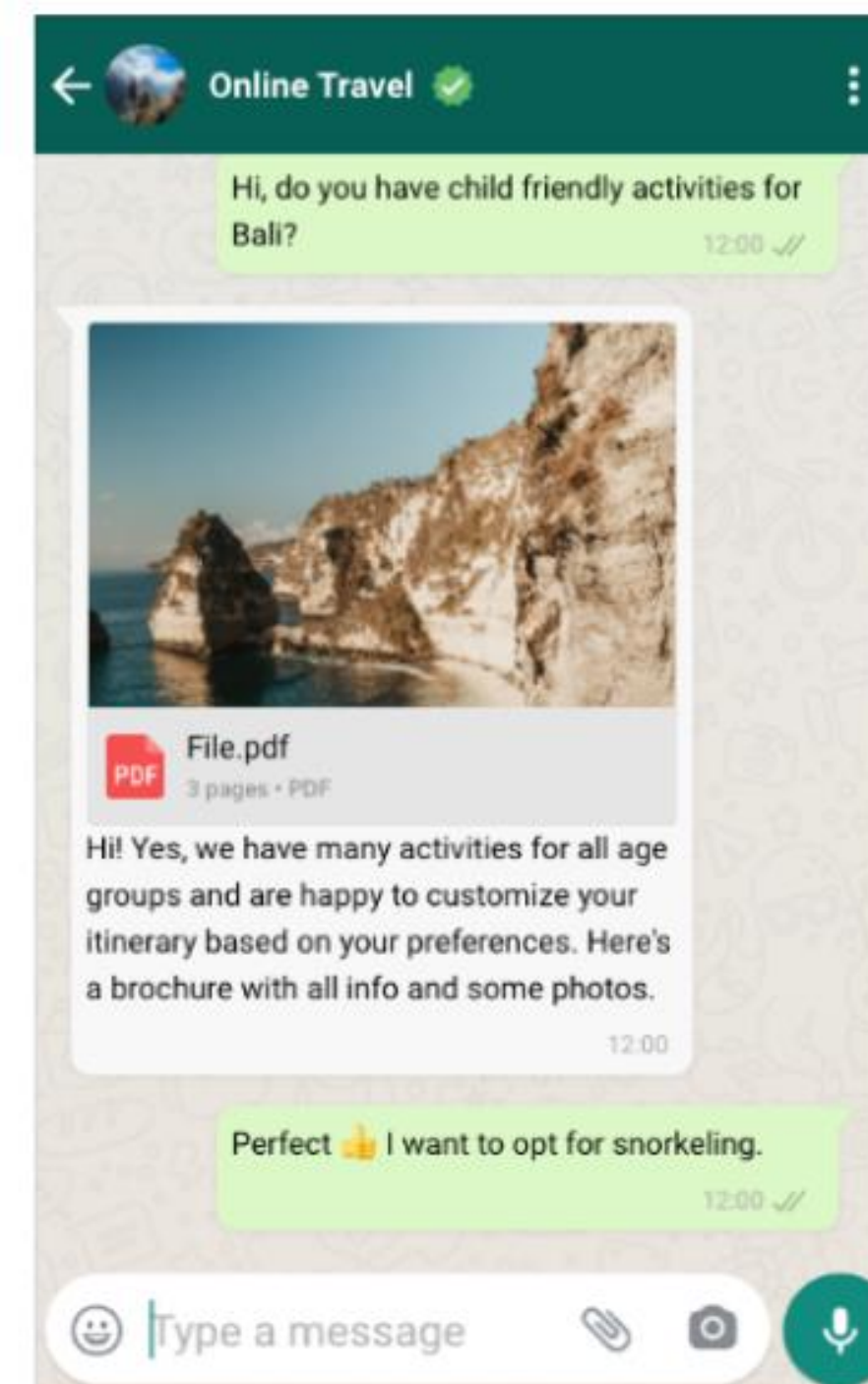
Utility Conversations

Authentication Conversations

Marketing Conversations

Service Conversations

User-Initiated Conversations

Online Travel

Hi, do you have child friendly activities for Bali?
12:00

File.pdf
3 pages · PDF

Hi! Yes, we have many activities for all age groups and are happy to customize your itinerary based on your preferences. Here's a brochure with all info and some photos.
12:00

Perfect 👍 I want to opt for snorkeling.
12:00

Type a message

Business-Initiated Conversations

Online Travel

We are pleased to confirm your tour package. Please refer to the attachment below for your reservation details and documents. Thank you for choosing Online Travel. We wish you a wonderful holiday!
12:00

BOOKING CONFIRMATION

Your Business Name

File.pdf
3 pages · PDF
12:00

Type a message

Source: Meta

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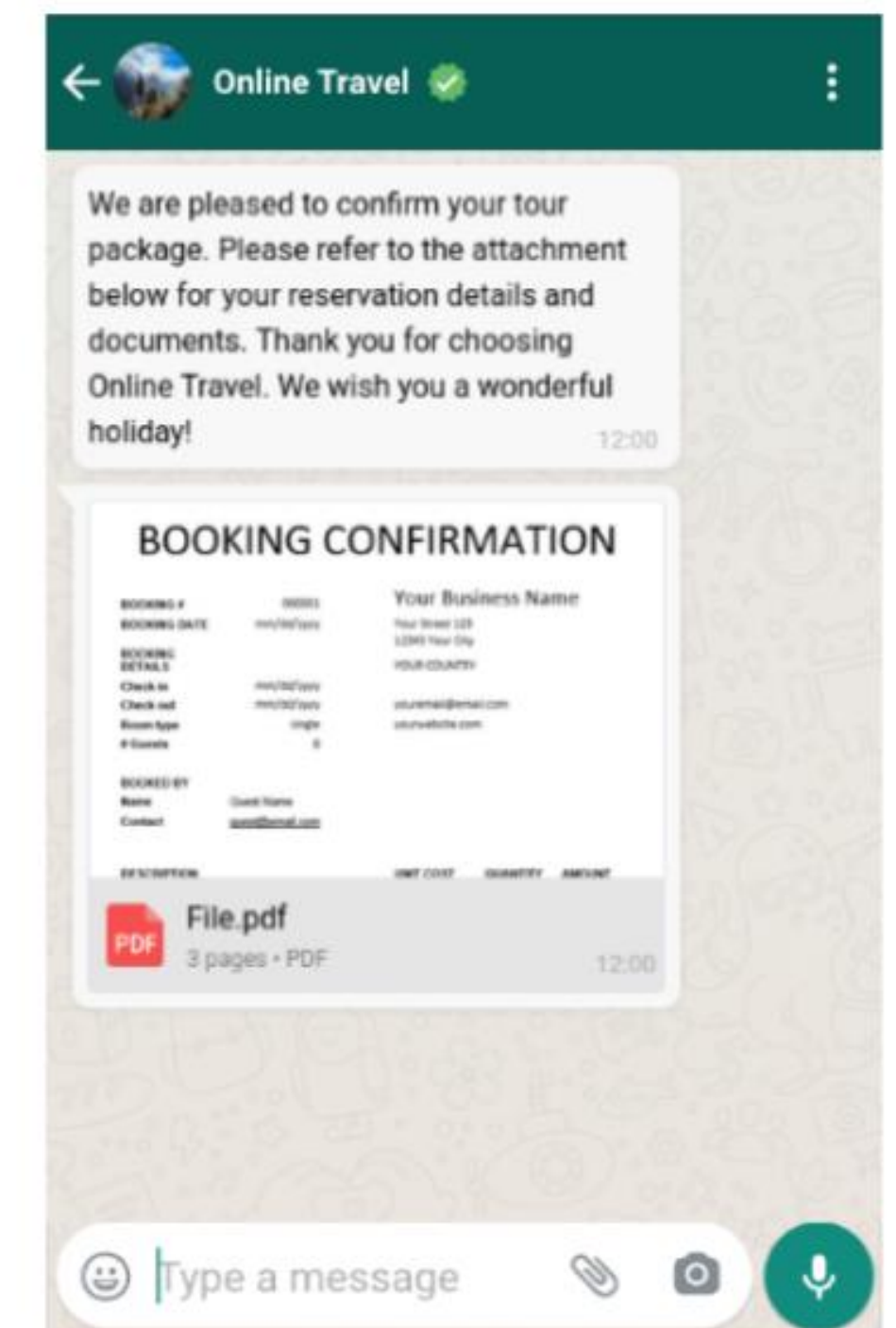
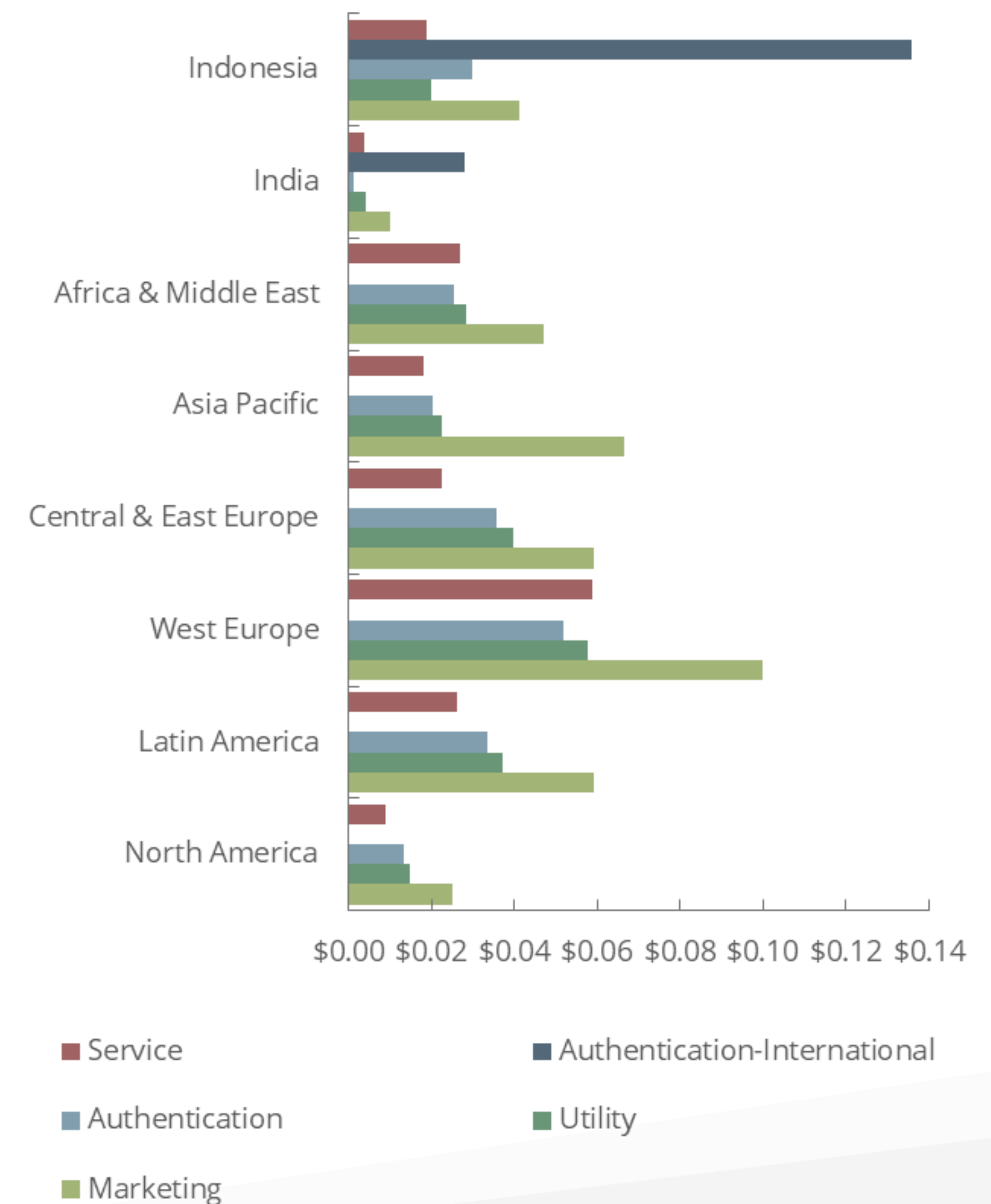# 2024 WhatsApp Business Pricing Changes

- WhatsApp announced that it will introduce international rates for authentication use cases in a number of countries.

New WhatsApp Business Rates for International Authentication Use Cases ($), 2024

New WhatsApp Business Rates ($), Split by 5 Key Use Cases, 2024

Source: WhatsApp

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The Future of the Global Business Messaging Market

SMS Pricing Will Continue to Impact Demand for SMS.

- Increase in SMS pricing can be attributed to fraud.

- The growth of SMS business messaging will slow considerably over the next five years.

- Where the penetration of OTT messaging platforms is high, enterprises are expected to consider adoption of this channel as an alternative to SMS.

AI to Detect SMS Messaging Content.

- The growing revenue potential from SMS will result in an increase in the number of fraudsters trying to make a profit from the channel.

- Technological advancements in AI and machine learning mean that they will be an important technology for detecting and eliminating fraud across SMS.

Apple's Support for RCS Will Increase Value Proposition.

- The increased publicity surrounding RCS will result in a growing number of operators supporting RCS.

- The rising use of RCS will increase the value proposition of RBM.

- As brands can be verified, this enables consumers to have greater trust in the messages they receive from brands.

Authentication APIs Will Provide an Alternative to SMS, but Will Keep Demand for SMS Use Cases on Telecoms Networks.

- Network APIs provide a better user experience, as they are silent and will provide a way for enterprises to maintain traffic on telecoms networks, as the growth of SMS slows.

- These increased costs, driven by fraud and low-quality SMS networks, will lead the development of APIs over CAMARA and the Open Gateway from the GSMA.

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