


A person wearing a white lab coat is looking at a smartphone. The phone is held by a hand wearing a brown, textured glove. The background is blurred.

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The RCS business messaging opportunity for mobile operators

Whitepaper

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The RCS business messaging opportunity

In today's consumer messaging environment, mobile network operators (MNOs) are facing external pressures from OTT (over-the-top) messaging players to deploy an enhanced native messaging experience for their subscribers. And while a rich, digital, person-to-person messaging experience for subscribers has become table stakes, there has been no clear model on how MNOs can monetize the experience. The reality is, to compete with OTT messaging providers, MNOs are forced to provide rich messaging at no additional cost to their subscribers—potentially threatening existing SMS revenue streams.

Additionally, deploying RCS capabilities for subscribers is not a simple expansion of legacy messaging services. It requires significant investment and planning to successfully deploy the technology, deepening the need for future monetization.

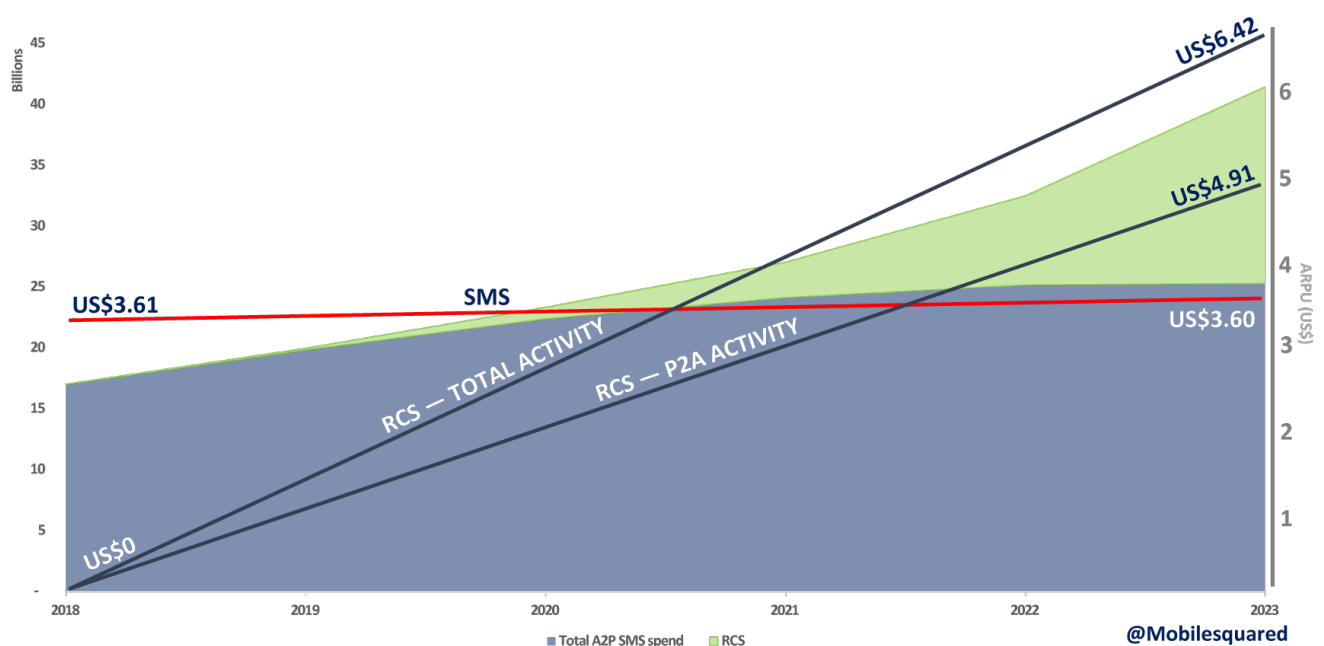
So how do MNOs provide the enhanced RCS messaging experience to their subscribers, while being able to justify the investment through a monetization strategy? The answer is RCS Business Messaging.

Today, an entire ecosystem exists linking together mobile network operators, handset and messaging client manufacturers, business messaging partners, aggregators, enterprises/brands, and other value-added business messaging providers who have established a value chain that provides operators with a path to RCS monetization through RCS Business Messaging. Additionally, the GSMA has taken a leadership role by spearheading the development of this ecosystem by making RCS Business Messaging a core focus of their Future Networks Programme.

This guide has been created to provide mobile operators with guidelines and best practices to monetize RCS through business messaging and outline a clear path to provide a return on the RCS investment opportunity driven by market and industry demands.

RCS adds a significant monetization opportunity

SMS / RCS ARPU comparison (US\$)



Two paths towards RCS monetization

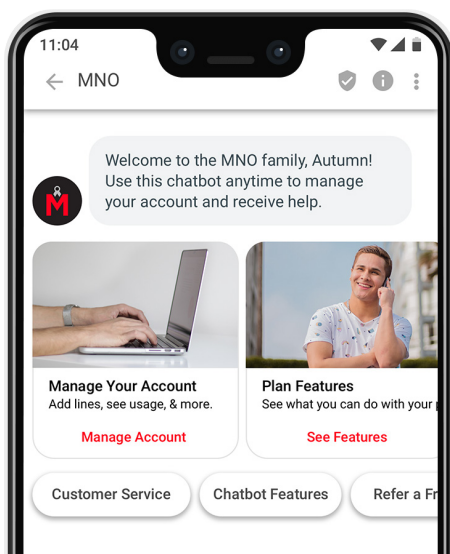
There are two clearly defined paths for mobile operators to justify their investment in RCS and business messaging—internal value capture and external value capture. Both paths exist today and there is an existing ecosystem and value-chain of industry stakeholders prepared to support both. These paths to value capture are not mutually exclusive and can have a compounding market and business impact if deployed in tandem.

1. Internal Value Capture

Driving customer retention, reducing churn, and increasing ARPU rank among the highest value objectives for mobile operators. Many legacy customer engagement tactics include traditional channels such as email, web, call-center, and email to help acquire, retain, and grow overall subscriber growth and customer ARPU. With the rich, digital nature of RCS, operators can enhance the overall customer experience surrounding subscriber engagement—ultimately improving the effectiveness of retention and ARPU growth programs and increasing overall customer satisfaction. Additionally, providing existing customers with rich, engaging RCS experiences across the customer lifecycle will provide market awareness and adoption of RCS messaging, and demonstrate the power of RCS engagement to enterprises and brands who are considering investments in the technology. Below are examples of areas where RCS can have a positive impact across the customer lifecycle for mobile operators:

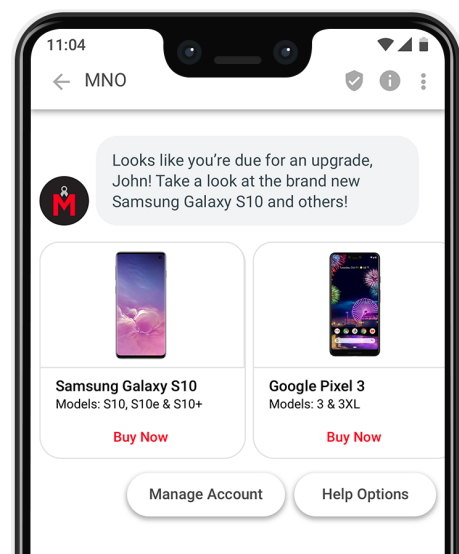
Activation

You never get a second chance to make a first impression—and a customer's first experience with their wireless provider is no exception. RCS Business Messaging can provide a rich, personalized, digital “welcome series” engagement with new subscribers that can not only provide a simple and inspiring onboarding experience but can set the stage for high Net Promoter Score (NPS) scores and improved long-term customer lifetime value.



Marketing/Promotion

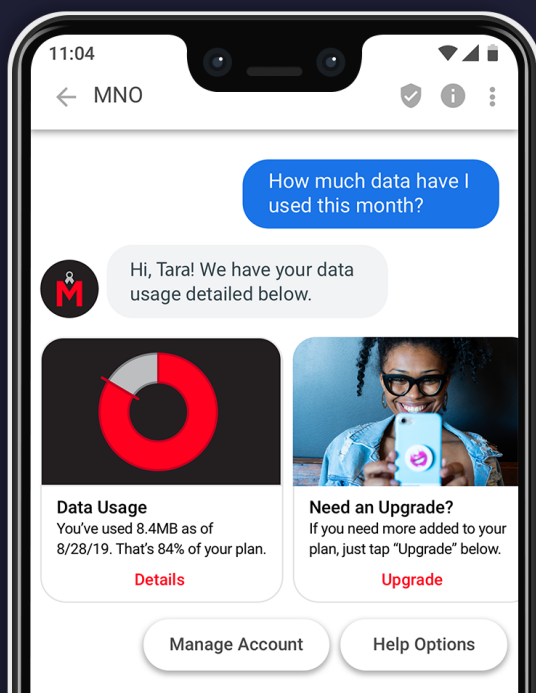
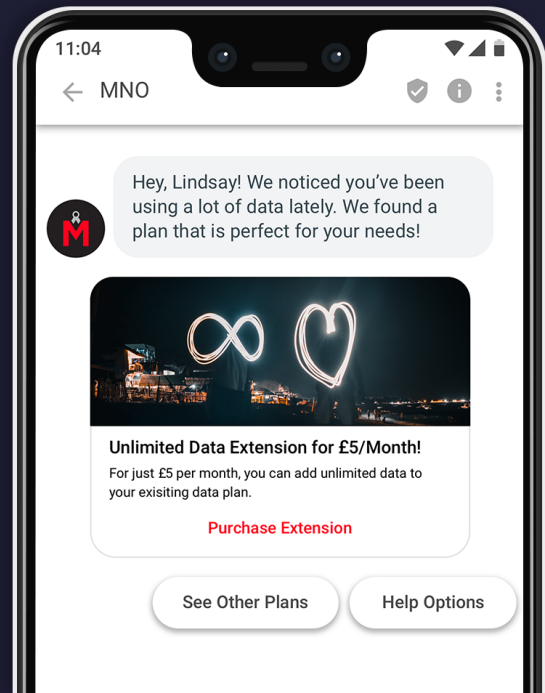
Delivering the right promotion at the right time and meeting your customers where they spend their time (their favorite messaging app) is critical to effective marketing and promotional execution. RCS Business Messaging can deliver a rich, digital offer to customers in a way that is targeted and easily actionable—ultimately maximizing the effectiveness of campaigns.



Two paths towards RCS monetization

CRM for retention, cross-sell, and upsell

RCS Business Messaging gives mobile operators the opportunity to turn everyday customer communications into a personalized conversation that helps deliver value to the subscriber and the bottom line. This includes enhancing communications around data usage, upselling of data plans with “one-tap” options to modify plans or purchase more data, or cross-selling other value-added services related to customer usage and purchase behavior.



Self-service account management

Answers and solutions to most everyday customer inquiries and account management functions can be automated and placed at a customer's fingertips leveraging RCS Business Messaging. Additionally, RCS-based self-service customer care and account management functions can have an enormous operational and economic impact by reducing expensive call center calls, limiting human customer service interactions, and increasing overall customer satisfaction and NPS.

Research by Accenture found that by adding self-service account management, companies could see \$1-3 million in annual savings in customer care costs.^[1]

^[1] Source: <https://www.superoffice.com/blog/customer-self-service/>

Two paths towards RCS monetization

2. External Value Capture

The second path to monetize RCS investments and provide cross-functional business justification lies within providing RCS Business Messaging capabilities to external stakeholders and partners. This includes enabling existing messaging partners such as aggregators or other value-add providers, as well as enabling internal enterprise sales organizations with the platform to provide RCS Business Messaging functionality to enterprises and brands in-market.

Enabling next-generation messaging partners

In the legacy SMS space, this group of partners is often referred to as “SMS aggregators”. Many of today’s existing global SMS aggregators are well aware of the business impact RCS Business Messaging can have, based on their experience with business messaging with SMS, as well as the forward-looking understanding of the richness and enhanced consumer experience with RCS.

Additionally, while many of these aggregators have the enterprise and brand clients to sell enhanced, next-generation RCS messaging experiences to, they lack the required investment and technology resources to deliver RCS Business Messaging functionality into the market today. By providing these messaging partners with an RCS platform that makes it easy for them to deliver rich business messaging experiences for their enterprise clients, mobile operators can generate significant new revenue streams for their business and increase the long-term value of existing and new messaging partners.

- An RCS Business Messaging platform for enterprise sales teams to bring into the market for the enterprise clients
- Features that enable robust customer engagement and program measurement such as chatbot session support, read receipts, x and alternate SMS experiences
- Strong training and documentation on platform operations, support, delivery, etc.
- Effective tools and processes to on-board clients including account setup, issue credentials, etc.
- Defined process to quickly and easily deliver new RCS Business Messaging programs for clients
- Global RCS connectivity partners to provide RCS Business Messaging solutions on a global scale

Creating direct-to-Enterprise business opportunities

Many global MNOs have existing enterprise, business-to-business sales organizations that are looking for new, value-driving solutions to deliver to existing and potential clients as they compete in-market. By enabling these organizations with RCS Business Messaging capabilities, mobile operators can empower them to provide RCS connectivity and services to enterprises directly and drive new revenue streams into the overall enterprise, while providing a competitive differentiation in the market.

Some of the tools and capabilities needed to succeed in this include:

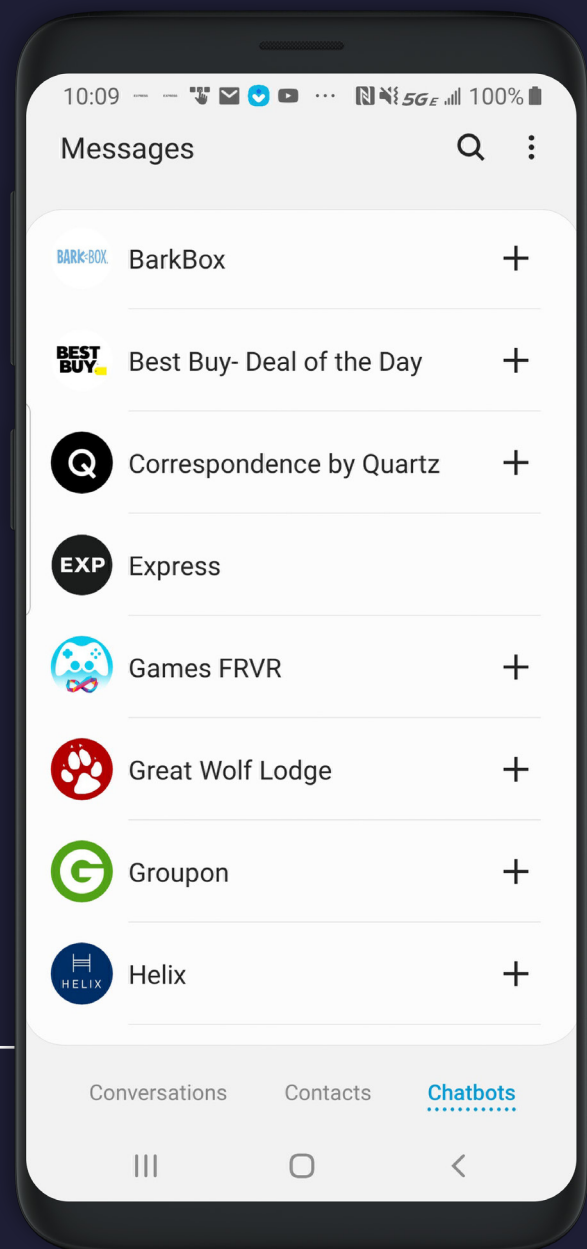
The key to RCS Business Messaging monetization is providing the market (messaging aggregation partners, enterprises, and brands) with business models and commercial terms that are value-based, easy to consume and ultimately unlock the maximum amount of budget to drive revenues. Below is a business model structure and principles that were born out of several years of enterprise and brand feedback, as well as industry thought leadership from mobile operators, messaging aggregators, platform providers, and RCS technology providers.

Native messaging client-based RCS Bot directory

The GSMA's RCS Universal Profile Specifications 2.0+ has created a standard for mobile operators to leverage to create and monetize RCS "chatbot" directories. These directories are embedded in the native messaging application on consumers' mobile devices, as seen in Samsung Messaging clients on S-series devices on the AT&T network today. By giving enterprises and brands a discoverable property to acquire and engage customers, mobile operators not only create an enhanced value proposition for RCS Business Messaging adoption, but they also create a path to monetization of the directory leveraging similar principles to Apple and Google "App Stores".

RCS business messaging commercial models

The following models represent a combined perspective from RCS Business Messaging ecosystem stakeholders as a starting point for the most effective pricing models to drive revenue throughout the ecosystem value-chain. These perspectives have been developed through several working sessions of GSMA RCS Business Messaging Labs, as well as direct market feedback from enterprises and brands, who are the ultimate buyers and end-users of RCS Business Messaging technology. The pricing models are comprised of two main areas: Transactional and Conversational Engagement.



Samsung Chatbot Directory

Commercial models to maximize the RCS revenue opportunity

Transactional pricing model

The existing market for the majority of global A2P (application-to-person) SMS traffic is one-way transactional notifications, such as two-factor authentication, one-time passwords, or other one-way alerts and is very mature and well-defined. One-way SMS is an effective modality for this type of messaging traffic and, while there is interest from enterprises and brands to enhance the customer experience with RCS, the market demand for highly interactive messaging in these use cases is limited. Additionally, business models for mobile operators, messaging aggregators, and enterprises are well-defined and established. Given these market factors, there is little-to-no need to alter the existing “SMS-based” model for messaging.

However, there is a value proposition of moving this traffic from SMS to RCS which includes the addition of brand information pages and verified sender statuses, as well as read receipts and basic “smart chip” responses. The consensus is that some enterprises and brands may be willing to pay a slight premium to move certain A2P SMS programs to an enhanced RCS experience. With all of these factors taken into consideration, the following “Transactional Pricing Model” segments are recommended:

- 1. Basic “Text Only” Transactional RCS Messages**
Pricing model that exists for A2P SMS
- 2. Rich RCS Functional Transactional Messages**
Slight premium over existing A2P SMS

Model benefits include:

- Addresses the majority of existing A2P SMS traffic (e.g. two-factor authentication, passwords, etc.)
- Leverages existing, mature pricing models while protecting existing A2P SMS revenue streams
- Allows the A2P business messaging ecosystem to get pricing model to market quickly with limited changes
- Entices brand/enterprise investment as existing program costs do not increase unless there is added value through rich RCS functionality—which provides revenue growth opportunities for the ecosystem

It is also worth noting that transactional RCS Business Messaging would address the global issues and challenges presented by “grey route” traffic with SMS by closing legacy loopholes.

Conversational engagement pricing model

RCS Business Messaging is a game-changer for the traditional SMS/MMS messaging programs run by today’s digital marketers. RCS delivers a rich, digital experience to consumers—much like app or web experiences—directly to the messaging channel consumers use throughout their everyday lives. These experiences span across the digital marketer’s business including customer acquisition, CRM communications, loyalty engagement, e-commerce, and purchase experiences, customer care solutions, and more. Common elements of these use cases include the highly engaging capabilities of RCS Business Messaging (rich cards, carousels, suggested replies, maps, payments, etc.) to create compelling session-based customer experiences.

Business models in OTT messaging channels such as WhatsApp and Facebook Messenger are starting to take shape and should be taken into consideration, as they are offering compelling economics that enterprises are evaluating.

Commercial models to maximize the RCS revenue opportunity

Being able to impact these types of digital marketing use cases—which was never possible before RCS Business Messaging—mobile operators can now unlock the vast digital marketing budgets of brands and enterprises. This is a new world and new budget territory the mobile operators (along with the majority of the legacy business messaging ecosystem) have never had an opportunity to address. And, effectively tapping into this space and billion-dollar budgets will take a new way of thinking and acting for mobile operators. This includes:

- An understanding and acceptance that the traditional transactional messaging models disincentivize brands from driving the most impactful, value-driving use cases through messaging. Per-transaction fees incent interactions to be as brief as possible, and simply do not support highly-interactive, conversational engagements
- While RCS is proving to deliver superior reach, engagement, and response over the full spectrum of communication channels to which brands allocate budget, the pricing needs to remain at parity with the value a brand can derive from the investment
- An understanding that for rich digital marketing engagements, brands and enterprises prefer pricing models which:
 - ~ Encourage and incentivize expanded, ongoing engagement with their customers
 - ~ Are “value-driven”, where deep, ongoing engagements with customers help drive business value—justifying an ROI on budget investment
 - ~ Are predictable in both current and future growth spend so they can appropriately set annual budgets for RCS investment

In consideration of the market dynamics associated with digital brand marketing use cases, as well as the enormous potential to unlock vast new revenue streams, the following “Conversational Engagement” pricing model is recommended:

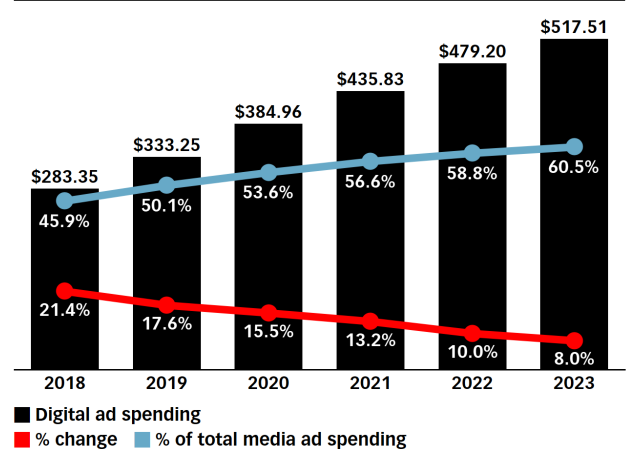
Conversational Engagement Session-based Pricing – definition examples may include:

- Session Duration – 24-hour “calendar day” session
- Session Beginning – Consumer response to A2P engagement AND a follow-up response (i.e. MT, MO, MT) or consumer-initiated engagement with RCS “chatbot”
- Session Limits - Unlimited “in-session” interactions between brands and consumers limited by “fair use” policy for media sizes/network consumption

Model benefits include:

- Value-based model encourages brands/enterprises to invest in RCS Business Messaging by delivering predictability and incentivizing consumer engagement
- Enables RCS Business Messaging ecosystem to unlock significant new revenue streams from digital marketing spends by brands and enterprises
- Positions RCS Business Messaging among high-value, long-term digital marketing investments by brands and enterprises

Digital Ad Spending Worldwide, 2018-2023
billions, % change and % of total media ad spending



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; excludes SMS, MMS and P2P messaging-based advertising
Source: eMarketer, February 2019

Key factors in a successful RCS business messaging execution for mobile operators

Choosing the right RCS MaaP partner

Choosing an RCS MaaP (Messaging as a Platform) provider is one of the most critical decisions and largest RCS Business Messaging investments a mobile operator will make. Choosing the right partner is of paramount importance for a successful deployment. There are a limited number of providers for MaaP, RCS backend, and RCS Application Server (AS) technologies who can support the enterprise-scale of most leading global mobile operators. And, while anchored by the Universal Profile specification, each RCS AS and MaaP provider has distinct differences in their approach, offering, capabilities, technology, and product roadmaps. Some examples of differences include directory support, compliance with the UP2.+ specification, store and forward capabilities, etc.

Mobile operators must take a very thoughtful and purposeful approach to assessing the RCS MaaP provider landscape, evaluating the strengths and weaknesses of each offering, and ultimately weighing the benefits and drawbacks of each provider. It may be valuable for mobile operators to work with an independent, third-party consultant to help guide this evaluation and decision-making process. Mobile operators should seek out partners with deep mobile industry expertise, as well as demonstrated experience and knowledge working with the top RCS MaaP providers to help guide the decision process to select the best partner.

Selecting the appropriate messaging aggregation business partners

Fortunately, many mobile operators have a base of existing channel partners to help bring RCS Business Messaging services to brands and enterprises in the market—mobile messaging aggregators. Identifying the right mobile messaging partners to bring RCS to in-market brands and enterprises can lead to immediate RCS Business Messaging platform licensing revenue as well as significant, recurring revenue streams in the form of large increases in this new type of messaging traffic from brand/enterprise and end-consumer adoption of RCS. Mobile operators should seek out messaging aggregation partners who have a keen, intimate understanding of the brand and enterprise needs for business messaging, how to enable the design and delivery of highly engaging customer experiences, and the value RCS can create for enterprises and their end customers.

Complimenting an RCS MaaP investment with an RCS business messaging software platform

While RCS MaaP providers have the core infrastructure to support the capabilities, message sending, and formatting of RCS Business Messaging—they are only a part of a complete solution to monetize RCS using the strategies outlined in this document. Finding an RCS Business Messaging platform provider that provides mobile operators with the tools to easily administer, build, deploy, and manage RCS bots and programs is critical to monetization success. Important factors in choosing an RCS Business Messaging platform provider include the ability to enable rapid on-boarding of “aggregation” partners, tools to build and support sophisticated RCS chatbots for operator and enterprise brand use, and strong industry leadership to understand and influence the RCS UP2.+ specification and roadmap.

Identifying regional and local integration and support partners

Another helpful step in the successful deployment and monetization of RCS Business Messaging is identifying integration and support partners to help build out and maintain your in-country RCS ecosystem. Many successful RCS deployments begin with integration into legacy client portals, billing systems, and messaging gateways—systems that existing integration partners may already be intimately familiar with. From helping with the integration and deployment of RCS MaaP and platform workflow capabilities to assisting in the development and support of messaging aggregation channel partnerships, to helping with the successful delivery of RCS services directly to brands and enterprises, the right integration and support partners can be crucial.



Summary

RCS messaging—both Person-to-Person (P2P), as well as business messaging—present transformative opportunities for mobile operators. Providing a consumer messaging experience that can exceed capabilities provided by OTT messaging providers is just the beginning. The richness and interactive, digital nature of RCS can help mobile operators unlock billions of dollars of global digital marketing budgets brands and enterprises spend every year, opening revenue streams never before accessible with traditional messaging technologies.

While making the infrastructure, hardware and software investments necessary to bring P2P and RCS Business Messaging to market are significant, they are table stakes in many markets. And there is a clear, defined path for mobile operators to build a business case to support RCS across both internal cost/revenue drivers as well as external revenue opportunities. There are a number of mutually exclusive ways to monetize RCS investments and generate measurable returns in the form of new revenue growth, expanded value-add enterprise offerings, enhanced customer experiences, reduced customer support costs and overall improved customer satisfaction. Additionally, there are many business objectives and departments within mobile operators that can benefit from RCS Business Messaging, and collaboration on defining and building the ROI and opportunity business case is critical.

Enterprises and brands are ready to allocate and invest digital marketing budget dollars towards RCS Business Messaging to communicate and engage with customers because it creates an enhanced digital platform to reach their customers where they already are—in their messaging app. The ecosystem and market opportunity is here for mobile operators to make it easy to access, adopt, and monetize RCS Business Messaging.

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