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RCS Monetization and Control

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RCS Monetization and Control

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Introduction

In the realm of A2P business messaging, SMS has historically held sway, but the advent of rich messaging channels is transforming the landscape, presenting both challenges and opportunities.

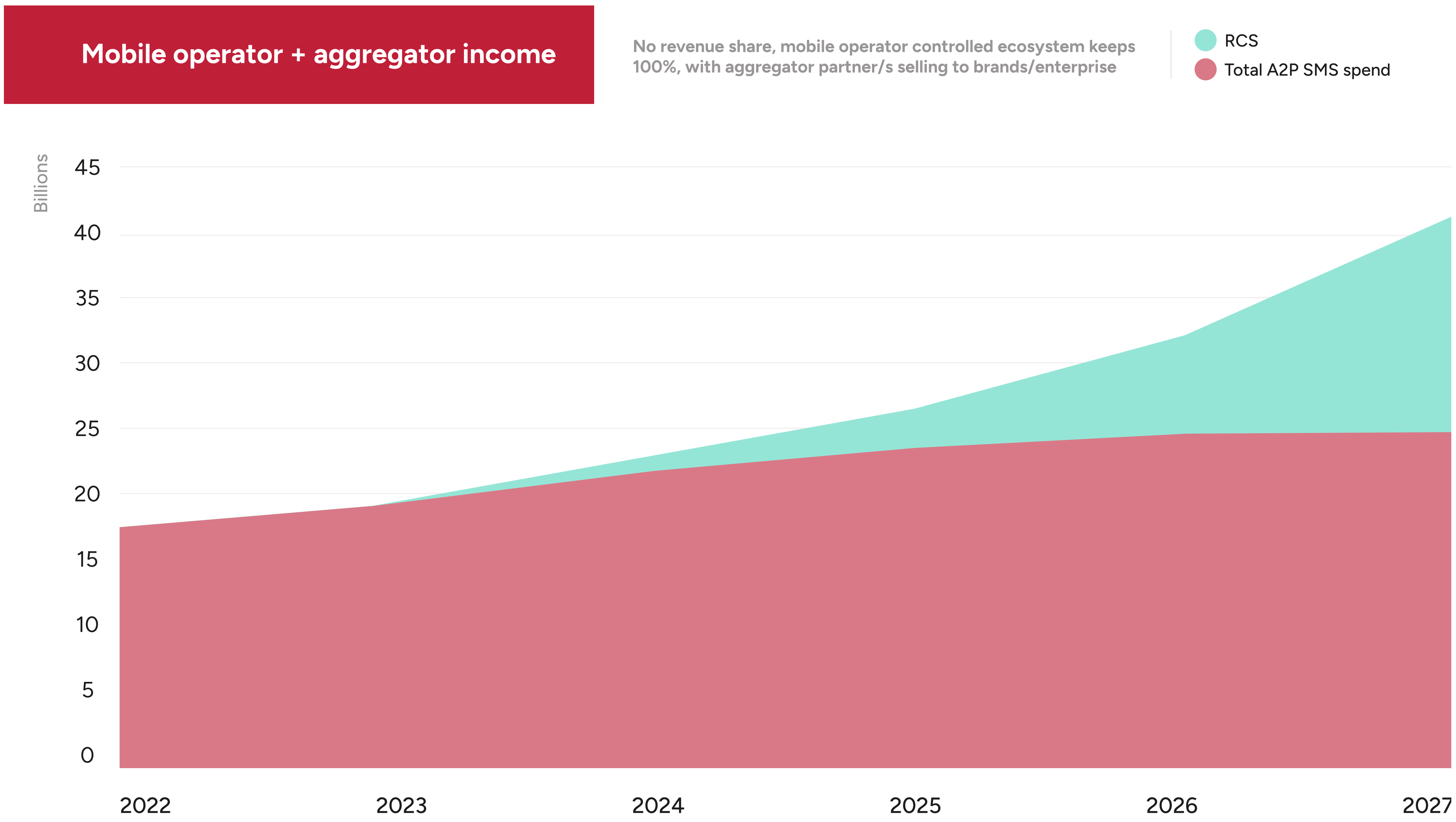
While SMS remains the dominant communication tool for enterprises, accounting for approximately 90% of A2P messages, it faces obstacles like rising costs and declining user satisfaction. Over the past three years, A2P termination fees have more than doubled on a global scale.

The user experience of SMS in A2P settings contrasts sharply with platforms such as WhatsApp and Viber, where users enjoy a more interactive and engaging interface. This discrepancy can reflect negatively on SMS, as users switch between personal messaging apps and business-related SMS notifications, such as OTPs and delivery updates.

Furthermore, the escalating threat of A2P messaging fraud poses a significant concern for both traditional SMS and OTT platforms. As smishing attacks become increasingly aggressive and artificially inflated traffic undermines enterprise finances, the need for robust security measures becomes more apparent.

The shift towards rich messaging channels

The future of A2P messaging lies in the realm of rich business messaging channels like RCS, Whatsapp and Viber. These channels promise enhanced features, better user experiences, and opportunities for businesses to connect with their customers in more meaningful ways.



Rich Communication Services (RCS) has been developed to modernize text messaging within the Android ecosystem, aligning with popular platforms like iMessage, WhatsApp, and Viber.

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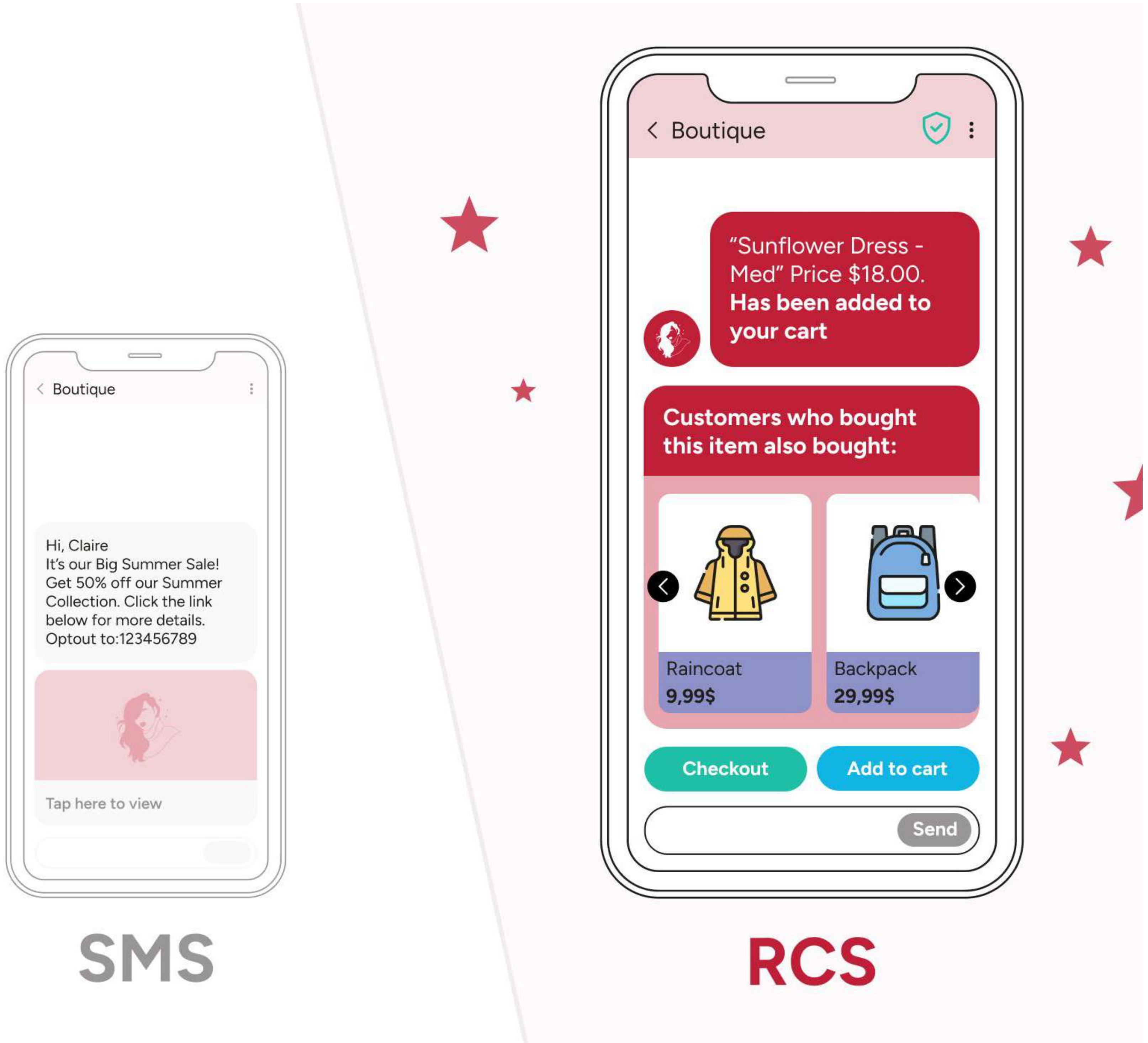
RCS offers a vastly improved messaging experience compared to traditional SMS, enabling features such as sharing high-resolution photos, videos, GIFs, attaching files, and real-time chat. From a business standpoint, RCS facilitates the integration of action buttons, sender receipts, and notably, fosters conversations between consumers and brands to drive conversational commerce.

The transition from traditional SMS to rich messaging channels is not just a technological shift but must be a strategic move for MNOs in order to stay relevant for consumers. MNOs know that their enterprise or business clients want a better experience in messaging their customers.



Hi, Claire
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"Sunflower Dress - Med" Price $18.00. **Has been added to your cart**

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Raincoat **9,99$**	Backpack **29,99$**

Apple's announcement supporting RCS messages adds a significant dimension to the rich messaging landscape. If Apple extends support to RCS in its business channels, RCS could transition from a significant player to a ubiquitous force in rich messaging. The industry momentum currently favors RCS, making it a focal point for the future.

For MNOs the solution may be integrating their SMS business into a more comprehensive rich messaging strategy using Google's RCS infrastructure Jibe. This will be crucial for MNOs in aiming to remain relevant in the evolving landscape.

An analogy is the evolution of email from simple text to HTML transformed it into a powerful business communication tool. Internationally renowned companies like MailChimp and HubSpot emerged as leaders in the email revolution as it evolved from text to HTML and created a category of business expense worth $7 billion every year.

When we think that the A2P market generates circa $50 billion currently and it is estimated that only 3% of businesses worldwide [as of 2021 according to MobileSquared] send A2P messages then it is clear that this is an area of huge potential. For innovators in the rich messaging space the race is on to make A2P messaging a great user experience and a simple platform to use for marketing teams, customer support and more.

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Google RCS Worldview

A key insight that has not gained much visibility is that Google is willing to deliver RCS business messages without adding in a termination fee. They are offering MNOs the opportunity to charge a termination fee on RCS A2P traffic as long as the MNO can manage billing and settlement with the enterprise themselves. Google's offering of RCS without charging a delivery fee sets it apart as a strategic move distinct from all other OTT providers. By providing RCS as a 'loss leader', Google encourages network operators to embrace the rich messaging evolution. This presents an opportunity for networks to generate revenue without having to do any actual routing of messages.

Google has embraced RCS by adhering to the GSMA's Universal Profile standards and establishing a global infrastructure to support mobile network operators (MNOs) and original equipment manufacturer (OEM) partners in offering a native messaging client, also known as "carrier messaging." RCS represents a strategic initiative for MNOs to penetrate the lucrative business messaging market, transition a substantial portion of SMS revenue to RCS, and ultimately, compete with over-the-top (OTT) messaging platforms. Due to its carrier-based nature, RCS enjoys a high level of trust among users.

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Google RCS Worldview

It does, however, leave MNOs on the sidelines in the growing RCS business traffic – albeit generating revenue from being on the sidelines. For many MNOs, this may not be sufficient and they may seek greater control over A2P traffic, whether it is SMS or RCS, simply because they need to be able to manage messages if they are to protect their subscribers from things like smishing attacks.

Google's view of the world is that it has created an entire ecosystem in which Carriers, Developers, Aggregators and Google can work together to get rich messages from brand to consumer. In this ecosystem, Google sets the rules to a large extent but all parties in the ecosystem stand to gain, either monetarily or through a better messaging experience.

What Google's longer term strategy is is less clear. If past history is anything to go by then Google is seeking to create a stable messaging ecosystem that it controls with monetization coming later. This later monetization could come in many forms, for example, they might look to charge a percentage on the fees MNOs receive, or they might look to serve advertising in-message. However, it plays out, it is clear that Google will look to benefit in the longer term.

RBM - who does what

Messaging Aggregators

Establish contracts with carriers

Promote the RBM channel with their partners.

Build RBM content

Brands

Work with aggregators or developers

May have their own in house development teams

Developers

Establish contracts with carriers or aggregators

Build RBM content

Carriers

Sign Google's MDA

Establish approval process

Define billing rate card

Establish contracts with messaging partners

Approve content

Raise invoices

Google

Operate and maintain the RCS and RBM platforms

Provide billing reports to carriers

Work to grow the ecosystem

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Google’s RCS Billing

☐ **Data files**

The Google Jibe platform, designed for MNOs and OEMs to offer RCS messaging, generates RCS data files detailing user and agent activity on summary and transactional levels. These files consist of a "Billing Event Report" and an "Activity Log."

☐ **Billing event report**

The "Billing Event Report" records billable events (messages) between launched agents and users for all MNOs with RCS traffic on their network, using suggested billing units. It contains confidential information but no Personal Identifier Information (PII) to identify users. Billing events are based on message delivery, not sending time, and undelivered or revoked messages do not trigger billing events. However, RCS messages do not timeout by default, potentially delaying delivery for hours, days, or even weeks.

☐ **Activity log**

The "Activity Log" provides raw RCS platform activity data for MNOs with RCS traffic on their network, enabling RCS activity with Jibe Cloud under their own Terms of Service (ToS). This is not the standard method of offering RCS with Google. Activity Logs include detailed transaction information and subscriber MSISDNs, containing PII. They are accessible only when an MNO operates RCS under its own ToS; if Jibe Cloud is used under Jibe's ToS, the MNO lacks access to activity logs.

☐ **Reporting delays**

Both Billing Event Reports and Activity Logs experience a two-day delay in generation, primarily because Google generates a report upon the completion of a billing session. Since sessions can remain open for up to 24 hours, Google's platform generates a billing report once daily, making actual billable data available 48 hours after the initial message is sent.

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Some key concepts to understand

☐ **Agents**

An agent, akin to an MSISDN in SMS, is the branded entity through which consumers engage via the messaging client. During onboarding, the MNO establishes commercial and legal contracts with brands or their messaging partners (aggregators), defining obligations, termination rates, and minimum volumes. Upon partnering with Google, the MNO gains access to the Google RCS Operator Portal, enabling aggregators to select them to access RCS subscribers. The MNO then verifies and onboards brands, ensuring compliance with terms of service, including STOP provisions and local/regional regulations.

☐ **Carriers**

MNOs opting for carrier messaging through Google's agreement can generate revenue from RCS but must handle brand and agent verification during onboarding. Usually, the MNO collaborates with at least one aggregator to manage these tasks and oversee the RCS service on behalf of the aggregator. Alternatively, the MNO may choose to directly sell RCS to brands and leverage its established enterprise relationships in phone, messaging, and data services.

☐ **Jibe platform**

Jibe — the RCS communications team at Google — provides a technology platform for carriers to launch and operate carrier RCS services, delivering a better native messaging experience to users. The Jibe Platform supports the GSMA's Universal Profile and offers an RCS cloud and hub as an option to help carriers scale their service. Google is partnering with carriers and OEMs to offer a messaging client for Android that supports SMS, MMS, and RCS.

☐ **Guest cloud**

In certain markets, there may be areas where not all carriers have committed to launching RCS. Google fills these gaps by operating the service as Guest Cloud over carriers who have not yet signed agreements, ensuring 100% market reach for RCS.

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Message types

☐ **Standard messages**

An application-to-person (A2P) message limited to 160 characters containing text only. For conversational agents, if a person-to-agent (P2A) message is sent in response to an A2P message within 24 hours, the Standard message becomes part of an A2P conversation; otherwise, the session ends. It is always delivered from an agent to a user.

☐ **Enhanced messages**

An A2P message containing multimedia or text exceeding 160 characters. For conversational agents, if a P2A message is received within 24 hours, the Enhanced message is integrated into an A2P conversation; otherwise, the session ends. It is always delivered from an agent to a user.

☐ **A2P conversation**

Exclusive to conversational agents: An A2P conversation is initiated if a P2A message is received within 24 hours of an A2P Enhanced or Standard message. Only the A2P message immediately preceding the P2A message is used to establish the conversation. Subsequent messages within 24 hours are part of this A2P conversation.

☐ **P2A conversation**

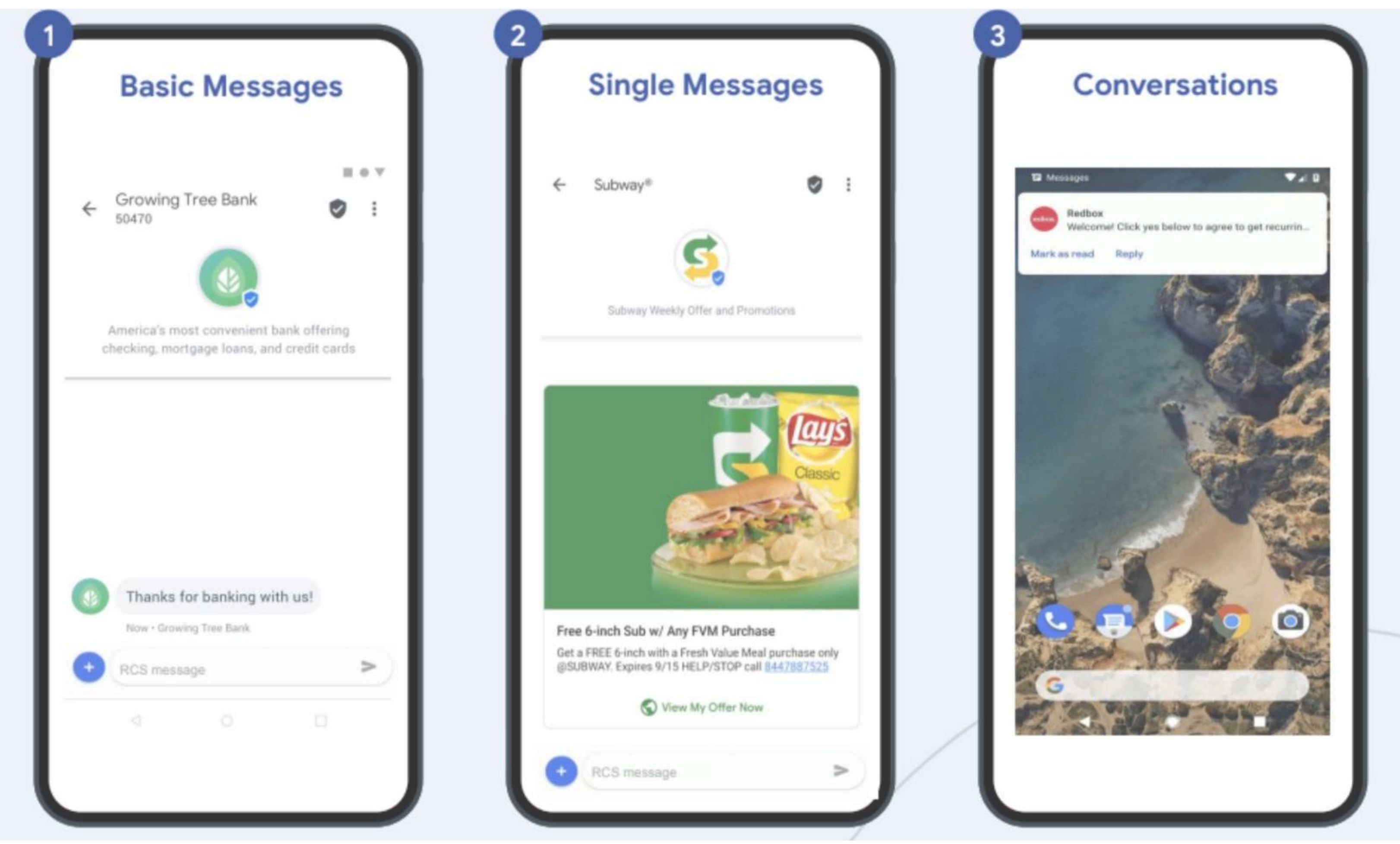
Exclusive to conversational agents: A P2A conversation begins when no active session exists (A2P Enhanced message, A2P conversation, or P2A conversation) and a P2A message is received, with a response from the business within 24 hours.

☐ **P2A message - Non conversational agents**

A P2A message sent from a user to an agent categorized as either a single message or Standard message.

☐ **P2A message - Conversational agents**

A P2A message sent from a user to an agent without an existing conversation, and the agent does not reply.



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The market opportunity

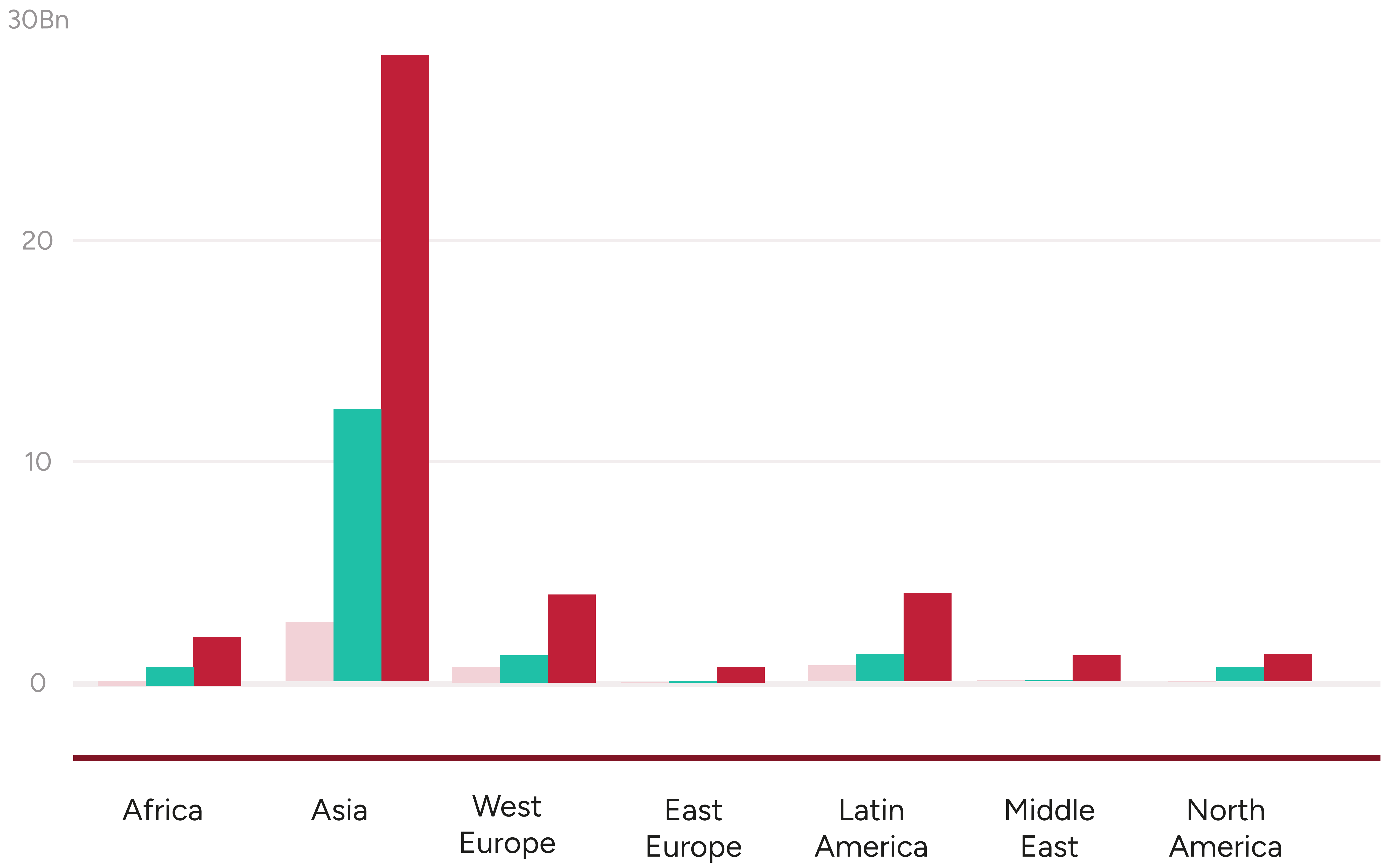
For MNO’s there is a huge opportunity to be a part of the development of rich business messaging, akin to the birth of business email as suggested earlier. Not only will Carriers give credibility to the technology but they will also serve as regulatory actors in the entire network as is being mandated by regulators worldwide.

According to Google (as of November 2023), there are over 1 billion RCS users worldwide. Excluding China and Japan, which operate on proprietary RCS platforms, there are approximately 1.08 billion RCS users on Google's Jibe platform.

RCS business messaging (RCS) users refer to Android users capable of receiving paid-for RCS messages from brands. Excluding China and Japan, there are about 573.45 million RCS users globally, constituting 53.05% of total RCS users.

With Apple's iOS set to support RCS in 2024, global RCS reach will expand by over 1 billion users. By the end of 2024, RCS users on the Google Jibe platform will reach 1.42 billion, and with iOS inclusion, the total will reach 2.5 billion users. While it's uncertain if Apple will support RCS, its commitment to the GSMA's Universal Profile 2.4 indicates potential support in the future, alleviating concerns about RCS scalability.

RCS Traffic Expansion 2023-2024-2025



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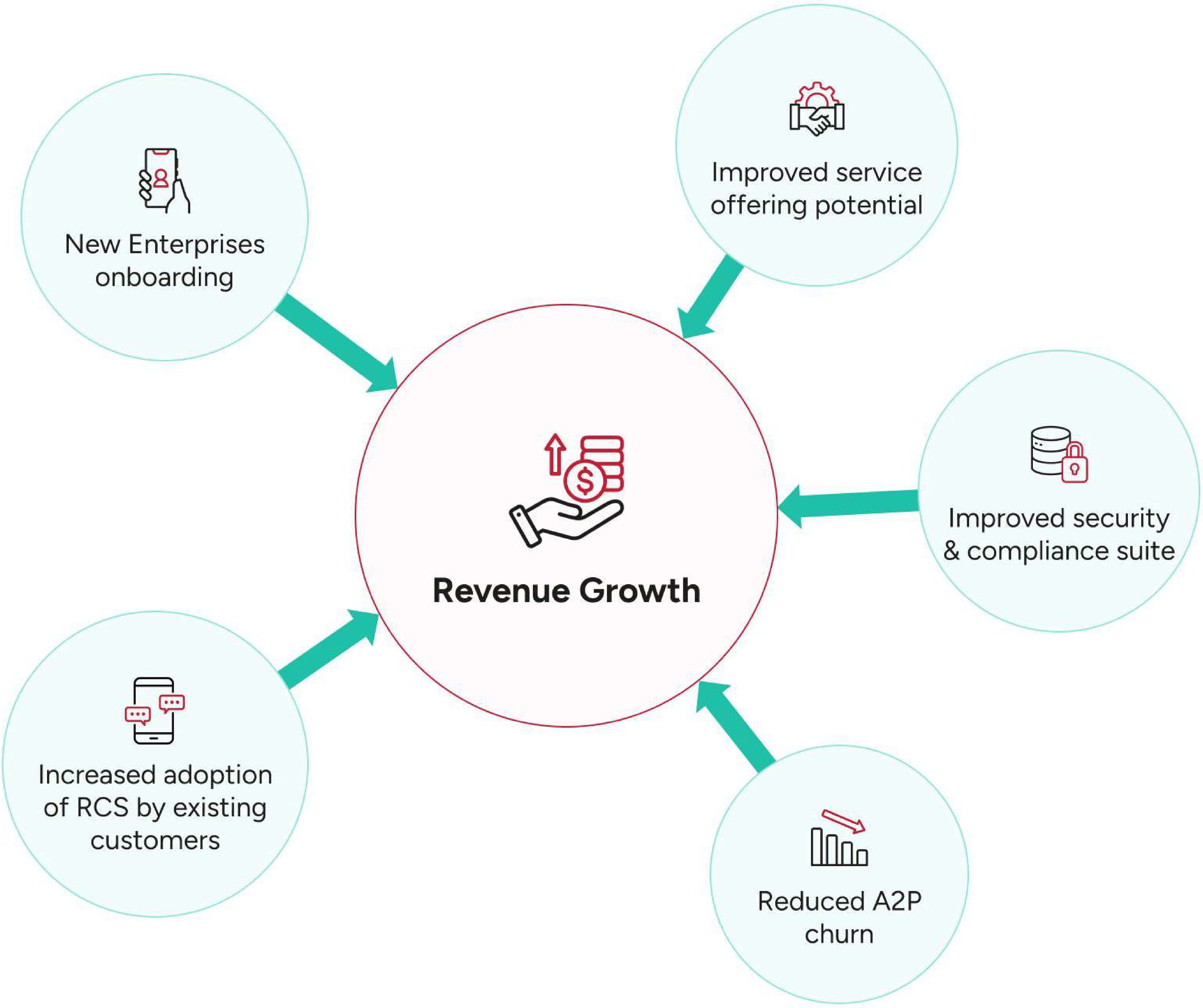
The market opportunity

RCS traffic experienced remarkable growth in 2023, increasing by over 1,000% from January to December, reaching a total of 2.57 billion RCSs sent globally. Forecasts suggest exponential growth, with RCS traffic projected to reach 12.8 billion in 2024 and 35.85 billion in 2025, growing by 837% between December 2023 and December 2025.

Asia, particularly India, will drive RCS growth, accounting for 76.29% of global traffic in 2023, rising to 78.06% by 2025. The number of markets with at least one MNO billing for RCS traffic is expected to grow from 18 in 2023 to 91 by the end of 2025, reflecting over a 400% increase. This surge will challenge the RCS ecosystem to deploy billing platforms to handle the anticipated traffic volume growth from 2025 onwards.



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The regulation layer and who is responsible

Fraud landscape

Messaging networks are currently experiencing a very high level of fraud attacks. These attacks come in a variety of forms, artificial inflation of messages to pump up termination fees, smishing attacks on subscribers, and grey route usage to effectively steal termination fees from Operators. What is interesting is that we are now seeing reports on the ground that these fraud attacks, once confined to the SMS channel, are now beginning to appear on OTT channels also. What does this mean for the industry?

It means, in effect, that fraud actors will migrate their efforts to wherever their is messaging traffic, sensing new opportunities for making money. What is interesting is this layer of IPSM messaging is much harder to regulate and police than the SMS layer. Operators do not have the visibility into message traffic or content to control content and protect subscribers.

Regulatory pressure

Regulators in individual countries are charging Operators with the task of controlling traffic and securing messages, even over RCS. The regulators simply do not have the power to instruct the big tech companies to do this work. What this will mean is that Operators will need to find a way to control all messaging traffic over SMS and RCS at the very least. This will be a challenge as Operators do not currently have any way to view RCS messages other than the Call Detail Records (CDRs) passed to them by the Google Jibe Platform.

It is clear that Operators will be forced to act as the regulation layer of RCS and this will necessitate some technological changes to allow this to happen. Routing messages through the Operator domain seems the most likely outcome to facilitate this happening. How that will be done in practice remains to be determined.

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The view from brands

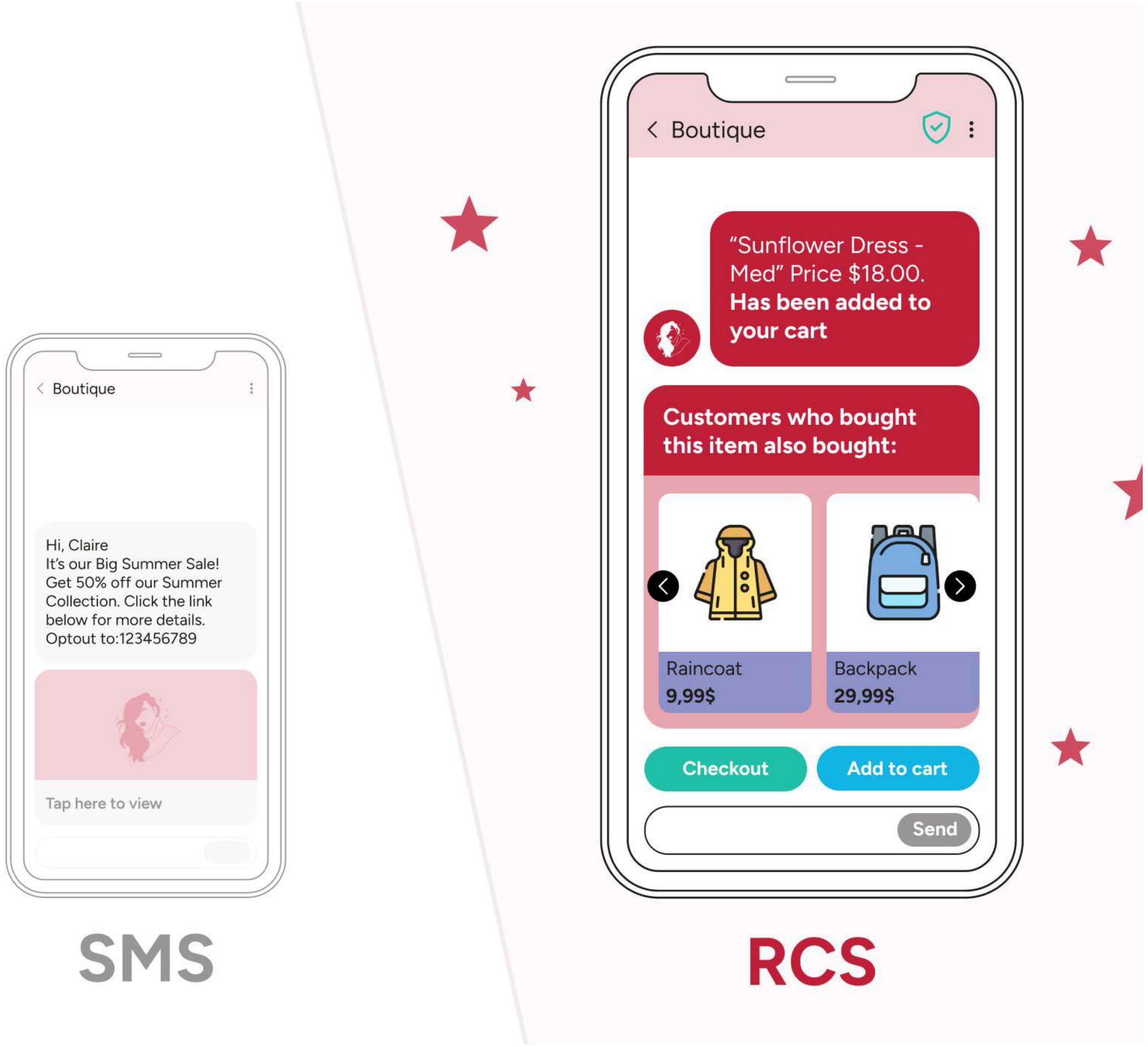
Enterprises are eagerly awaiting the RCS evolution, driven by the belief that rich messaging offers more value than SMS. In turn, MNOs see that RCS business messaging, with its added functionality, will yield greater A2P revenues when compared with SMS fees. Enterprises seeking a superior messaging experience will demand greater functionality from their rich messaging providers, including:

Branding, Blue Tick, and Verification

Rich messaging that provides a two-way communication channel with branding opportunities, ensuring a secure and recognizable business communication platform. Banks, delivery companies and healthcare providers are all examples of industries that would benefit from a branded messaging experience for their customers. Consumers would welcome the certainty of knowing that messages were coming from a verified source.

Enriched Experiences

The inclusion of features like video, product images, and more in rich messaging drives revenues for enterprises, offering a more engaging and interactive platform. E-commerce providers have been innovating in mobile-first shopping experiences, calls-to-action and tailored content to drive engagement and sales. This is essential if business messaging is to expand in popularity.



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How MNOs can monetize for RCS safely

It is clear that Operators need to be a part of the RCS infrastructure and this is being facilitated by Google. They are allowing Operators to charge termination fees for messages delivered over the Jibe platform. However, this is not simply an act of altruism on Google's part. Operators play an important role in providing oversight and regulation of messages in RCS. Google may also have other demands of MNOs, for example, to allow authentication messages over Android to be free or even to take a small commission on termination fees.

RCS monetization will come as brands increasingly adopt the very valuable offering of rich messaging which connects them with their customers in a much better way. So, from this point of view, RCS is the future of business messaging with a huge potential uptick in traffic.

Secondly, RCS monetization will come, for MNOs, when they insert themselves into the value chain more completely. Currently, they can sign contracts with Google and extract termination fees from RCS traffic, but if they are more centrally involved in traffic management they may also be able to monetize security features and oversight.

Thirdly, RCS monetization will come from higher value services to brands. Brands will flock to rich business messaging (RBM) as the best channel to reach their customers on, correct. However, they will be willing to pay multiples of their current business messaging spend if the services they are receiving are high value. When we say high value we are not simply talking about call-to-action buttons, or Blue Tick verification. We are talking about conversational messaging that brings brands much closer to customers. This is, in effect, bringing the brand's services directly to customers on their mobile devices in a way that is natural and intuitive.

Finally, RCS monetization will come from data gathered in the course of rich messaging interactions. MNOs will be able to capture consumer data, actions and much more to feed into better brand offerings and AI learning models.

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Conclusion

In conclusion, the future of A2P messaging is undeniably intertwined with the evolution of rich messaging channels. While SMS has been a stalwart in the business communication realm, the time has come for networks and enterprises to embrace the shift towards richer, more engaging messaging experiences.

The strategic adoption of RCS, coupled with innovative solutions, presents a unique opportunity for carrier networks to shape the future of A2P messaging and build lasting connections with customers in this dynamic digital age. It is clear that mobile network operators are now able to recast themselves as OTT players in conjunction with the Google RCS infrastructure.

If this opportunity is not grasped then it is clear that OTT providers will continue to encroach on business messaging with services that will likely take business messaging traffic and revenue away from the operators.

About Openmind Networks

Openmind are world leaders in mobile messaging. Our consolidated and flexible platform, delivered via a DevOps process, provides our Mobile Operator, Wholesale Operator and Messaging Aggregator customers with new revenue-driving opportunities at the lowest total cost of ownership.

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