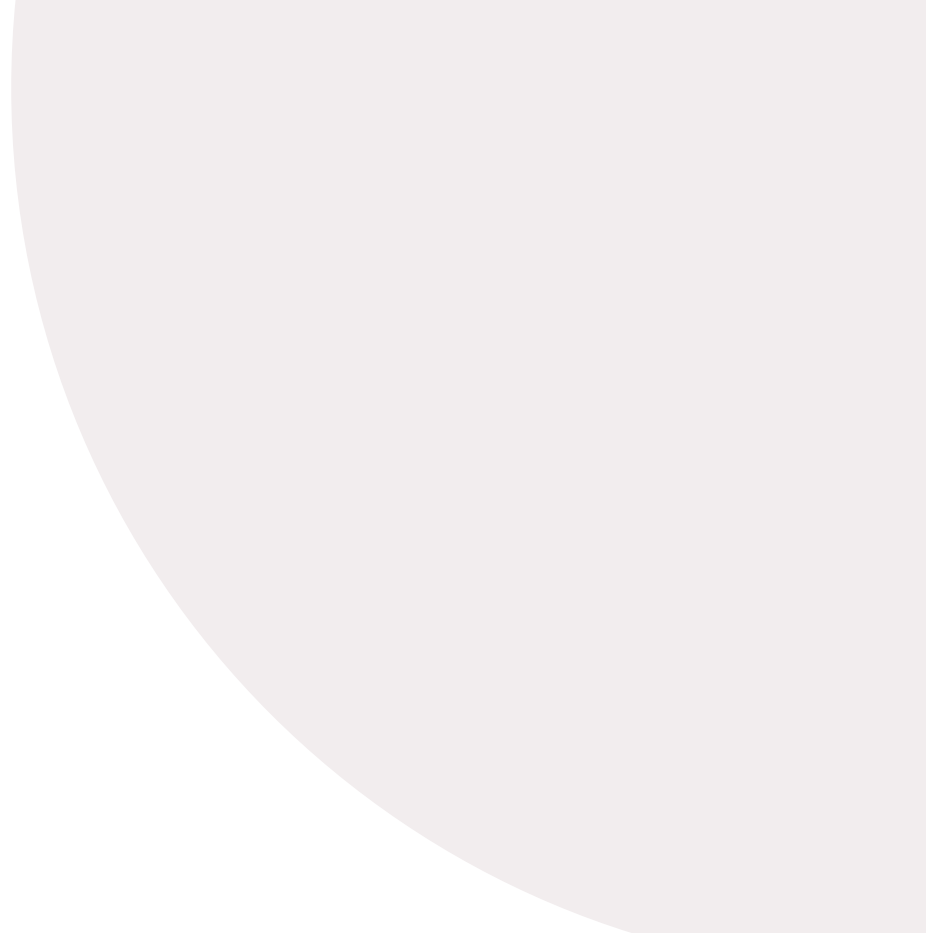




The changing landscape of Interconnectivity 2024

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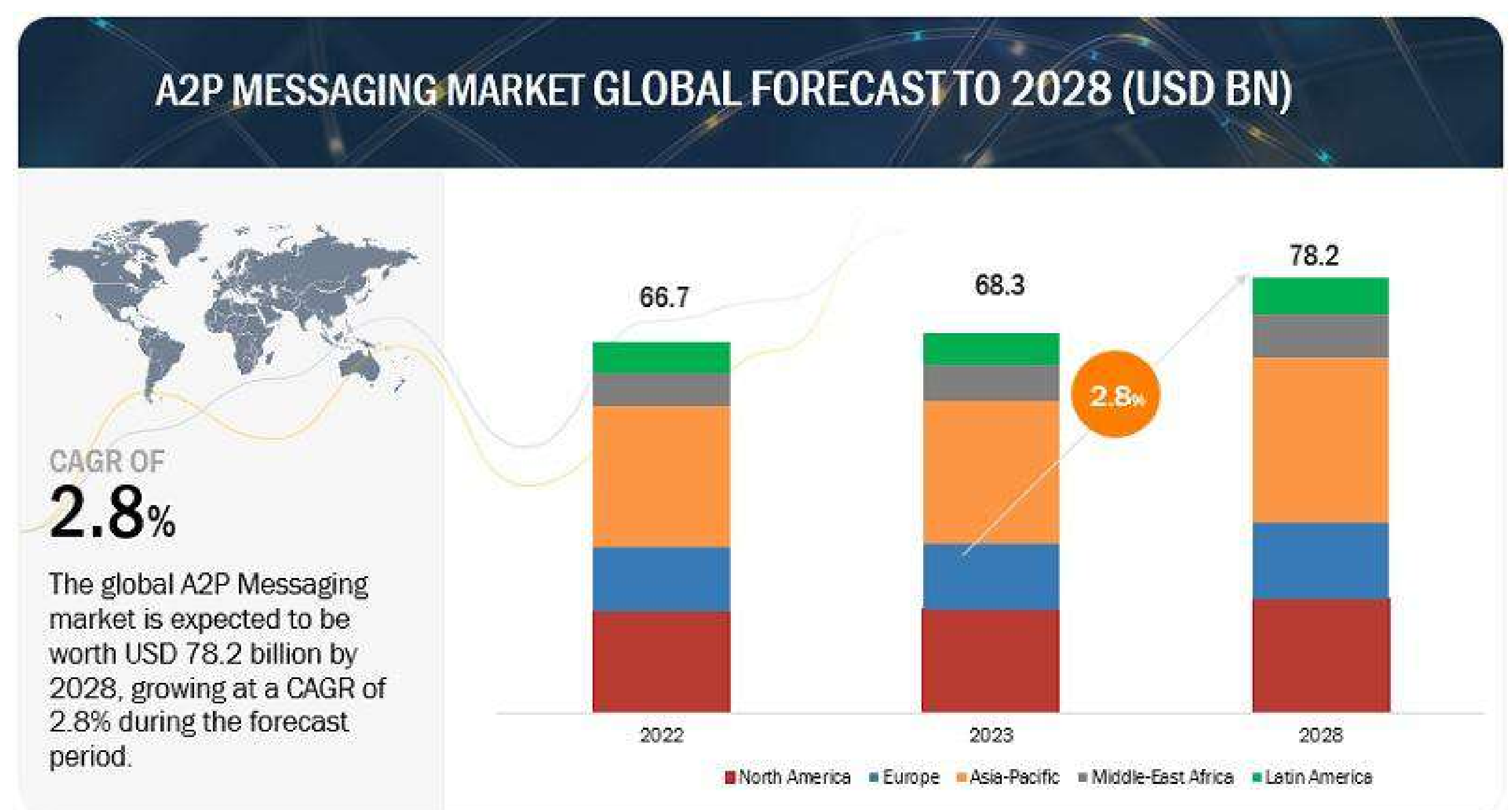
The changing landscape of Interconnectivity 2024

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Introduction

The growth of the A2P messaging market up to now has been fueled by the increasing use of mobile phones and the need for businesses to reach their customers instantly. According to recent market research, the A2P messaging market is expected to reach a value of \$78.2 billion by 2028. This growth can be attributed to the rising demand for secure and reliable communication channels, as well as the convenience and cost-effectiveness of A2P messaging.

MobileSquared suggest only 3-5% adoption of messaging by businesses worldwide currently. If the right offering can be made to brands the adoption will grow quickly. The right offering consists of rich business messaging functionality that facilitates conversational messaging and drives consumer engagement. The right offering also demands that messaging as a channel is protected from fraud actors and has a fair pricing model for the brands that use it.



However, the global landscape of international connectivity is marred by a pressing dilemma. Enterprises, pivotal players in the communication ecosystem, are increasingly withdrawing from the market due to soaring termination fees in select regions. This exodus threatens the vibrancy and accessibility of cross-border communication channels. Moreover, the integrity of A2P (Application-to-Person) messaging is compromised by artificially inflated traffic volumes, eroding trust and reliability in the transmission of business messages. At the same time, the proliferation of grey routes, clandestine pathways for message delivery, makes revenue leakage worse, undermining the financial sustainability of operators and aggregators alike.

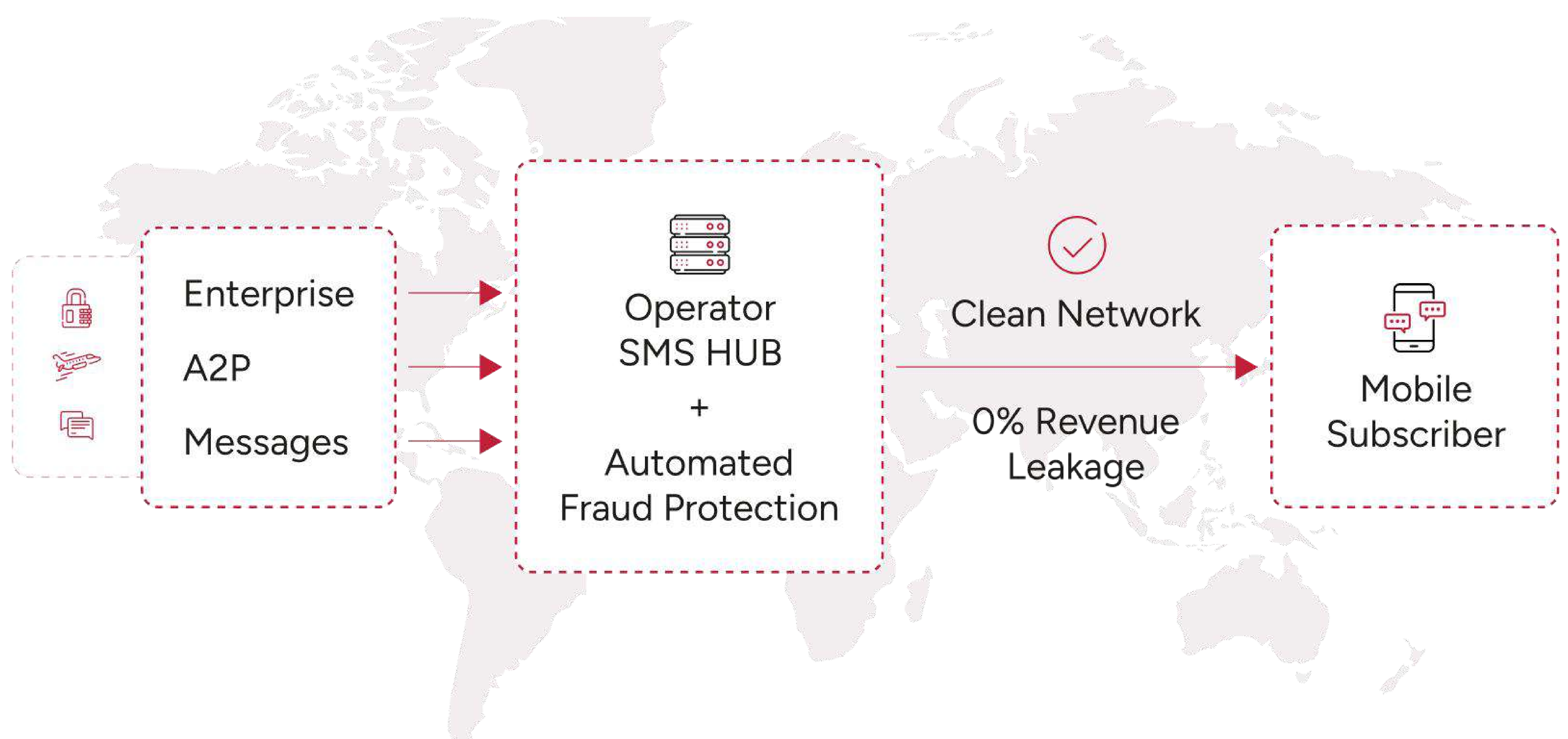
In this complex marketplace of responsible parties for terminating international A2P traffic has become cluttered and fragmented. Profit motives are driving each entity towards unsustainable practices, perpetuating a cycle of inefficiency and discontent. Against this backdrop, it is important to dissect the challenges confronting enterprises and operators in 2024, with a concerted effort to come up with total solutions that reconcile different interests and foster mutual prosperity.

In this white paper, we embark on a comprehensive examination of the obstacles impeding international connectivity, probing the intricacies of termination fees, traffic authenticity, revenue leakage, and market dynamics. And we will try to uncover suitable pathways towards sustainable interconnectivity that transcend individual interests and bring benefits to everyone in the ecosystem.

The scope of the problem

A recent paper released by MEF and Mobilesquared in conjunction with industry players including Aggregators came to some concerning conclusions. They included the following executive summary.

1. Mobilesquared has identified 50 “at-risk” markets where significant increases to international termination rates are attracting high levels of fraud, primarily in Asia, Africa and the Middle East.
2. Brands are no longer willing to bear the increased costs associated with the delivery of international authentication messages (such as one-time passwords – OTPs) in these at- risk markets. As the overall spend is not driven by transaction volumes but rather by abnormal rates increases, the spend itself cannot be justified.
3. The high international termination rates are attracting growth in fraud, and Artificial Inflation of Traffic (AIT) fraud in particular.
4. The combination of high international rates and AIT, a secondary factor, is potentially jeopardizing the long-term future of international A2P SMS in these at-risk markets, where brands are looking to restrict their spend on SMS business messaging.
5. A number of at-risk markets have now experienced a decline in international traffic up to 50% in the last 4 months; this will extend to more markets unless this risk is tackled.
6. Major brands believe high international rates and AIT fraud has made SMS a damaged channel in selected markets, irreparably so in some brands’ view.
7. Mobile Operators believe they lost \$4.7billion in revenues in 2023 (separate from grey route fraud).



Exploring the key players in the A2P messaging ecosystem

- ☐ **Mobile network operators (MNOs)**

At the core of the A2P messaging ecosystem are mobile network operators, managing ownership of the network infrastructure and wielding significant influence over the dynamics of message termination fees. MNOs play a pivotal role in determining the cost structures and regulatory frameworks governing international communication. Their infrastructure forms the backbone of global connectivity, facilitating the transmission of messages across borders.
- ☐ **Enterprises or Major Brands**

While the term "brands" encompasses a broad spectrum of entities, our focus lies primarily on industry giants such as Google, X, Meta, and TikTok. These behemoths command a substantial share of A2P traffic, owing to their expansive user bases and the imperative need for robust authentication methods in their applications. Authentication, particularly for login and signup processes, remains a critical function for these brands, necessitating seamless and reliable A2P messaging services. As such, their engagement in the A2P ecosystem carries significant weight and influences market dynamics to a considerable extent.
- ☐ **Aggregators**

Situated at the nexus between brands and operators, aggregators serve as intermediaries tasked with managing the intricate web of communication channels. These entities facilitate the seamless delivery of messages by liaising with both brands and operators, negotiating terms, and optimizing routing pathways. Aggregators play a crucial role in streamlining communication processes, ensuring efficiency, and mitigating operational complexities for both brands and operators. Their expertise in navigating the nuances of A2P messaging enhances the reliability and efficacy of message delivery.
- ☐ **Mobile subscribers**

At the receiving end of the communication spectrum are mobile subscribers, ordinary individuals equipped with mobile devices who form the backbone of user engagement. Mobile subscribers represent the ultimate beneficiaries of A2P messaging services, relying on timely and relevant communications for various purposes ranging from transactional alerts to one-time passwords, to promotional offers. Their interaction with A2P messages underscores the significance of delivering content that is both engaging and informative.

What are exclusivity contracts?

A pivotal shift occurred a number of years ago in the A2P messaging market when operators sought to fortify their business messaging revenues through exclusive contracts with major aggregators. This strategic maneuver ushered in a new era characterized by upfront payments from aggregators to operators, securing a predictable revenue stream for the latter. The allure of financial certainty proved irresistible, offering operators a sense of stability in an otherwise volatile landscape.

However, this paradigm shift was not without its consequences. While exclusive contracts brought immediate financial benefits, they also engendered unintended repercussions, chief among them being a potential lapse in governance over A2P traffic. Entrusting the management and oversight of A2P messaging to a single entity posed inherent risks, as it concentrated power and control in the hands of a select few. The absence of checks and balances may have fostered a lax approach to regulatory compliance and transparency, raising concerns about the integrity and fairness of messaging practices.

Moreover, the monopolization of A2P traffic management under exclusive contracts may have stifled innovation and hindered market dynamism. By consolidating control within a limited framework, operators risked stifling competition and inhibiting the emergence of novel solutions tailored to evolving consumer needs. This lack of diversification could have impeded the exploration of alternative revenue streams and limited the scope for technological advancements in A2P messaging infrastructure.

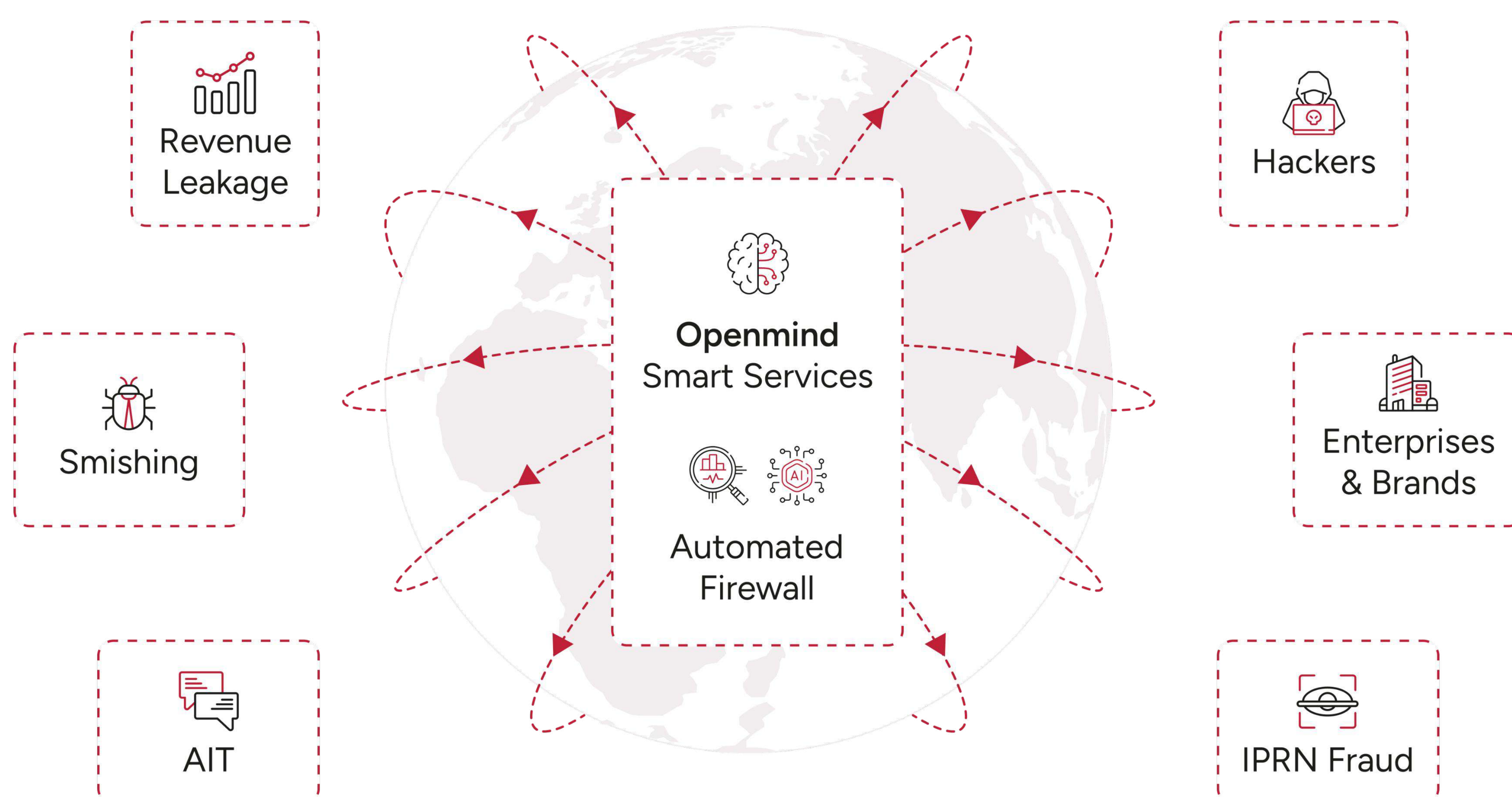
Moving forward, operators should adopt a more nuanced approach to A2P messaging dynamics, one that prioritizes ownership, transparency, and innovation. By fostering open dialogue with aggregators, brands, and regulatory bodies, operators can cultivate a culture of accountability and trust, ensuring that A2P messaging remains a reliable and sustainable channel for communication. Moreover, by embracing diversity and promoting healthy competition, operators can unleash the full potential of A2P messaging, driving innovation and fostering economic growth in the era of rich business messaging.

Why are brands at breaking point?

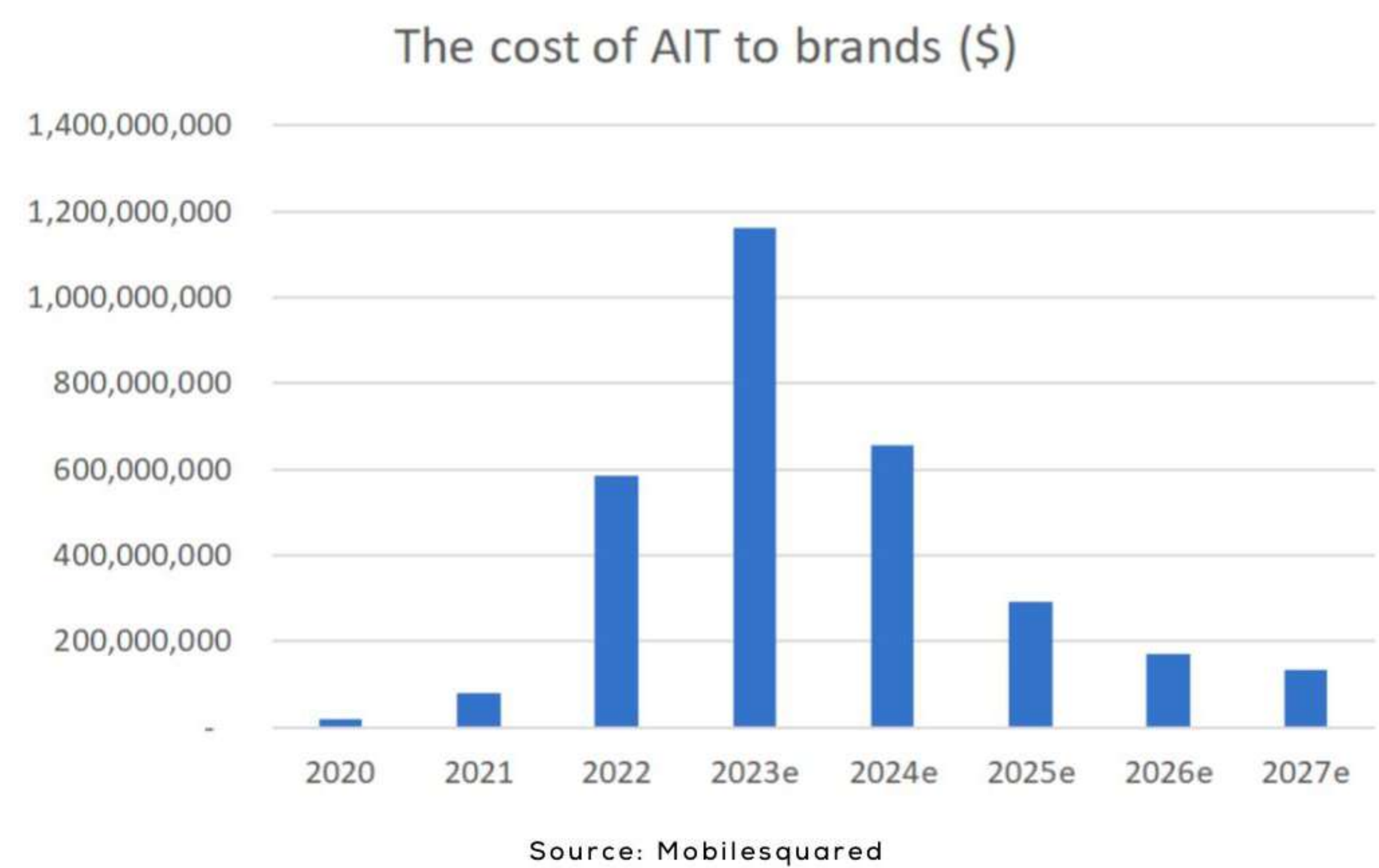
Enterprises and brands find themselves at a critical juncture, grappling with profound dissatisfaction over the management of business messaging orchestrated by a consortium of stakeholders, including operators and aggregators. The prevailing discontent stems from multiple challenges that erode trust and undermine the effectiveness of A2P messaging. The most important among these challenges is the big difference in SMS termination fees across various jurisdictions, a disparity that has sparked allegations of exploitative practices and exorbitant charges.

In certain countries, termination fees deviate drastically from the global norm, reaching levels that are 15 to 20 times higher than standard rates. This egregious distortion in pricing dynamics has created fertile ground for abusive practices, where brands find themselves saddled with astronomical fees that bear no resemblance to the actual cost of service provision. Such exorbitant charges not only strain the financial resources of enterprises but also engender a sense of disillusionment and distrust towards the A2P messaging ecosystem.

Compounding this issue is the suspicion of inflated message delivery figures, further exacerbating the rift between brands and service providers. Brands harbor legitimate concerns that delivered message metrics may be artificially inflated to extract additional revenue, tarnishing the integrity and reliability of A2P messaging channels. This perceived manipulation of data undermines the credibility of service providers and reinforces the perception of A2P messaging as a profit-driven enterprise rather than a facilitator of genuine communication.



Finally, there is also evidence of the use of grey routes to deliver traffic more cheaply on a network. Consider, for example, a situation where an aggregator may be charging less in termination costs to the brand than the operator themselves. How can this be? Is this a loss-leader to gain market share? No, the more likely scenario is that grey routes have been used to deliver traffic at a lower cost and this is how termination fees are kept low.



Testimonials on the impact of interconnectivity mismanagement

Uber

"The high international termination rates and excessive levels of AIT fraud on SMS is expediting our need to limit the amount of traffic and spend using SMS."



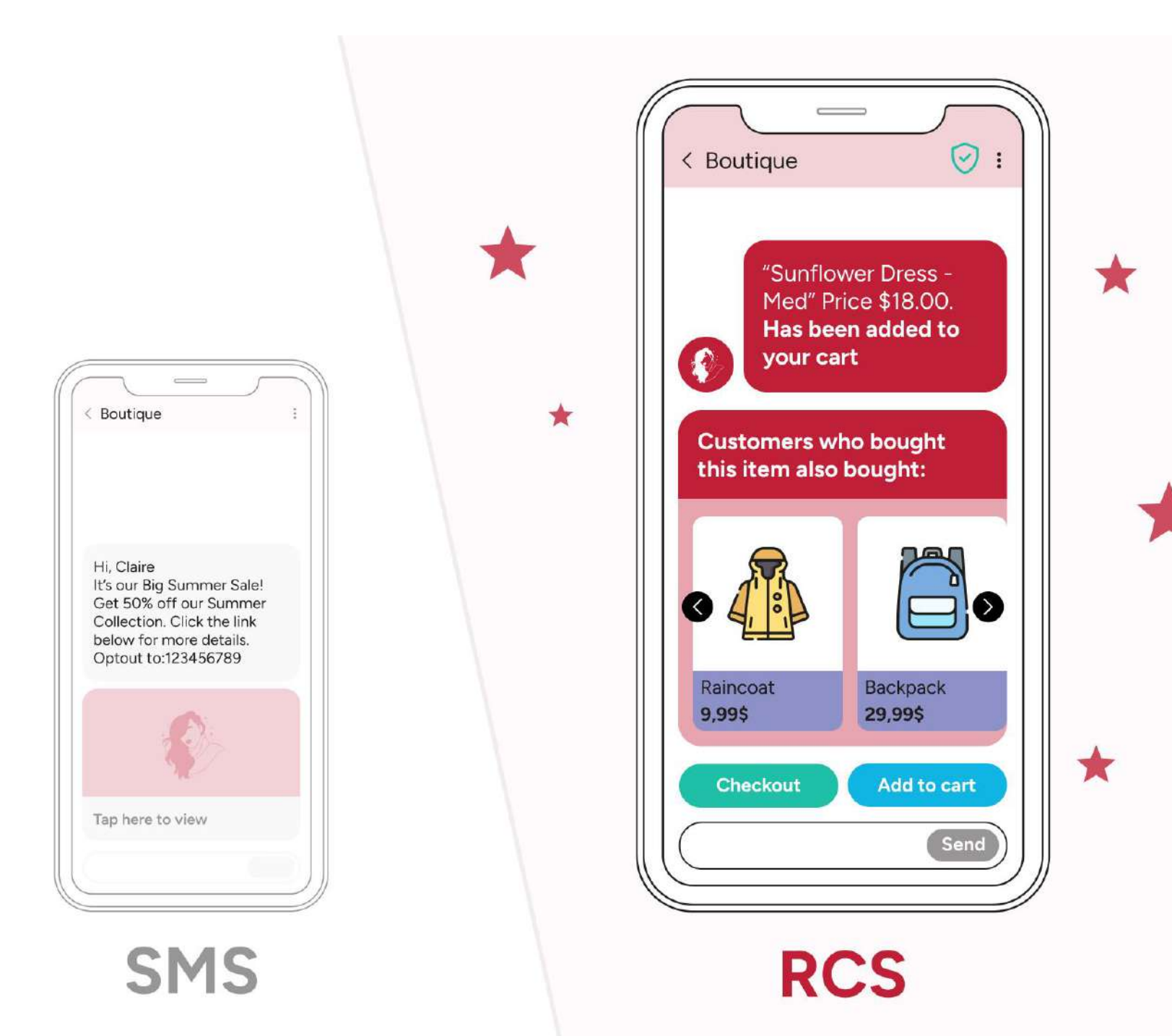
Meta

"We are on a painful journey with SMS right now. Not knowing how much we will need to allocate to SMS from one day to the next is a frightening prospect and one that is not sustainable in the short-term, let alone the long term. SMS costs need to come down."



Where is A2P business messaging going?

A2P business messaging is currently undergoing a profound transformation, driven by shifting consumer preferences and technological advancements. While SMS remains the cornerstone of A2P communication, the winds of change are palpable, heralding a new era characterized by the ascendance of Over-The-Top (OTT) platforms like WhatsApp and Rich Business Messaging (RBM) managed by tech titans such as Meta and Google. This evolution reflects a broader trend towards digital innovation and underscores the imperative for stakeholders to adapt and innovate in response to evolving market dynamics.



The growing prominence of OTT business messaging platforms like WhatsApp signifies a shift in consumer behavior, as users increasingly gravitate towards intuitive, feature-rich communication channels that offer seamless integration with their daily lives. These platforms offer a multifaceted suite of functionalities, encompassing text, multimedia, and interactive features, thereby enriching the user experience and fostering deeper engagement between brands and consumers.

Similarly, the emergence of RBM, spearheaded by industry giants like Google and Meta in collaboration with aggregators and operators, represents a watershed moment in the evolution of A2P messaging. RBM leverages the capabilities of rich media formats, including images, videos, and interactive cards, to deliver immersive and personalized brand experiences. By harnessing the power of RBM, brands can transcend the constraints of traditional SMS messaging, unlocking new avenues for creativity and engagement.

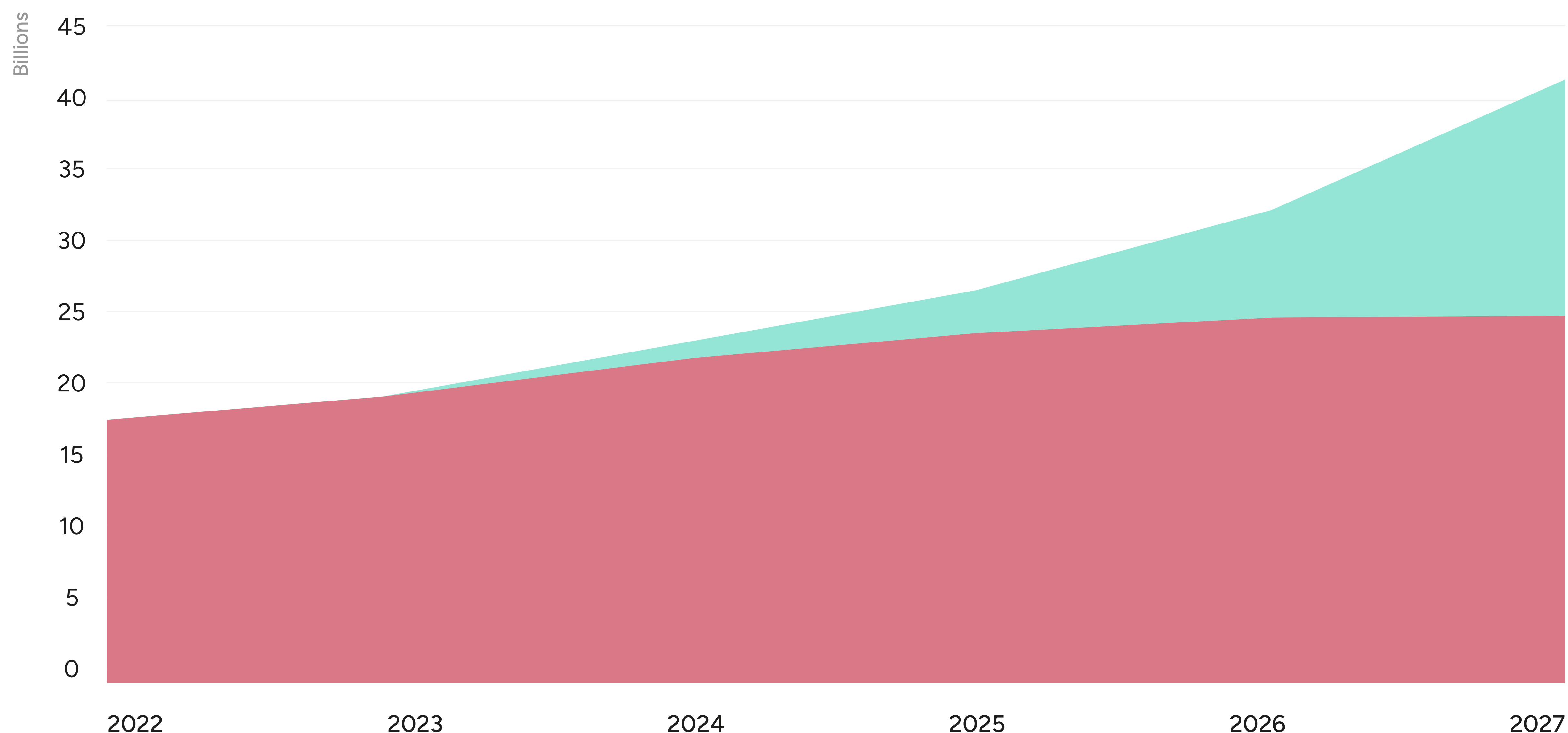
RBM traffic experienced remarkable growth in 2023, increasing by over 1,000% from January to December, reaching a total of 2.57 billion RBMs sent globally. Forecasts suggest exponential growth, with RBM traffic projected to reach 12.8 billion in 2024 and 35.85 billion in 2025, growing by 837% between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

Asia, particularly India, will drive RBM 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 RBM 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 RBM ecosystem to deploy billing platforms to handle the anticipated traffic volume growth from 2025 onwards.

Mobile operator + aggregator income

No revenue share, mobile operator controlled ecosystem keeps 100%, with aggregator partner/s selling to brands/enterprise

● RCS
● Total A2P SMS spend



Crucially, the ecosystem of players within the A2P messaging landscape is incentivized to collaborate and innovate, recognizing the immense potential for growth and differentiation in the marketplace. By pooling their collective expertise and resources, stakeholders can co-create a much stronger proposition for business messaging, one that is characterized by enhanced functionality, reliability, and scalability.

Indeed, the untapped potential of A2P business messaging is vast, with less than 5% of businesses worldwide currently leveraging these communication channels. This staggering statistic underscores the ample headroom for growth and underscores the imperative for stakeholders to seize the opportunity and capitalize on the burgeoning demand for digital communication solutions.

Moving forward, stakeholders must embrace diversification and collaboration as guiding principles in navigating the evolving landscape of A2P messaging. By fostering an open ecosystem that encourages innovation and collaboration, stakeholders can unlock new opportunities for value creation and drive sustained growth in the A2P messaging market. As the industry continues to evolve, agility, adaptability, and a relentless focus on customer-centricity will be paramount, ensuring that A2P messaging remains a cornerstone of modern communication in the digital age.

How to solve interconnectivity assurance for MNOs

Mobile network operators stand at a pivotal juncture in the evolution of A2P messaging, tasked with navigating a landscape fraught with complexity and uncertainty. To thrive in this dynamic environment, operators must chart a course that not only addresses current challenges but also unlocks new avenues for growth and innovation. Central to this endeavor is the imperative to reevaluate existing paradigms and embrace novel strategies that empower operators to reclaim control and drive value creation within the ecosystem.

Enhancing Price Reliability and Value for Enterprises

Operators must prioritize the provision of price reliability and value for enterprises, ensuring that A2P messaging remains a cost-effective and dependable communication channel. By implementing transparent pricing structures and fostering open dialogue with enterprise clients, operators can instill confidence and trust in the reliability of their services, thereby bolstering long-term partnerships and customer loyalty.

Mitigating the Risk of Enterprise Disengagement

To prevent enterprises from seeking alternative communication channels, operators must offer compelling value propositions that cater to the unique needs and preferences of their clientele. This entails investing in innovative solutions and value-added services that differentiate A2P messaging from alternative communication methods, such as proprietary apps or flash calls. By delivering superior performance, reliability, and convenience, operators can incentivize enterprises to remain within the A2P messaging ecosystem, thereby safeguarding revenue streams and fostering sustainable growth.

Promoting Network Integrity and Trust

Operators must prioritize the establishment of clean networks free from fraudulent activities and nefarious practices that undermine the integrity of A2P messaging. By implementing robust security protocols and proactive monitoring mechanisms, operators can detect and mitigate instances of fraud, fraudulent routing, and traffic inflation, thereby safeguarding the interests of both enterprises and end-users. Furthermore, operators should collaborate with industry stakeholders to establish industry-wide standards and best practices that promote transparency and accountability within the ecosystem.

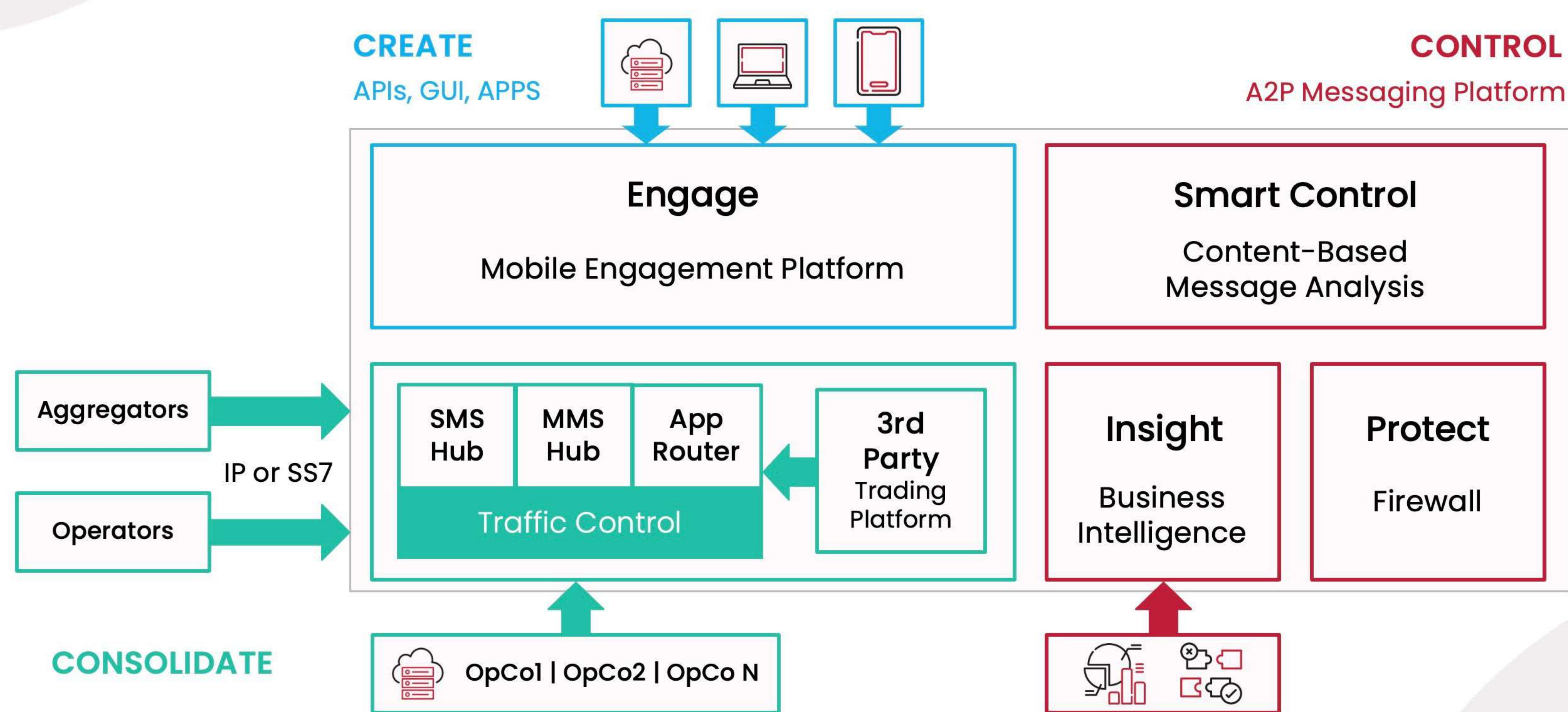
Maximizing Revenue Streams through Innovation

Operators must adopt an innovation mindset that embraces emerging technologies and new revenue streams, including the potential of Rich Business Messaging (RBM). Rather than viewing RBM as a threat to existing SMS A2P revenue streams, operators should explore opportunities to integrate RBM into their existing offerings, thereby augmenting revenue streams and enhancing the value proposition for enterprise clients. By embracing innovation and diversification, operators can position themselves as forward-thinking leaders in the A2P messaging space, driving sustained growth and competitiveness.

To realize these strategic objectives, operators must leverage their inherent strengths and capabilities while also embracing new approaches to technology and partnership. This may entail deploying in-house platforms that offer end-to-end solutions encompassing pricing, trading, routing, billing, payment, and settlement. Additionally, operators should collaborate with "neutral" vendors that prioritize operators' best interests, ensuring alignment and mutual benefit in all business dealings.

In conclusion, mobile network operators wield immense potential to reshape the landscape of A2P messaging, driving innovation, value creation, and sustainable growth. By embracing strategic imperatives that prioritize customer value, network integrity, and innovation, operators can chart a course towards a future where A2P messaging remains a vital and vibrant channel for communication in the digital age.

Wholesale architecture



Conclusion

As brands voice their dissatisfaction with prevailing practices, it becomes increasingly clear that piecemeal solutions are insufficient to address the systemic challenges facing the A2P messaging industry. Instead, a concerted effort at an all-ecosystem level is imperative to navigate the complexities of the evolving landscape effectively.

The current discontent among brands represents more than mere dissatisfaction; it signals a fundamental dissatisfaction with the existing framework of A2P messaging. Brands are increasingly vocal about their concerns regarding opaque pricing structures, inconsistent service quality, and the prevalence of fraudulent activities within the ecosystem. This dissatisfaction poses a significant threat to the revenue streams of operators, aggregators, and other stakeholders, compelling them to reassess their strategies and adopt a more proactive approach to address the root causes of discontent.

Amidst this backdrop of uncertainty, network operators are poised to assume a leadership role in driving systemic change within the A2P messaging ecosystem. As custodians of the underlying infrastructure that powers communication networks, operators possess a unique vantage point from which to exert influence and shape the future direction of the industry. By leveraging their authority and expertise, operators can spearhead initiatives aimed at enhancing transparency, promoting fair competition, and safeguarding the integrity of A2P messaging channels.

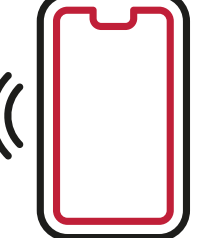
However, effecting meaningful change at the ecosystem level requires collaboration and cooperation among all stakeholders, including operators, aggregators, brands, and regulatory bodies. It demands a collective commitment to upholding industry standards, fostering innovation, and prioritizing the needs of end-users above all else. Moreover, it necessitates a willingness to embrace new technologies and business models that have the potential to revolutionize the way A2P messaging is conducted.

In this endeavor, network operators can serve as catalysts for positive change, rallying stakeholders around a shared vision of a more transparent, resilient, and customer-centric A2P messaging ecosystem. By fostering a culture of collaboration and innovation, operators can unlock new opportunities for growth and differentiation, ensuring the long-term viability and vitality of the industry as a whole.

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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