

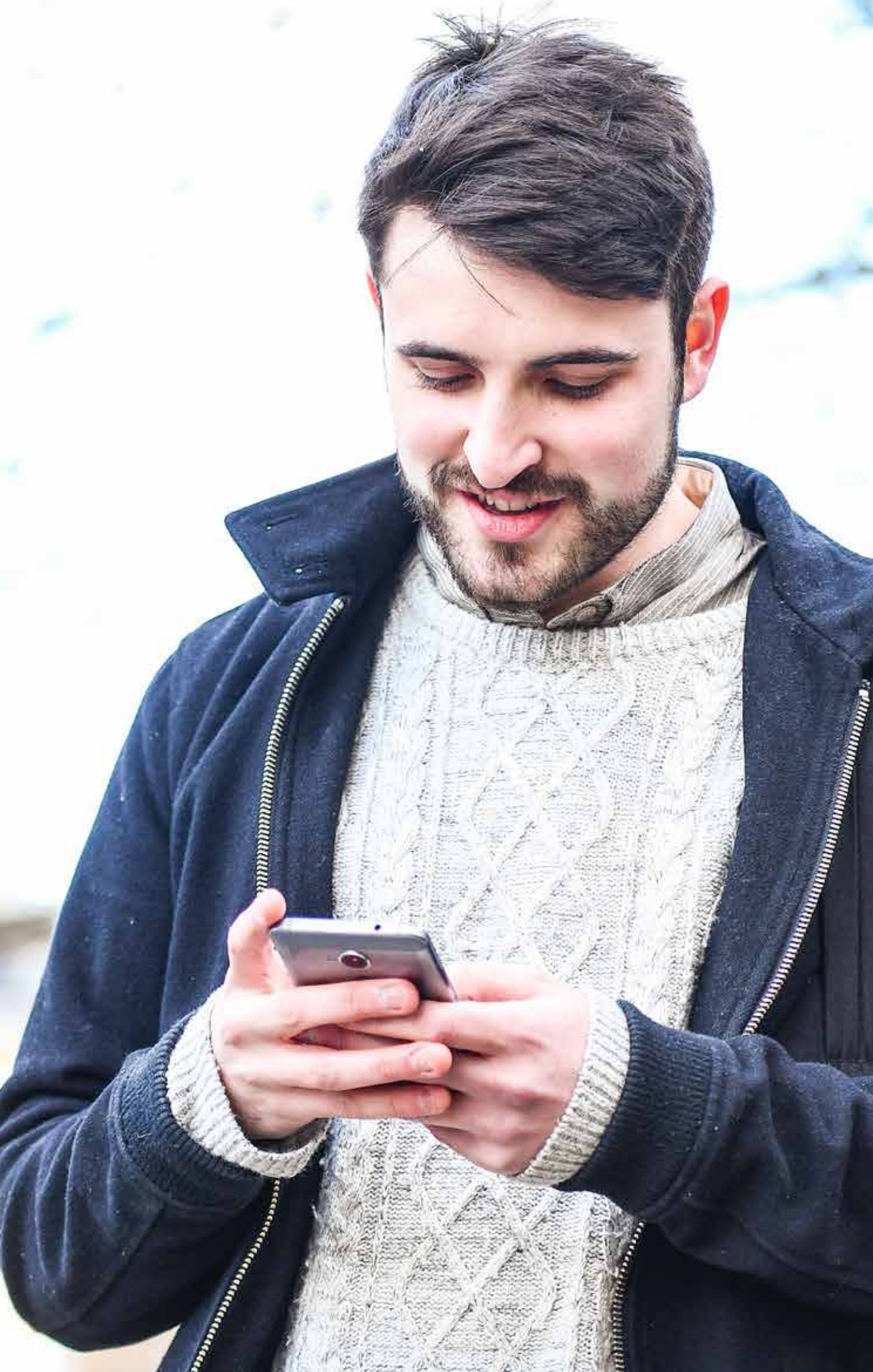


RCS Business Messaging Research Study

GSMA Future Networks
and OpenMarket

February 2018





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Executive Summary

In 2018 we expect Rich Communications Services (RCS) to continue its recent rapid growth in the market, with a significant number of consumers being exposed to what RCS Business Messaging has to offer. Operators, OEMs, aggregators and platform providers have the technology in place, and leading brands are prepared to launch a range of innovative RCS Business Messaging-based customer experiences.

This paper presents the findings from research recently undertaken in Mexico, South Korea, the United Kingdom and the United States that investigated consumer perceptions of RCS. Nationally representative surveys were undertaken in all markets and focus groups were held in the United Kingdom and the United States.

Consumers are overwhelmingly excited about what RCS has to offer. Nearly 80% of consumers find RCS appealing and over 70% say RCS would make them more likely to want to communicate with a brand.

The research introduced consumers to five RCS Business Messaging use cases:

- Takeaway ordering and restaurant bookings with special offers and coupons;
- Online shopping with delivery and collection;
- Account management and customer service tracking;
- Travel, hotel and entertainment booking and ticket storage; and
- Receiving personalised deals and offers from your most used brands.

More than two thirds of consumers said all of the use cases appealed to them, with support ranging between 68% and 77%.

RCS Business Messaging experiences that tap into the following five themes will resonate particularly strongly with consumers:

- Simplicity;
- Richer communications;
- Personalised experience;
- Continuity from SMS; and
- Security and reliability.

Of the wide range of communications features offered by RCS, the five most appealing to consumers are:

- That it works no matter what phone my friend or family is using;
- The ability to send video and photos within messages;
- In-call messaging (e.g. instant messages and collaboration);
- The ability to transfer files, even when on a phone call; and
- The group chat function (e.g. sharing photos and voice messages with a group).

As of January 2018, there were 159 million monthly active RCS users around the globe, served by 50 mobile operators¹. The GSMA estimates that by Q1 2019 there will be c. 1.05 billion monthly active users, served by over 200 mobile operators². This implies that over 2018 there will be an increase of c. 890 million monthly active users and RCS launches from c. 150 mobile operators.

RCS Business Messaging offers brands a potent new channel to reach and engage their customers. It can be used for a range of different customer experiences from advertising, through sales to customer care. It doesn't require investment in a standalone app and will provide brands with behavioural data normally associated with email and/or web-based campaigns (e.g. delivery receipts, read receipts, on screen event tracking etc.).

It may also provide a comparatively cost-effective channel for some activities such as customer care. Brands should assess whether incorporating RCS Business Messaging into their communications mix could offer not only improved customer experiences, but also operational cost savings.

We anticipate that brand interest in RCS is going to grow the Business Messaging (also known as A2P Messaging) revenue pool in the coming years and that RCS Business Messaging will become an important revenue driver in its own right. While SMS will remain a key part of the Business Messaging business model, mobile operators and aggregators that serve a predominantly smart phone market should start to actively engage with RCS Business Messaging or risk finding themselves at a significant competitive disadvantage.

¹ Source: GSMA, February 2018.

² This assumes Apple upgrades its fall-back experience from SMS to RCS during 2018.

Introduction

In 2018 we expect RCS to start to gain traction in the market, with a significant number of consumers being exposed to what RCS Business Messaging has to offer. Operators, OEMs, aggregators and platform providers have the technology in place, and leading brands are prepared to launch a range of innovative RCS Business Messaging-based customer experiences.

With this in mind, the GSMA and OpenMarket sponsored a programme of consumer research in Mexico, South Korea, the United Kingdom and the United States to understand which aspects of RCS Business Messaging excite consumers most.

This paper is based on the results of that research. It is divided into three sections:

- *Consumer perceptions of RCS:* reactions to a sample of RCS Business Messaging use cases, understanding why consumers are excited by RCS, and reactions to RCS' features;
- *State of play of the RCS market:* an overview of the current state of the global RCS market; and
- *Immediate opportunities in the RCS Business Messaging market:* a high-level overview of the opportunities presented by RCS Business Messaging with specific reference to mobile operators, brands and aggregators.

While the focus of the paper is on RCS Business Messaging, it also presents evidence relating to consumer-to-consumer RCS interactions. This material is included for two reasons. Firstly, many of RCS' features are relevant to both business-to-consumer and consumer-to-consumer interactions. Secondly, the popularity of RCS as a consumer-to-consumer communication tool will benefit RCS Business Messaging as it will encourage operator adoption and increase consumer awareness and familiarity with the platform.

The paper should appeal to anyone with an interest in business-to-consumer messaging. However, it is focused on identifying implications specifically relevant to mobile operators, brands and aggregators.

Overview of RCS and RCS Business Messaging

RCS is an upgrade to SMS on a global scale, bringing the messaging services of the future to over 5 billion mobile phone users worldwide. RCS is an operator service that will work on any RCS-enabled smart device or network, and will give customers the experience they've come to expect from OTTs, natively in their handset.

RCS Business Messaging allows consumers to interact with all of their brands in one place. An open channel can be created between consumer and brand, meaning a conversation never truly ends, because either party can pick a conversation back up as, and when, they please. Consumers can deal with airlines, railways, taxis, restaurants, banks and many other businesses at their convenience.

At a feature level, RCS offers text functions just as SMS does, but with an array of additional communication and multimedia capabilities including:

- Branded and verified business messages;
- Quick-reply buttons for easy responses with no typing required;
- Integration with features like maps and calendar events;
- Carousel rich cards that communicate a high volume of information in one message;
- A group chat function (e.g. sharing photos and voice messages with a group);
- The option to send video, photos and audio within messages;
- In-call messaging (e.g. instant messages and collaboration);
- Seeing when someone is typing;
- File transfer, even when on a phone call;
- Location sharing, even when on a phone call;
- Setting a subject or sharing a photo before making a phone call;
- Labelling a new phone call as important to encourage the recipient to answer; and
- The ability to share a drawing pad which participants can draw on during a call.

The RCS ecosystem is made up of a large number of participants, including on-premise solution providers, hosted solution providers, hub providers, client providers, OEMs and aggregators.

By January 2018, 50 operators had launched RCS in 40 markets, serving 159 million monthly active users³.

RCS Business Messaging, also referred to as Application-to-Person (A2P) Messaging, represents the generic notion of messaging between a company and a user, as opposed to person-to-person communications. Typically this is the use of applications by companies to communicate with consumers via a message to their mobile device. Common examples include two-factor authentication messages, delivery status alerts and marketing messages.

To date, Business Messaging services have been dominated by SMS but are being upgraded through RCS. This will introduce a diverse and more flexible range of functions that will also facilitate the implementation of chatbot-based services.

Research Methodology

The analysis and proposals presented in this paper are based on two streams of consumer research. Firstly, focus groups were held with consumers in the United Kingdom and the United States. Secondly, nationally representative surveys were undertaken with 2,015 consumers equally distributed across Mexico, South Korea, the United Kingdom and the United States. The research was conducted in January 2018 by Context Consulting.

³ Source: GSMA, February 2018.

Consumer Perceptions of RCS

The majority of this paper is focused on the findings of the consumer research. This research introduced the participants to RCS' various features and use cases and sought to assess their perceptions and reactions.

Consumers are overwhelmingly excited about what RCS has to offer. Nearly 80% of consumers find RCS appealing and 74% say RCS would make them more likely to want to communicate with a brand.

"This is the future."
US male, 34

"It does everything!"
UK male, 31

"It looks good. It's exciting."
UK female, 46

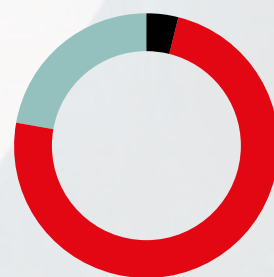
Fig. 1: high-level appeal and impact of RCS

Overall appeal of RCS⁴



79% Appealing
16% Neutral
4% Not Appealing

RCS' impact on likelihood to want to communicate with a brand



74% More likely
22% Neutral
4% Less likely

Base: 2,015

⁴ NB the wording of questions posed to consumers has been simplified and shortened throughout this report.

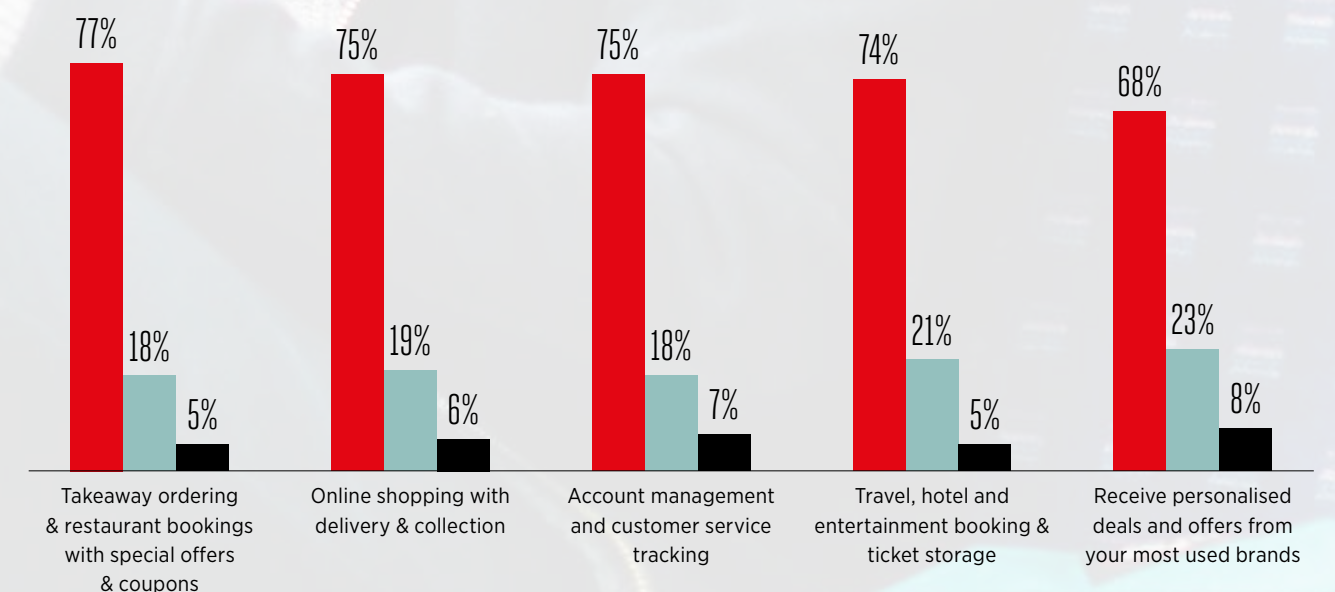
Consumer reactions to RCS Business Messaging use cases

We asked consumers to assess the following five RCS Business Messaging use cases:

- Takeaway ordering and restaurant bookings with special offers and coupons;
- Online shopping with delivery and collection;
- Account management and customer service tracking;
- Travel, hotel and entertainment booking and ticket storage; and
- Receiving personalised deals and offers from your most used brands.

Well over two thirds of consumers find all of these use cases appealing. The most mixed response was for 'receiving personalised deals and offers from your most used brands' but even here 68% of consumers find the use case appealing.

Fig. 2: appeal of five RCS Business Messaging use cases



Base: 2,015

Appealing Neutral Not appealing

The key reasons why consumers find each use case appealing are as follows:

Use case	Reasons for appeal
Takeaway ordering and restaurant bookings with special offers and coupons	<ul style="list-style-type: none"> Efficient and straightforward ordering process Storing coupons on phone is easier than managing paper coupons
Online shopping with delivery and collection	<ul style="list-style-type: none"> Rich and convenient product research and purchase process Ease of scheduling and changing delivery times
Account management and customer service tracking	<ul style="list-style-type: none"> Ease with which appointments can be added to calendar More efficient communication with the company Seeing photos of company representatives before they arrive increases feeling of security
Travel, hotel and entertainment booking and ticket storage	<ul style="list-style-type: none"> Storing tickets on a phone is easy and reduces the likelihood of them getting lost Clarity of the purchase process (e.g. seeing the view from a stadium seat before completing a transaction) Ease of payment (e.g. through Android Pay)
Receiving personalised deals and offers from your most used brands	<ul style="list-style-type: none"> Expect deals and offers to be better targeted than in other channels Promotions will be more visual and interesting RCS is an appropriate channel for trusted brands to communicate with consumers

Why consumers are excited by RCS

There are five themes that encapsulate consumers' attraction to RCS and RCS Business Messaging:

- Simplicity;
- Richer communications;
- Personalised experience;
- Continuity from SMS; and
- Security and reliability.

These themes are explored below with reference to their implications for brand-to-consumer interactions.

Simplicity

Consumers want their communications with brands to be as streamlined as possible. They want interactions to be quick and intuitive. They also want to feel a greater sense of control over their engagement.

Consumers see that RCS will (1) provide a single communications channel that offers an easier and quicker experience, (2) increase their sense of control, and (3) reduce the time they spend manually entering information.

1. A single communications channel

A significant proportion of consumers like the convenience offered by RCS' wide feature set and the fact that it is built-in to the RCS-enabled phone, rather than being a downloadable app.

42% of consumers dislike switching between apps to contact different people or businesses; 43% of consumers dislike switching between apps to use different communication tools; and 59% like to have their favourite communication functions built into their phone, not as additional apps.

These consumers like the idea of consolidating a portfolio of communication tools into a single pre-installed place, as it reduces both the need to swap between apps and the number of interactions they need to make with their phone to complete a task. Given this, many consumers believe RCS will make communicating simpler, quicker and more efficient.

This convenience will remove unnecessary stress from communicating and may make consumers more likely to want to communicate with brands.

In addition, RCS provides an opportunity for seamless hand-offs across different phases of a customer journey.

"I like that I'm able to message on the go and have my order ready for pick up by the time I arrive. I don't need to Google a restaurant, then follow the link, then enter my zip code, then place the order. It's so simple."

US male, 26

"[RCS] makes it so easy to buy tickets. Having the payment system integrated makes it so much easier and you don't have to enter your card details which is time consuming and not secure."

US female, 28

"It would be so easy to confirm or reschedule with the press of a button. There's no need to make or receive a call to or from customer services anymore."

US male, 37

"Seeing what the view from my seat looks like would be great and I like how my tickets would be right on my phone."

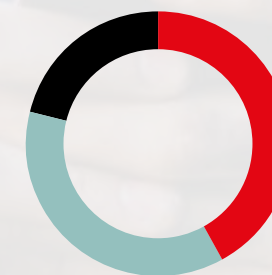
US female, 31

"It's great to get a discount offer that's personalised to me."

US male, 34

Fig. 3: consumer preferences for mobile communication tools

Dislike switching between apps to contact different people or businesses



42% Agree
37% Neutral
21% Disagree

Dislike switching between apps to use different communication tools



43% Agree
36% Neutral
20% Disagree

Like to have favourite communication functions built into the phone, not as additional apps



59% Agree
26% Neutral
15% Disagree

Base: 2,015

“I like to keep things simple, especially when it comes to communication.”

US female, 28

“The best thing about [RCS] is the convenience. It's all in one place.”

UK female, 27

“It's really frustrating how difficult it is to share photos and videos that you receive on one app in another app.”

UK female, 37

“I like the idea of fewer clicks. It would make more efficient use of my time, especially when chatting with companies.”

US male, 37

“RCS would make everything quicker.”

UK male, 40

“For me it's the convenience. It's easy to use. You don't have to go to Google and look at what you want when you are away from home. It makes me more likely to place an order for something then and there.”

UK female, 49

“I feel more relaxed knowing where everything is.”

US male, 44

“It's nice to have it pre-loaded and ready to go.”

US female, 42

“Doing everything from seat purchase to ordering drinks in one go is brilliant.”

US male, 26

“It will save a lot of time when chatting with companies. It would eliminate the hassle of having to learn a different interface.”

US male, 37

“I hate having so many apps, I don't have enough memory on my phone for them all.”

UK male, 23

“It's frustrating having lots of apps. It'd be nice to have something universal.”

US female, 31

“I would delete a lot of other apps and just use RCS.”

UK male, 31

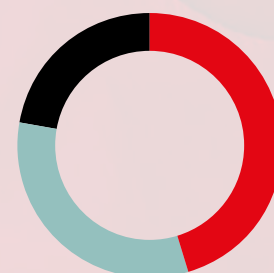
Fig. 4: consumer frustrations driven by multiple communication apps

Learning how to use companies' individual apps is frustrating



40% Agree
36% Neutral
24% Disagree

Would prefer fewer apps on my phone



45% Agree
32% Neutral
22% Disagree

Base: 2,015

The consolidation of communication tools would also address two common frustrations. Firstly, the need to learn how to use companies' individual apps (an issue for 40% of consumers).

Secondly, many consumers dislike having too many apps on their phone (an issue for 45% of consumers) either because they would prefer something universal or because they take up too much device memory.

2. Increased sense of control

Consumers want to feel a high level of control over both how they communicate with brands and their lives more generally. The feeling of control is an end in and of itself but it also makes consumers feel more valued by the brands that facilitate it.

Five of RCS' features are particularly important for encouraging consumers' sense of control:

Feature	Reasons for appeal
Branded and verified business messages	<ul style="list-style-type: none"> Gives consumers confidence that they are engaging with a real company rather than a fraudulent impostor
Seeing read receipts	<ul style="list-style-type: none"> Confirmation that a message has been received, especially for time-sensitive messages, reduces anxiety with the communication process
Setting the subject of a call	<ul style="list-style-type: none"> Helps consumers decide whether or not to take a call The large majority of consumers (74%) agree that seeing the subject of a call would increase the likelihood of them answering the phone
Flagging a call as important	<ul style="list-style-type: none"> As with 'setting the subject of a call', consumers believe this would help them decide whether or not to take a call
Easily adding items to a calendar	<ul style="list-style-type: none"> Helps consumers manage their lives more effectively, especially given the high number of, sometimes competing, demands on their time

“This is a great service for companies to schedule appointments. It would reduce confusion and room for error.”

US male, 34

“This would give me so much more control and make me feel like a company really cares.”

US female, 42

“There's so much going on in my life it's really hard to manage appointments and remember to put them in my diary. This would be great for doctor appointments, arranging birthday parties, work meetings, deliveries and so on.”

US male, 34

“I want as an efficient experience as possible. It makes me feel more valued to have a positive experience.”

US male, 44

3. Reduced time spent manually entering information

Finally, consumers appreciate that RCS provides a single platform with which to engage with multiple brands as this means they don't need to set up multiple individual accounts. Another benefit is the reduced need to manually enter data either through the use of quick reply buttons or because their RCS account can be linked to a payment service such as Android Pay.

Consumers appreciate the opportunity to minimise data entry where possible given the volume of information they type into their phones on a daily basis.

“You just have to press one button for certain things. That’s great because I spend so much time in the day writing messages to different people and companies.”

UK female, 29

“It can be a real hassle to keep setting up accounts on websites and apps and then remembering passwords.”

US male, 37

“The link to Android Pay is good because typing in credit card details every time is a pain.”

US female, 28

Richer communications

Consumers want to be able to express themselves as freely as possible whether they're talking to friends, family or a brand. Nearly two thirds of consumers like to make their conversations as exciting as possible and the majority say it's important to them to 'show how they're feeling' when communicating by phone.

While text-based communications remain essential, they don't provide the range of expression that consumers expect. They want to connect with others in deep and meaningful ways, and to express their emotions as richly as possible. Around 60% of consumers want to be able to send and receive more visual and exciting messages and like using a wide range of tools, including images and emojis.

Consumers particularly appreciate the way richer communications both make them feel closer to their loved ones and help them express their underlying emotions.

“I recently had a baby. I live in New York but my family is in Florida. It’s so good to be able to send them photos and videos through group chat. It helps me feel like they’re here with me.”

US female, 28

“Soon I’ll be moving to Vietnam and when I’m there I will start using video a lot to stay in touch properly with friends and family.”

UK male, 31

“I don’t have time to type all day, I like emojis. You can say so much with just one small thing.”

UK female, 27

“I like emojis. They show how I’m feeling.”

UK female, 24

“It would be nice to hear what’s going from a trusted business and get discounts.”

US female, 31

“The coupon feature is great.”

US male, 26

From a brand-to-consumer communications perspective, RCS will (1) enhance the richness of product promotions, and (2) enhance research and sales clarity.

1. Rich product promotions

Over half of consumers (55%) want company promotions and adverts to be as visual and engaging as possible, with only a small minority (13%) rejecting this idea.

RCS provides a wide range of visual and engaging features, including photo and video messages, GIFs and carousel cards.

In addition to consumers' positive responses to these features, they are broadly comfortable with the concept of receiving targeted discounts from companies they like and trust.

However, it is important to recognise that consumers are concerned that RCS may increase the receipt of unwanted advertisements or spam. RCS is expected to be less spam-sensitive than SMS because it allows users to instantly report spam to their service provider and to block spam-senders on the device and in the network. Unlike SMS, RCS messages can also be identified as 'business' or 'personal' and the rich business messaging functionality in the client only works for 'business' messages. This will encourage brands to insist their aggregators do not use 'grey routes', and further reduce the levels of spam experienced by customers.

Fig. 5: consumer desire for expression

Like to make my conversations as exciting as possible



65% Agree
24% Neutral
10% Disagree

Important to me to show how I'm feeling when communicating by phone



60% Agree
28% Neutral
13% Disagree

Base: 2,015

Fig. 6: consumer preferences for a wide range of communication tools

Want to be able to send and receive more visual and exciting messages



58% Agree
30% Neutral
13% Disagree

Base: 2,015

Like using a wide range of tools (e.g. text, images, emojis)



60% Agree
25% Neutral
15% Disagree

Fig. 7: consumer preferences for promotions and adverts

Company promotions and adverts should be visual and engage with as many of my senses as possible



55% Agree
31% Neutral
13% Disagree

Base: 2,015

2. Research and sales clarity

Consumers want to understand what they're buying before they commit to a purchase. This research primarily happens online and, increasingly, through mobile channels.

The majority of consumers believe RCS will both save them time and provide much greater clarity over their purchases, especially for products like theatre and sports venue seats. This clarity gives consumers significantly more confidence over the transaction process which may either drive sales conversions or decrease the likelihood of dissatisfaction with purchases.

"Yes I think it will save me a lot of time researching what to do in the area."

US male, 34

"It would save me some time, I normally have to go online and see what else is going on."

US male, 37

"I am really into comedy and it would make me want to go to a gig much more if I could see where I was sitting as I would have confidence about being able to see and hear everything."

UK female, 47

"I feel more relaxed and aware of what I'm buying."

US female, 31

"Seat view is huge! Sometimes at concerts or games you think you have a good seat for a good price and you get there and you're almost behind the stage or behind the backboard. It makes the company seem like they are being totally transparent."

US male, 44

Personalised experience

The large majority of consumers don't want to feel that they're part of a 'one-size-fits-all' process. They want their interaction with a company to feel bespoke and organic. Currently, nearly half of consumers feel online shopping lacks a personal touch.

Furthermore, 61% of consumers say they would engage with companies more if they offered a more personalised service.

RCS Business Messaging, particularly when combined with well-designed customer profiling and artificial intelligence systems, offers brands an opportunity to achieve a much more natural way to engage with their consumers through a digital platform.

Consumers like the concept of a more tailored experience as they will be exposed to less irrelevant information and many want to feel closer to brands. The later point is particularly relevant for larger brands.

"The real time conversational nature of the interaction is much richer."

US male, 26

"I'm tired of being bombarded with irrelevant information, this is much more personal to me."

US female, 42

"If it feels like I'm having real conversation it feels much more personal, and that's how we all like to shop, right? Even if it's AI as long as it feels tailored to me it's ok."

US male, 26

"This integration of services makes for a more personalised experience, especially when dealing with big companies which often feel quite distant."

US male, 31

"I think it's a fantastic ambition for SMS."

US male, 44

"If it's as reliable as SMS I would use it. I'd take it tomorrow!"

UK male, 32

"I like the visuals and all the brand colours, this would bring SMS to life!"

UK male, 40

Continuity from SMS

SMS remains an incredibly popular and efficient channel for brand-to-consumer communications. The majority of consumers check their phones for messages throughout the day (68%) and are likely to open an SMS or instant message as soon as it's delivered (62%).

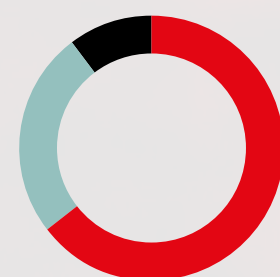
Two core components of SMS' continued success are its cross-platform availability and its native integration into mobile devices. These features are appreciated by over two-thirds of consumers.

Consumers also like the convenience and responsiveness of engaging with brands via SMS. Over half feel it is easier to communicate with a company via SMS or instant message rather than email; an equal number also believe they are likely to receive a quicker response through these channels.

Nearly 70% of consumers believe SMS is a convenient way for brands to provide them with updates, for example advising them of delivery statuses.

Fig. 8: consumer preferences for a personalised experience

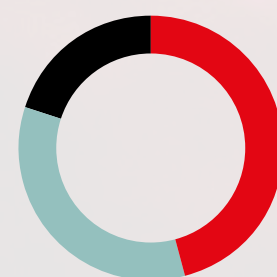
When I'm communicating with a company, I like to feel I'm having a conversation with a person, rather than being part of an automated process



64% Agree
25% Neutral
10% Disagree

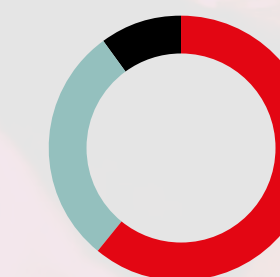
Base: 2,015

I find online shopping lacks the personal touch from companies



46% Agree
34% Neutral
20% Disagree

I would engage with companies more if they offered a more personalised service



61% Agree
29% Neutral
10% Disagree

Fig. 9: consumer message checking habits

I regularly check my phone for new SMS or instant messages throughout the day



68% Agree
19% Neutral
13% Disagree

Base: 2,015

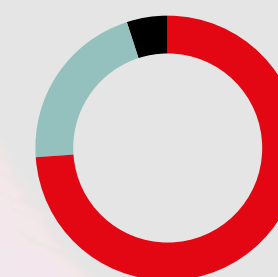
I often open an SMS or instant message as soon as it has been delivered to me



62% Agree
23% Neutral
15% Disagree

Fig. 10: consumer satisfaction with SMS

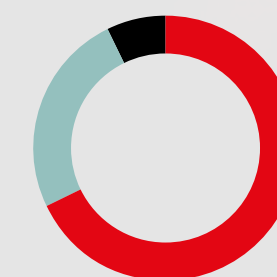
I like knowing that SMS will work whatever phone my friends or family members are using



74% Agree
21% Neutral
5% Disagree

Base: 2,015

I like how SMS is integrated into my phone



68% Agree
25% Neutral
7% Disagree

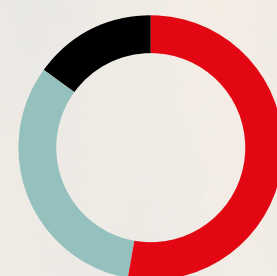
Fig. 11: consumer views on the efficacy of SMS

It is easier to communicate with a company through SMS or instant message rather than by email



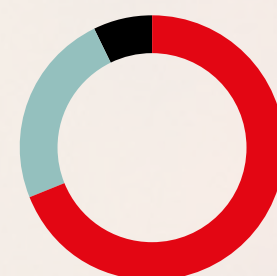
52% Agree
31% Neutral
17% Disagree

I think that people or companies respond to me quicker if I contact them through SMS or instant message



53% Agree
32% Neutral
15% Disagree

SMS is a convenient way for companies to provide me with updates



69% Agree
24% Neutral
7% Disagree

Base: 2,015

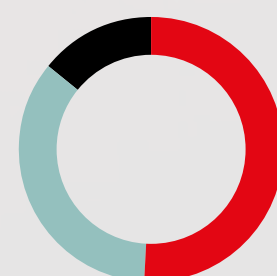
Fig. 12: consumer views on the limitations of SMS' capabilities

I wish SMS had more functionality



61% Agree
28% Neutral
11% Disagree

I would stop using other communication apps if SMS could offer all the same functionality and more in one place



51% Agree
35% Neutral
14% Disagree

Fig. 13: consumer concerns over communications' data security

I'm worried that apps might be hacked and personal information could be compromised



58% Agree
23% Neutral
19% Disagree

I'm worried about third party apps accessing and misusing communications data

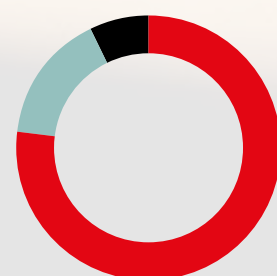


66% Agree
21% Neutral
14% Disagree

Base: 2,015

Fig. 14: consumer expectations and experience of problems with communication tools

I expect my communication apps to be reliable and work every time



77% Agree
16% Neutral
7% Disagree

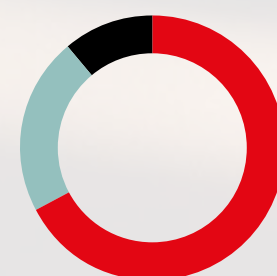
I have experienced apps being unreliable when trying to communicate with other people



42% Agree
29% Neutral
29% Disagree

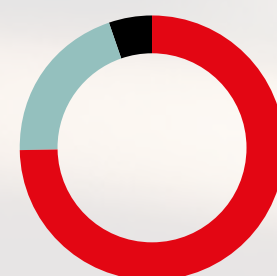
Fig. 15: consumer trust preferences

I prefer to communicate through apps from trusted companies and brands



68% Agree
22% Neutral
11% Disagree

I would trust mobile operators to provide RCS



74% High
20% Neutral
5% Low

Base: 2,015

However, the majority of consumers (61%) wish that SMS had more functionality. Half of consumers say they would stop using other communication apps if SMS could replicate and improve their functionality.

RCS is perfectly positioned to build on the success of SMS and deliver the additional functionality expected of today's communication tools through the same native app. Consumers are very supportive of this evolution and, importantly, they will not need to take any action to experience the upgrade as it will be automatic.

Security and reliability

As with most forms of digital communication, consumers are concerned over the security of their data. Nearly 60% of consumers are worried that apps might be hacked and that their personal information could be compromised. An even greater proportion (66%) are worried about third party apps accessing and misusing their communications data.

Consumers are also concerned about the reliability of their communications tools. While the large majority of consumers (77%) expect their communication tools to work every time they're used, a significant proportion (44%) have experienced reliability issues.

RCS is well positioned to address these security concerns, in particular when compared to third-party apps. Firstly, there is a strong consumer preference for communicating through services from trusted companies and brands (this appeals to 68% of consumers). Secondly, an impressive 74% of consumers would trust mobile operators to provide RCS.

Finally, one specific RCS Business Messaging use case gained praise from a security perspective. The ability for brands to share a photo of their representative prior to a home visit (e.g. a boiler engineer) was widely welcomed as a means to increase consumers' sense of security.

"Security is always an issue with social media."
UK male, 40

"Once you're on a social media platform, you're pretty much in the hands of whoever runs them."
UK female, 29

"The security is top notch and alleviates any concerns; I want to feel comfortable providing my personal and payment details to companies."
US male, 31

"The photo of the engineer is so reassuring, it means I'm more comfortable leaving my wife or teenage daughter alone at home when a company comes around."
US male, 44

Consumer reactions to RCS' features

Finally, we asked consumers to assess RCS' features. The top five features, in order of preference, are:

- That it works no matter what phone my friend or family is using;
- The ability to send video and photos within messages;
- In-call messaging (e.g. instant messages and collaboration);
- The ability to transfer files, even when on a phone call; and
- The group chat function (e.g. sharing photos and voice messages with a group).

The interoperability of RCS is its most compelling feature, appealing to nearly 80% of consumers. Rich media, in-call messaging and file transfer appeal to over 70% with the fifth most popular feature, group chat, appealing to 65% of consumers.

“People use different apps at the moment, but if this works across all phones I'd really like it as it removes the bother of thinking about who has what.”

UK male, 31

“One of the best things about this is it has everything in one place: all the things you can do on other apps such as sending videos, pictures, GIFS you would have all in one place.”

UK female, 27

“It would be really useful to be able to send messages and photos whilst on the phone. Especially if I'm buying something but want to show my girlfriend first. At the moment she has to hang up and then the photo takes ages to come through.”

US male, 22

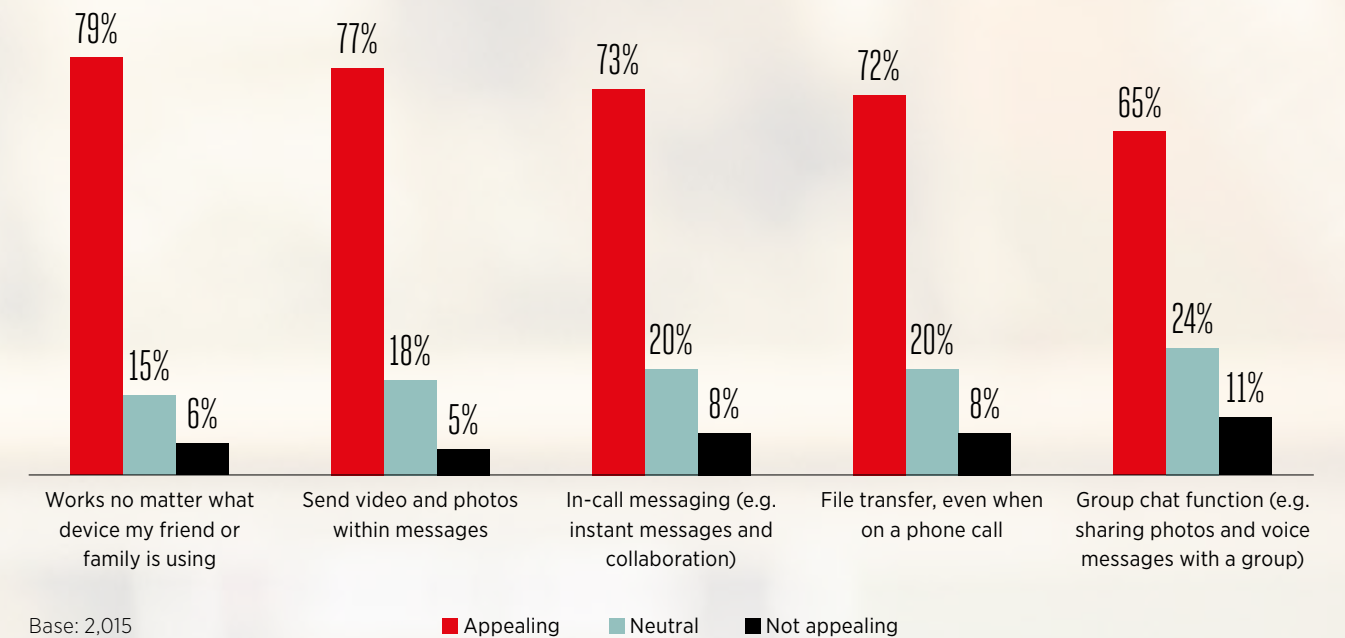
“File transfer is good because it's so hard to share files from a phone other than by email, which is slow and people don't respond to you.”

US female, 37

“Group chats are great for arranging after work events. They're also a really good way to share opinions, photos, videos and links with people that are interested in the same topics as me.”

US male, 34

Fig. 16: appeal of RCS' top five features to consumers



State of Play of the RCS Market

The GSMA reports that as of January 2018, there were 159 million monthly active RCS users around the globe, served by 50 mobile operators.

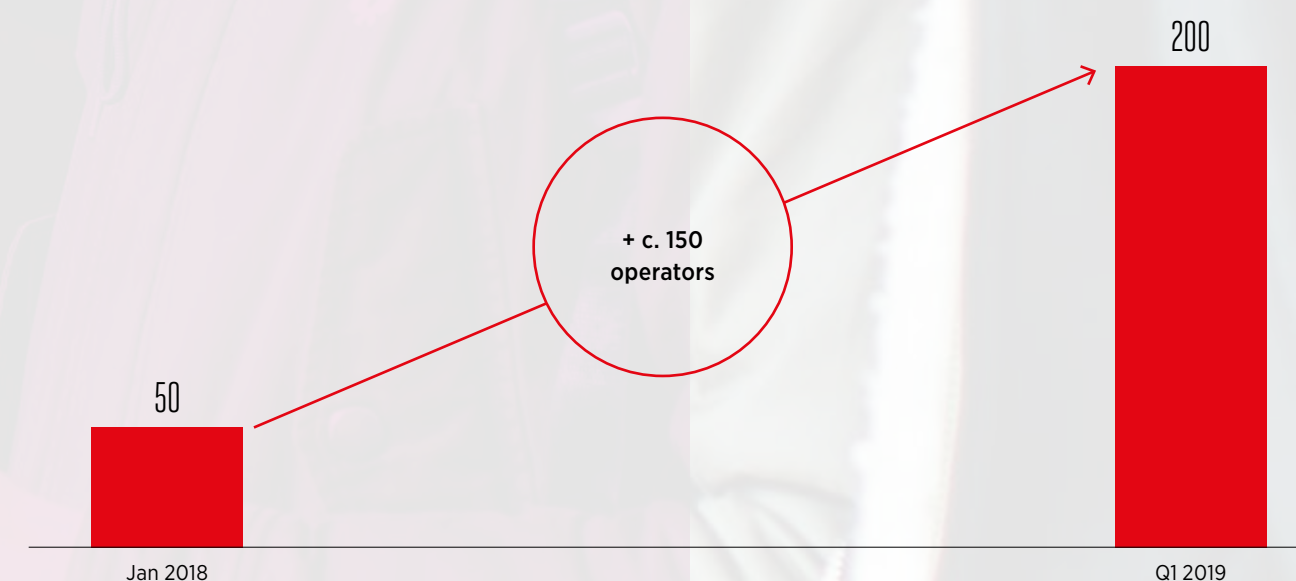
The GSMA estimates that by Q1 2019 there will be c. 1.05 billion monthly active users, served by over 200 mobile operators⁵. This implies that over 2018 there will be an increase of c. 890 million monthly active users and RCS launches from c. 150 mobile operators.

Fig. 17: global RCS monthly active user projections, 2018-19 (millions)



Source: GSMA, February 2018

Fig. 18: global RCS cumulative operator launch projections, 2018-19



Source: GSMA, February 2018

⁵ This assumes Apple upgrades its fall-back experience from SMS to RCS during 2018.

Immediate Opportunities in the RCS Business Messaging Market

In 2018 we expect RCS to continue to gain traction in the market, with a significant number of consumers being exposed to what RCS Business Messaging has to offer. Operators, OEMs, aggregators and platform providers have the technology in place, and leading brands are prepared to launch a range of innovative RCS Business Messaging-based customer experiences.

The research conducted for this paper suggests strong consumer interest in RCS, particularly for services that tap into the five following themes:

- Simplicity;
- Richer communications;
- Personalised experience;
- Continuity from SMS; and
- Security and reliability.

A large segment of the mobile ecosystem, from operators to brands, are already engaged with the RCS Business Messaging market. Those that are adopting a 'wait and see' approach may need to take action over the next twelve months or risk being at a competitive disadvantage as the market takes off.

Mobile operators

We anticipate that RCS is going to grow the Business Messaging revenue pool in the coming years and will become an important revenue driver in its own right. While SMS will remain a key part of the Business Messaging business model, mobile operators that serve a predominantly smart phone user base need to actively engage with RCS Business Messaging.

RCS will also provide an important defensive role against revenue leakage to OTT competitors. This role will be more effective the more broadly RCS is available and promoted by the industry as a whole.

“I think you’ll see meaningful RCS [Business Messaging] experiences this year.”

Ryan Sullivan, Vice President Product Engineering & Development, Sprint

“By the end of 2018 every single new Android smartphone will have RCS.”

Oscar Gallego, Head of Smart Communications and Security, Vodafone Group

“[Business Messaging] revenues will increase as the RCS market develops.”

Ryan Sullivan, Vice President Product Engineering & Development, Sprint

“RCS will drive significant growth in the [Business Messaging] market but the scale of the growth will depend on a fast adoption of RCS by other industry players and the relevance of the use cases chosen by the brands to the end customer.”

Oscar Gallego, Head of Smart Communications and Security, Vodafone Group

Brands

RCS Business Messaging provides a potent new channel to reach and engage customers. Effectively, it offers the best aspects of SMS with a range of new tools to capture customers' attention and imagination.

RCS Business Messaging can be used for a range of different customer experiences from advertising, through sales to customer care without the need to invest in a standalone app.

RCS Business Messaging will also provide brands with rich behavioural data normally associated with email and/or web-based campaigns including delivery receipts (i.e. did the consumer get the message), read receipts (i.e. did the consumer read the message), on screen event tracking (i.e. how did the consumer engage with the message) and custom call-back data (i.e. what was the context of how the customer engaged with the message).

This data will allow brands to optimise messaging campaigns and customer journeys more effectively than is possible with SMS.

The research conducted for this paper suggests that consumers are highly receptive to well-designed RCS Business Messaging experiences and that they may provide a means for brands to engage with their customers in a richer and more personal manner.

RCS Business Messaging may also provide a comparatively cost-effective channel for some activities, for example customer care. Brands should assess whether incorporating RCS Business Messaging into their channel mix could offer not only improved customer experiences but also lead to significant operational cost savings.

Aggregators

The range of features offered by RCS Business Messaging, compared to SMS, means that there is a broad opportunity to develop and deliver innovative and compelling customer experiences. We anticipate that brands will recognise the value offered by RCS Business Messaging and will increase overall Business Messaging spending to leverage this.

At the same time, the comparative complexity of RCS Business Messaging means that clients will need more support to maximise its potential. This may offer an opportunity to increase margins as well as benefiting from the larger revenue pool.

Aggregators are perfectly positioned to develop compelling RCS propositions and to provide the support their clients will need. Aggregators that have not started to develop an RCS proposition, and do not plan to in the near-term, should determine the extent to which they risk losing clients to competitors with more advanced RCS capabilities.

“The move from SMS to RCS is an evolution, not a revolution. But it will be like going from a black and white TV to a 4K colour TV.”

Martin Repp, RCS Product and Relationship Manager, Deutsche Telekom

“RCS is the next step in brand-to-consumer messaging. It’s a great platform for interacting with customers, driving high engagement rates, delivering a much richer user experience, and providing excellent data back to businesses looking to optimise the customer journey.”

Greg Hoy, Director of Product Management, RCS Messaging, OpenMarket

“All the brands we’ve discussed RCS with have been excited. They’re experimenting with it; understanding how to use the features provided in the latest version to their full potential.”

Oscar Gallego, Head of Smart Communications and Security, Vodafone

“Once we have data to demonstrate the effectiveness of RCS [Business Messaging] from early adopters, I think brand interest will avalanche.”

Greg Hoy, Director of Product Management, RCS Messaging, OpenMarket

“I think the big opportunity for brands is using RCS to serve their existing customers in a more efficient way.”

Ryan Sullivan, Vice President Product Engineering & Development, Sprint

About the Authors and Sponsors



About the GSMA

The GSMA represents the interests of mobile operators worldwide, uniting nearly 800 operators with almost 300 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors. The GSMA also produces industry-leading events such as Mobile World Congress, Mobile World Congress Shanghai, Mobile World Congress Americas and the Mobile 360 Series of conferences.

For more information, please visit the GSMA corporate website at www.gsma.com.

Follow the GSMA on Twitter: @GSMA

About the GSMA's Future Networks Programme

Directed by 16 leading operators in collaboration, the GSMA's Future Networks programme guides the mobile industry on how to use Internet Protocols (IP) to reduce the cost of transferring data, while meeting customers' expectations around reliability, security and interoperability.

The GSMA's global specifications, such as the Universal Profile, will ensure that new IP-based

services are reliable, cost-effective and will work across different devices and different networks, in any market. The Future Networks programme is making it easier for operators to deploy Rich Communications Services (RCS); an evolution in mobile messaging, and is working closely with operators, aggregators, brand and technology providers to ensure that RCS is the future of brand communications.

For more information on the GSMA's Future Networks programme and its work on RCS, please visit www.gsma.com/futurenetworks/rcs.



OpenMarket

About OpenMarket

OpenMarket helps the biggest brands in the world use mobile messaging to connect with their customers in the moments that count. When they need to be there and be responsive in real-time. When customer experience isn't just a buzzword: it's an obsession. OpenMarket combines a powerful, scalable and reliable platform with a deep understanding of how text messaging can transform business processes. It works closely with clients to deliver timely, useful and context-sensitive mobile messaging that surprises and delights their customers around the world at massive scale. OpenMarket calls this the Empathetic Interaction™ and its changing the way enterprises engage with their customers. With trusted relationships with mobile operators across the globe, OpenMarket offers faster time to market, and ongoing support for its enterprise customers. OpenMarket, a division of Amdocs, is headquartered in Seattle, Washington, with regional offices in Detroit, London, Sydney, Pune, and Guadalajara.

For more information, please visit the OpenMarket corporate website at www.openmarket.com.

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About Context Consulting

We are an evidence-based consultancy, and combine the strategic, commercial focus of a management consultancy with innovative, empathetic skills to unearth genuine insight and provide clear recommendations for clients. Our work helps leading global businesses become truly customer-centric, in all the markets they serve. We specialise in technology and telecommunications, financial services, and B2B marketing consulting.

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