MOBILE MESSAGING BLAZES A PATH TO CONSUMERS

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The internet, ecommerce, and mobile technologies have fundamentally changed the way that companies and consumers act, interact, and transact. But one aspect of these business communications hasn't changed much in the last 25 years—the bare-bones look, feel, and functionality of SMS texting.

While still fostering quick interactions, SMS (first used in 1992) is neither branded nor richly interactive. Responding to a business SMS message—texting back "C" to confirm an appointment, for instance—feels pretty basic, especially as consumers can easily share pics, GIFs, videos, emojis, and more when they chat with their friends.

That's why we're excited to see more brands learning about and adopting Rich Communication Services (RCS). RCS marks an evolution in messaging and enables richer connections and interactions between consumers and businesses. It provides consumers with the engaging, interactive experience they've come to expect from chat apps and a brand's own app, all from the default messaging app on Android phones. At Google, we're working with mobile operators, device manufacturers, and the GSMA to accelerate the adoption of RCS and bring better messaging to every Android user.

Given the changing messaging landscape and options for businesses, we partnered with Harvard Business Review Analytic Services to understand how businesses plan to update their strategies to reach customers with the rise of new messaging technologies. Respondents noted that, in five years, they expect feature-rich mobile messaging to become much more important, while SMS/MMS would remain about as important as it is today.

While not many respondents (14%) were familiar with RCS, the majority were very interested in what it offers, such as better metrics and analytics data (including read receipts), verified sender information, and a way to send richer media (e.g., images, videos, and GIFs).

This report details our findings and provides best practices for messaging that early adopters like Citi, UnoTV, Overstock, and Subway are already starting to employ. With Citi, select U.S. credit card and retail bank customers can quickly check their balance or see a short history of recent transactions. And with Overstock, people can get purchase, shipping, and delivery confirmation, as well as the option to rate a purchase after delivery or connect directly with customer service. Subway sent promotions with detailed images via RCS, and as a result, saw a 144 percent increase in its coupon redemption rate compared to the same promotion using SMS.

So ask yourself: Are there new ways to reach customers that your business should be considering? And with RCS, do you have to choose between the reach of texting and the richness of your own app?

MOBILE MESSAGING BLAZES A PATH TO CONSUMERS

Organizations recognize that mobile messaging has struck a chord with consumers, especially given the nagging issue the sheer proliferation of mobile apps has created. For example, most of us really don't want a separate mobile app for every airline we fly. "In the future, when you fly, you will be able to check in and get your boarding pass through your messaging app," says Pamela Clark-Dickson, practice leader for Ovum's digital communications and social networking team in London. "You won't need an app for each airline that you'd have to add or delete or update."

"Everyone understands messaging, and your message is right in an inbox rather than in an app that probably is shunted off to a folder somewhere or deleted," Clark-Dickson says "For companies, messaging is relatively easy to get into—much easier than developing a mobile app. You can create this rich experience without laying out for a mobile app that needs updating every single time the phone operating system gets updated."

Indeed, mobile messaging on cell phones plays a major part in consumer marketing, and the importance of this role is increasing. Advanced messaging apps that integrate powerful suites of interactive capabilities offer many potential advantages in boosting customer engagement.

These are among the findings of a Harvard Business Review Analytic Services global survey of 308 executives and managers familiar with consumer marketing and from companies with more than 1,000 employees. The survey asked these respondents about how they currently use and plan to use basic Short Message Service/Multimedia Message Service (SMS/MMS) messaging; more advanced, fully featured mobile messaging app platforms such as industry-standard Rich Communication Services (RCS), and other major online marketing channels such as email and web chat.

Some of the advanced mobile messaging app platforms, including WhatsApp and Facebook Messenger, work as stand-alone apps and are known as Over the Top (OTT) technologies. In contrast, the RCS platform is designed instead as an industry-standard advanced mobile messaging successor to SMS/MMS. That means that like the earlier texting standards, RCS is part of the default messaging app on many phones and can deliver services directly through cellular data channels to mobile carriers, making it more universal.

Mobile Messaging App Platforms

Many companies now use basic *Short Message Service (SMS)* apps to contact their customers. SMS reaches consumers in their native messaging app that's almost always on their phone's home screen. *Over-the-Top (OTT)* messaging apps such as Facebook Messenger and WhatsApp offer richer functionality than SMS typically provides, but they are not native messaging apps. A successor to SMS, the *Rich Communication Services (RCS)* platform, is designed to deliver rich functionality in a native, universal messaging app.

About half of the survey respondents rate advanced mobile messaging as highly important now. Notably, that response rate climbs to two-thirds when the survey asked what consumer marketing applications will become highly important in the next five years.

Not all companies, however, have actively grabbed this opportunity—only 38% of firms represented in the survey use mobile messaging apps to engage with consumers, compared to 64% that use other mobile apps.

Currently, the mobile messaging capabilities most important to businesses involve those that provide better metrics and analytics and offer verified sender information in a first interaction. This last capacity is not available with SMS/MMS messaging but is among the many benefits of advanced messaging apps, including RCS. Survey respondents feel that mobile messaging apps, compared with other types of mobile apps, do a better job improving customer engagement, cultivating customer loyalty, building brand recognition, distinguishing from the competition, creating a direct marketing channel, and answering customer questions. Of the respondents, 64% state that their organizations have their own mobile app for customers and/or prospects to engage with (and those without one may rank this lower).

As a result, despite investing heavily in mobile apps, companies will increasingly invest in messaging apps over the next five years, with RCS and other richer messaging platforms likely having a major role. Some 68% of survey respondents predict that advanced mobile messaging will be highly important for consumer marketing in five years, even as 41% expect that SMS messaging will also be very much in the picture.
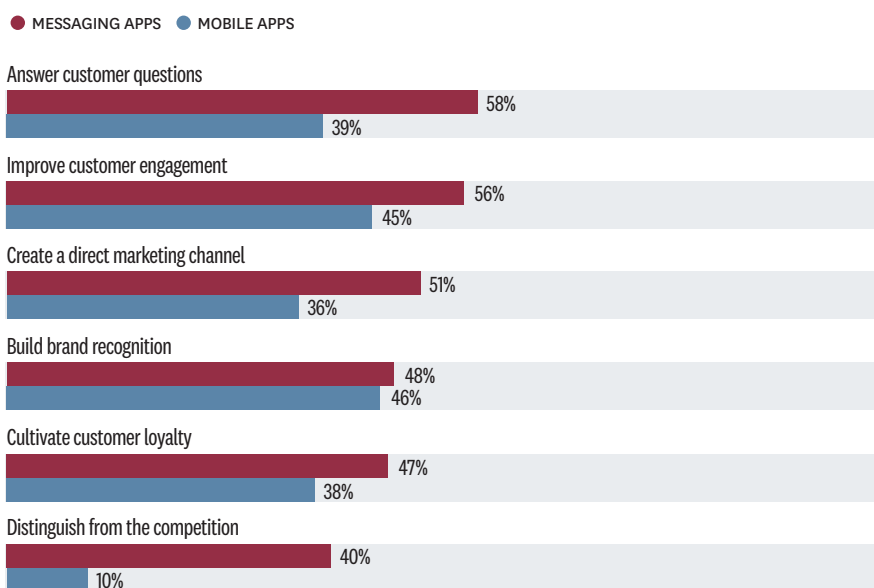
Messaging Becomes Ubiquitous
Mobile messaging on cell phones is one of the most successful forms of electronic communications. Available on nearly every phone almost everywhere around the globe, mobile messaging apps are far more actively used than other forms of phone

FIGURE 1

MEETING BUSINESS NEEDS IN CONSUMER INTERACTIONS

How well do messaging apps help your organization achieve the following? (including SMS/MMS or advanced mobile messaging apps) How well does your organization's mobile app perform on each of the following features/goals?
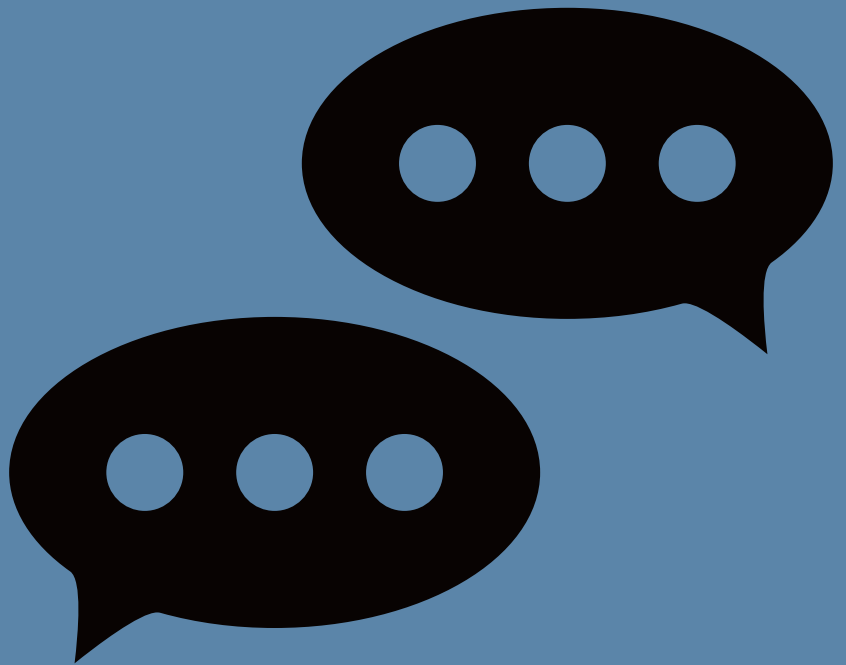
● MESSAGING APPS ● MOBILE APPS

Answer customer questions
58%
39%

Improve customer engagement
56%
45%

Create a direct marketing channel
51%
36%

Build brand recognition
48%
46%

Cultivate customer loyalty
47%
38%

Distinguish from the competition
40%
10%

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, OCTOBER 2018

"WE ARE REALLY EXCITED ABOUT THIS EXPANDED CONVERSATIONAL FUNCTIONALITY AND ARE LOOKING FORWARD TO CONTINUING TO REFINE THIS SERVICING CHANNEL BASED ON CUSTOMER FEEDBACK AND EXPANDING IT TO A LARGER CUSTOMER BASE." REBECCA WOOTERS, U.S. CONSUMER BANKING AT CITI

"Overall, the **new platform provides** us with a more interactive way of reaching customers, learning more about what content they want to receive, and providing that content in **a more media-rich experience**," Sanchez-Navarro says.

MESSAGES THAT BUILD THE BRAND

Advanced mobile messaging platforms, with a host of interactive capabilities, offer a wealth of major advantages over traditional SMS/MMS for consumer marketing. For example, here are some of the services provided by Rich Communication Services (RCS), an industry-standard platform delivered via mobile phone carriers.

Verified sender: Improve customer peace of mind

Branding: Name, logo, color

Rich media: Images, videos, GIFs

True metrics: Read receipts

QR codes: For tickets, tracking, and redemptions

Suggested replies: Customized reply buttons

Suggested actions: URL, map, calendar, or dialer

SOURCE: THE GSM ASSOCIATION

communications. (For example, a 2015 Informate survey showed that U.S. smartphone users send and receive five times as many text messages as phone calls.) Messaging apps are ubiquitous, offer but don't require instant response, and are extremely easy to use. Given these advantages, they have been widely adopted for business-to-consumer interactions.

However, basic SMS and MMS apps offer only rudimentary texting and multimedia capabilities. New feature-rich messaging apps, such as those built on the RCS platform, offer businesses powerful new opportunities for successfully interacting with consumers.

Today's leading tasks for mobile messages from business to consumer are handling alerts for promotions (52%), status updates (on transactions such as flights or package deliveries) (52%), initial contacts (47%), and customer chats (46%), survey respondents say. The most important roles for messages are improving consumer engagement and answering customer questions.

SMS use for consumer marketing is still growing because it's relatively inexpensive to set up and reaches almost all consumers, says Clark-Dickson. However, overall SMS traffic, which totals about six trillion messages annually, is falling by about 6% a year, she asserts.

Over the past decade, billions of mobile phone users around the world have adopted advanced messaging platforms (OTTs), often built into social media networks such as Facebook or multi-purpose communication platforms such as WhatsApp.

Advanced messaging apps, either OTT or RCS, handle every kind of interaction, from giving crucial alerts to delivering airline boarding passes to ordering food to sending money. In many cases, advanced messaging apps now integrate broad and deep functionality that can match that of custom-built mobile apps.

With RCS, which has the richness of OTTs but is universal, consumers will get graphically branded messages from a verified sender, which may include suggested action buttons and quick button replies, along with high-definition images and video. (See sidebar.) Survey respondents emphasize the importance of these messaging capabilities, with 81% saying that the ability to offer verified sender information is highly important.

"Messaging is very powerful. It's very immediate, it can be automated, and it will be one tool in the arsenal," says Charlotte Palfrey, a senior analyst at Ovum who focuses on messaging and social messaging. "Messaging also is not entirely new. Businesses are already using it with their clients, and they know what can be done. It's really just an evolution of what they're already doing."

Immediacy Dovetails with Branding

When it comes to existing online consumer marketing channels, 65% of respondents attach the highest importance to email, followed by advanced mobile messaging apps, mobile apps, SMS/MMS messaging, and web chat. FIGURE 2

"More and more brands and enterprises are starting to include

messaging apps as a communications channel," says Ovum's Clark-Dickson. "It will be part of an omnichannel approach to customers, integrating communications capabilities together to create this experience for their customer, based on the type of interaction that they're having with the customer at a given point in time."

As noted earlier, respondents say the most important capabilities for advanced messaging apps are better metrics/analytics and verified sender information. Seamless transactions, time-saving suggested actions, richer media, and easier replies also are seen as important. FIGURE 3

Like other channels, mobile messaging will leverage rapid advances in technologies, such as virtual assistants powered by quickly improving artificial intelligence (AI)-based algorithms, experts say.

"One of the great things about messaging is that it's so immediate, and consumers generally open their messages very quickly," notes Ovum's Palfrey. "Getting in touch with the company and getting a response straightaway is very powerful for a consumer, and AI is really an enabler of that. Companies can provide an answer straightaway for anything that you can predict or analyze using AI, leaving the human customer service agents to deal with the unexpected questions that are hard to answer."

RCS Advanced Messaging Continues to Intrigue

Advanced messaging in consumer marketing, and the advantages it produces, has only continued to shine through pilot tests involving RCS, as the industry-standard platform rolls out worldwide.
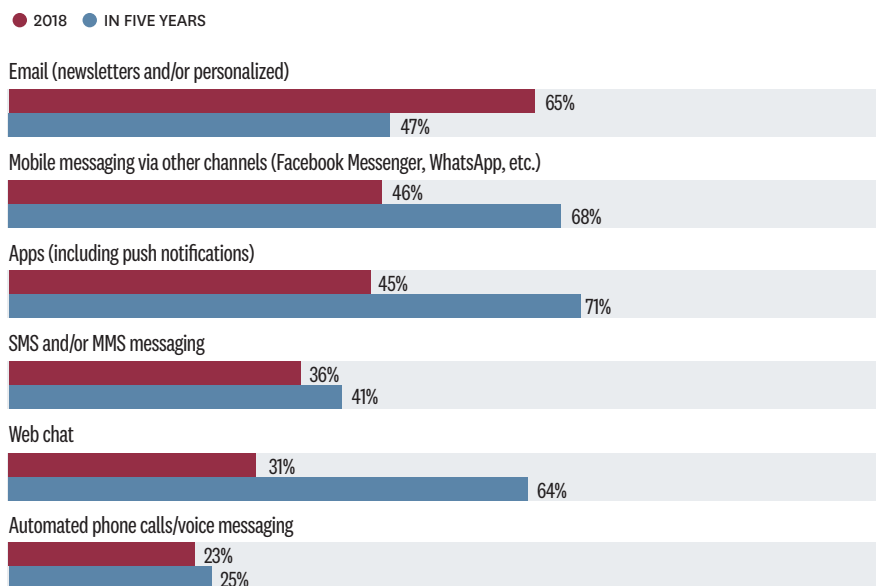
UNOTV'S EARLY RESULTS WITH RCS

UnoTV, which delivers news via carriers across Latin America, has seen encouraging early results for such capabilities in a pilot test with RCS messaging. Their experience includes the branding and verification features of RCS, as well as rich media directly in the messaging conversation.

FIGURE 2

IMPORTANCE OF ONLINE CONSUMER MARKETING CHANNELS

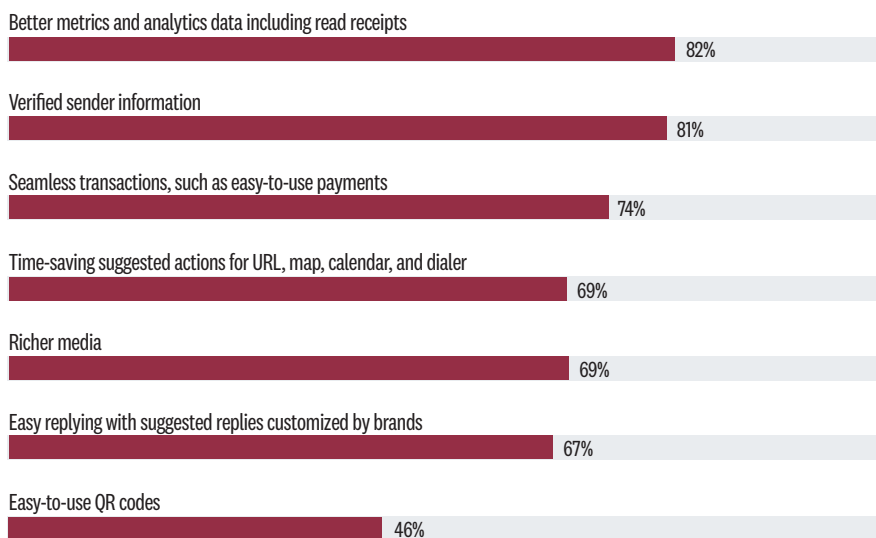Channels with highest perceived importance, 2018 and in five years

● 2018 ● IN FIVE YEARS

Email (newsletters and/or personalized)
65%
47%

Mobile messaging via other channels (Facebook Messenger, WhatsApp, etc.)
46%
68%

Apps (including push notifications)
45%
71%

SMS and/or MMS messaging
36%
41%

Web chat
31%
64%

Automated phone calls/voice messaging
23%
25%

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, OCTOBER 2018

FIGURE 3

GETTING THE MOST VALUE FROM MESSAGING

Most important capabilities for advanced messaging apps

Better metrics and analytics data including read receipts
82%

Verified sender information
81%

Seamless transactions, such as easy-to-use payments
74%

Time-saving suggested actions for URL, map, calendar, and dialer
69%

Richer media
69%

Easy replying with suggested replies customized by brands
67%

Easy-to-use QR codes
46%

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, OCTOBER 2018

"Just giving the reader a more graphical interface has an impact on the way they interact with the platform that we provide," says Alfonso Sanchez-Navarro, UnoTV's head of digital initiatives in Mexico City. "We were limited by the number of characters that you can send in SMS, but with RCS, we can show a visual carousel where the user can interact directly with the articles that they want to read."

Today, users can be swamped by SMS messages from numerous organizations for many reasons, which are typically no more welcome than email spam. With advanced messaging such as RCS that provides verified sender information and greater customization, end users have "more control over the messages that they receive through this new platform," says Sanchez-Navarro. "That's a very good incentive for them to start using the technology."

Additionally, the UnoTV pilot has highlighted RCS's ability to boost data gathering and analytics. "With SMS, we don't even know if the message was delivered to the user, but with RCS we can see if it was delivered, if it was opened, and if it was interacted with," says Violeta Rosales, UnoTV digital development lead. "It gives us a much better understanding of interactions."

"Overall, the new platform provides us with a more interactive way of reaching the customer, learning more about what content they want to receive, and providing that content in a more media-rich experience," Sanchez-Navarro says.

PILOT TESTING AT OVERSTOCK.COM
In another pilot test for RCS messaging that also showcases enhanced status messages, customers of Overstock.com, a home goods online retailer, can tap RCS capabilities to view purchase, shipping, and delivery confirmations; rate their purchases after delivery; and connect directly with customer service. "We're in the early stages with our pilot, but we're seeing great adoption," says Catherine Borda, Overstock.com's chief customer officer in Midvale, Utah.

"Customers for any business should be able to commence their interaction through whatever means they want, and then naturally flow into whatever else is appropriate," Borda says. "We want to increase the speed with which we're getting information to customers, and we want to drive down the rates of friction. What we're doing right now with mobile messaging allows us to build that."

"Messaging is just a natural way to start the interaction, instead of forcing customers to go into an app or to the website," she points out. "That's particularly true for younger generations, since almost all of their conversations and interactions with just about everyone in their life can be focused on mobile messaging."

"You, the customer, should be able to make the most of all of those micro moments of time that you have available," Borda says. "For example, if you're sitting outside your kid's school and you have a couple of moments to continue to search for the perfect rug, you could just pick up from where you left off. Ultimately, payment also will be integrated, which will be one less thing you will have to do."

CITI'S MOBILE MESSAGING INTEGRATION
While payment as part of mobile messaging is on the horizon, enhancements involving the

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technology are already impacting how customers can better use the financial services available to them. "With mobile messaging, we want to provide our customers with another option to seamlessly interact with us to service their account," says Rebecca Wooters, head of digital channels and service, U.S. Consumer Banking at Citi. "And as the technology gets more and more sophisticated, it provides us with an opportunity to deliver even more personalized service that is tailored to the needs of specific individuals.

"We've had a presence in the SMS channel for over a decade," Wooters says. "SMS is a valuable means to communicate with our customers, as one component of a holistic omni-channel servicing strategy." Citi customers engage via SMS to ask for account information such as credit card and retail bank balances, statement details, and recent transactions. In addition, customers can receive alerts through SMS on their spending, balance, payments, and suspicious transactions.

Now, in one of the major steps Citi is taking into more advanced mobile messaging beyond SMS,it was the first financial institution to start delivering business messaging services built on RCS to some of its credit card and retail bank customers in the U.S., Wooters says.

"This RCS functionality allows customers to message Citi through the standard Android Messages app on their device and to access information such as their current balance and payment due date," Wooters notes. "Our customers can also escalate their inquiry to a live agent, to address additional servicing needs. We are really excited about this expanded conversational functionality and are looking forward to continuing to refine this servicing channel based on customer feedback and to expand it to a larger customer base."

Mobile messaging "will continue to resonate strongly with our customers," she adds. "With advances in AI coupled with increased mobile adoption and engagement, it

COMPANIES MUST CONTINUE TO CONSIDER THE CONSUMER'S PAIN OR PLEASURE POINT, STRESSES HARVARD BUSINESS SCHOOL'S SUNIL GUPTA.

represents a tremendous opportunity to meet and exceed customer needs in a way that seamlessly integrates with their everyday banking relationship."

SUBWAY RCS PILOT TEST
Still other pilots for RCS messaging have been run by Subway, one of the world's largest restaurant chains, which is examining ways to boost store sales in several U.S. markets. The tests compared results from RCS and SMS messaging on two weekly promotions, using exactly the same words but presenting them in a much richer environment with RCS. In Subway's pilots, the conversion rate for RCS messaging was 140% higher than for SMS in one deal and 51% higher in the other. "Images usually sell more and lift conversion rates, and you can't do that in SMS," as Carissa Ganelli, Subway's chief digital officer, has commented.

Reflecting Real Customer Preferences
As with as in all other forms of consumer marketing, companies must continue to consider the consumer's pain or pleasure point, stresses Harvard Business School's Sunil Gupta. "There must be compelling value," he says. "Consumers don't want to be interrupted by messaging. How would that add value?"

Organizations pushing their mobile messaging to consumers also must consider the phones' home environment, especially when it comes to how consumers are communicating with their social contacts. "One or

two advanced messaging platforms may dominate some markets almost completely," says Clark-Dickson. "In South Africa and Brazil, for example, the penetration of one of these apps on mobile devices is over 90%."

In other markets, many messaging apps are fighting it out. "SMS still plays a major role, especially for messages between businesses and consumers. But even in those markets, brands and enterprises can work with mobile messaging integrators who can deliver the messages via whatever platform the customer employs," she says.

"These platforms are becoming an incredibly powerful tool for consumers," Clark-Dickson continues. "That's something that brands and enterprises will have to recognize. They will have to see how they can use these communications apps as a platform to make life easier for consumers and to generate more revenue."

METHODOLOGY AND PARTICIPANT PROFILE

A total of 308 respondents drawn from the HBR audience of readers (magazine/enewsletter readers, customers, HBR.org users) completed the survey.

SENIORITY

9%
EXECUTIVE MANAGEMENT/
BOARD MEMBERS

28%
MIDDLE MANAGERS

44%
SENIOR MANAGEMENT

9% OR LESS
ALL OTHER ROLES

JOB FUNCTION

17%
MARKETING/PR/COMMUNICATIONS

7%
IT

14%
GENERAL/EXECUTIVE MANAGEMENT

6%
STRATEGIC PLANNING

10%
SALES/BUSINESS DEVELOPMENT/
CUSTOMER SERVICE

6% OR LESS
ALL OTHER FUNCTIONS

KEY INDUSTRY SECTORS

18%
FINANCIAL SERVICES

7%
TECHNOLOGY

10%
HEALTH CARE

7%
TELECOMMUNICATIONS

9%
EDUCATION

6%
ENERGY/UTILITIES

8%
MANUFACTURING

6%
TRANSPORTATION/LOGISTICS

8%
RETAIL

6% OR LESS
ALL OTHER INDUSTRIES

REGIONS

44%
NORTH AMERICA

7%
MIDDLE EAST/AFRICA

21%
EUROPE

11%
LATIN AMERICA

15%
ASIA PACIFIC

Figures may not add up to 100% due to rounding.