MMA
MOBILE MARKETING ASSOCIATION

Rich Communication Services:

A Look at Next-Gen SMS and Its Implications For Marketers and Consumers

**Before (SMS)**

After (RCS)
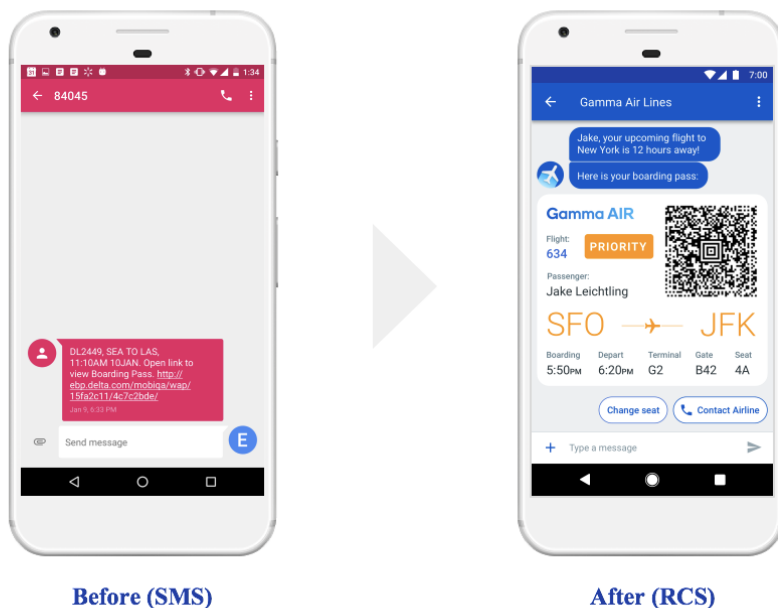
March 2018

Introduction: A New Day Is Dawning for Messaging

One of the first functions mobile phones could perform – other than phone calls – was texting. Even in the smartphone era, SMS remains the phone's most popular task; in fact, a 2014 study from Pew Internet said that 97 percent of U.S. smartphone users use their phone to text. In addition to being universal, SMS is also the most immediate communications platform, as -- according to Mobile Intelligence Review -- 90 percent of SMS texts are opened within three minutes, and they have a 98 percent read rate.

SMS is also by far the biggest messaging platform, at 4.7 billion active users, far surpassing the second biggest – email, at 3.7 billion – and dwarfing the third biggest, WhatsApp, which is about one quarter its size. (See Figure 1 for further comparisons.)

Figure 1:

SMS: The largest messaging platform in the world
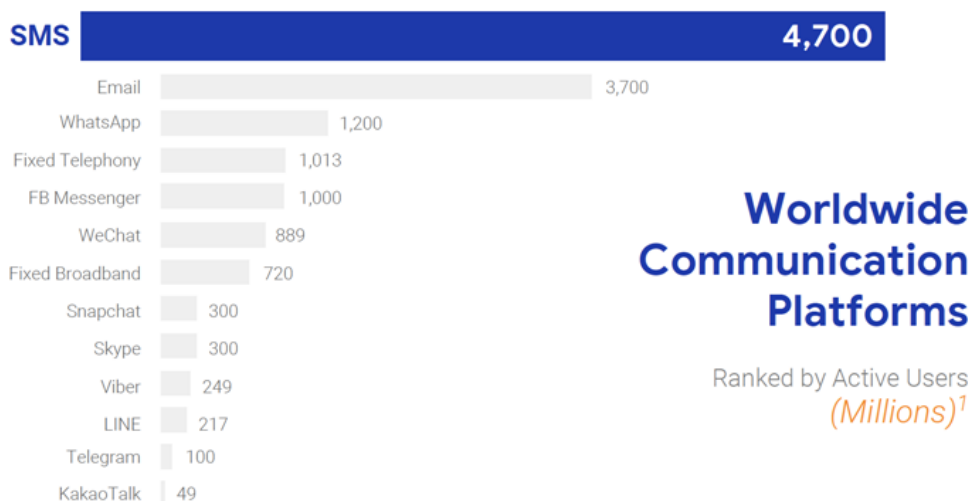
And, it's mostly text.

That's a tremendous amount of engagement and allegiance to one platform, particularly one that has been remarkably devoid of upgrades, even as almost every other feature of mobile phones has exponentially improved, from apps to cameras and more.

That is poised to change with the emergence of Rich Communications Services (RCS), essentially a next-gen version of SMS that incorporates the features users have come to expect from messaging apps such as Facebook Messenger, WeChat, Snapchat and a host of others.

The goal of this white paper from the Mobile Marketing Association's Messaging Committee is to educate marketers on the opportunities presented by RCS, since it boasts richer experiences like audio, video and even transactional capabilities, into a platform that is already incorporated into millions of smartphones.

Of course, one benefit of SMS – and, now, RCS – is that unlike familiar messaging apps, users do not have to download anything to access it. So, if you are already connected to a customer using traditional SMS, that relationship moves seamlessly and effortlessly to RCS. You can be in touch with the same customers, with a greatly enhanced experience. (And, as the transition happens, it may be comforting to know that RCS messages can be converted to SMS for consumers who aren't yet upgraded.)

The Size and Scope of RCS

Haven't experienced this on your own phone yet? You may soon.

According to the GSMA – or Groupe Spéciale Mobile Association-- which represents mobile network operators worldwide (more often called carriers in North America), there are currently 50 launched and announced RCS networks, and 159 million monthly active users. Another 25 operators are expected to launch RCS during the course of 2018. The GSMA has been rolling out a Universal Profile (UP), a version of RCS that is interoperable across networks, devices and operating systems. Android devices – which are the primary OS that RCS runs on -- have a subscriber base of approximately 4.7 billion users worldwide.

In fact, one big boost for the standard was Google's decision to back it. It bought the startup Jibe Mobile in 2015, which focuses on interoperability of advanced messaging across networks. Jibe Hub, a cloud-hosted platform, connects operator networks to the RCS backbone around the world, and Jibe Cloud is Google's hosted RCS platform. The Jibe products are just two components of Google's efforts to create a full technology stack that is UP compliant. It is working closely with the GSMA on the initiative, and has also built its Android Messages app to support the standard, so the app can work on Google's RCS backend or on that of a carrier, such as Vodafone.

It should be noted that not everyone is on board. Though Apple has had discussions with the GSMA and operators about incorporating it in iOS, it has not yet happened. The fact that Apple is sitting on the sidelines as of now (March 2018) is more of an issue in some markets than others. Overall, Apple represents less than 15 percent of all handsets globally, but in some markets its penetration is 40 percent. Additionally, carriers have adopted various versions of RCS that don't all "talk" to one another; the goal of the GSMA's RCS standard is for RCS to have complete interoperability, regardless of carrier or device.

But despite hurdles, the aligning of many forces around the RCS standard opens doors for the myriad constituencies in the mobile universe:

- **For consumers,** RCS could ameliorate the need to download multiple messaging apps that offer advanced features, since, as with SMS, RCS is aiming to be interoperable. In fact, the GSMA predicts by the first quarter of 2019, more than a billion people will be monthly active users of RCS, up from only 92 million at the beginning of 2017. For those with older phones, RCS is updated via a routine OS update.

- **For marketers,** it can mean a better way to reach mobile consumers, without the burden of developing and maintaining a dedicated app. This is becoming particularly important as consumers focus their app usage on certain kinds of activities. According to an April 2017 report from eMarketer, user app activity is extremely concentrated on five areas: social networks, digital audio, gaming, video viewing and messaging. In other words, not marketing.

- For **mobile operators,** RCS presents an opportunity to stem the tide of consumer migration to messaging apps, which has been impacting the revenue from texting. GSMA statistics show that between 2015 and 2016, per hour carrier revenue from SMS was slated to decline by $1.6 million, to $13.4 million, while revenue for OTT (over-the-top messaging) was slated to grow from $3 million per hour to $5.2 million per hour. As carriers look to recapture revenue from OTT services, it will result in potential benefits for both marketers and consumers.

- **For hardware manufacturers,** it's a chance not to be left behind as SMS moves to the "next-gen" RCS on new phones.

The ultimate objective is scale that transforms messaging activity from being app-based to platform-based – or Messaging as a Platform (MaaP) -- making all of that rich interaction possible simply by having a smartphone.

For the purposes of this white paper, we'll focus primarily on RCS' benefits for consumers and marketers.

How RCS Makes Messaging a Better Experience For Consumers

As is clear from the eMarketer study – and may also be from your own activity on your smartphone – messaging apps are core to consumer usage. But, if you're like many consumers, you're using different ones in different scenarios, and/or because they have different benefits. Maybe you use FB Messenger as a directory-like method of connecting with virtually any acquaintance, Snapchat Stories to connect with a smaller group of friends, and your phone's embedded messaging app to connect with your family. In fact, according to 2016 data from Activate, about a third of users employ two or more messaging apps on a regular basis (excluding SMS.)

RCS holds the potential to consolidate messaging activity, because it incorporates a number of features that had until recently only been available within apps. They include the ability to:

- Send larger, higher-quality images.
- Make video calls.
- Share location information and make video calls by default.
- Access a much broader array of emojis.
- Stream audio and video.
- Deliver read receipts.
- Provide better group chat capabilities.
- Enjoy greater security than is found with apps.
- Make use of a number of in-call and post-call features.

In addition to RCS' convenience, its features make it a compelling messaging platform even in a world where consumers have their pick.

How RCS Can Change the Game for Marketers

It's easy to see how the features above can make marketing via messaging much more enticing for brands. For marketers, RCS:

- Is a seamless transition for the customers they are already in touch with via SMS.

- Lessens the need to develop and support an app because consumers won't need to download one. Take the example of an airline that may be able to reach only five to ten percent of their customer base through their app. With RCS, they can deploy messaging with very app-like features and now reach about 100 percent of their customer base, via their mobile numbers. (See example of RCS boarding pass at right.)

- Allows consumers to communicate with brands in natural language in real-time.

- Makes it possible to deliver highly-targeted and relevant advertising and promotions that are much richer than the SMS experience.
- Can manage transactions, product shipment, or customer service.

- Provides much deeper insights than SMS, because of the different types of interaction that can be measured, such as read receipts, transactions, calls to customer service and so forth. (See "How RCS Could Transform Messaging Data" on pg. 10, below.)
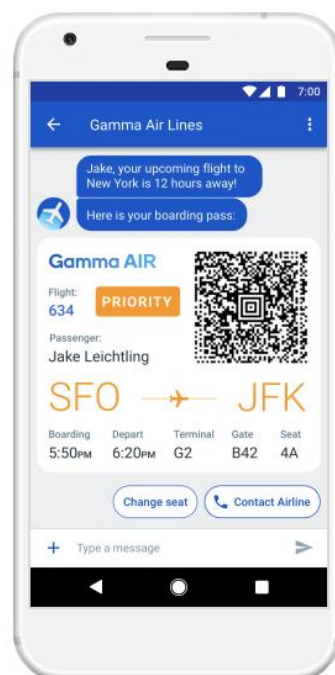
The visuals in Figure 2 provide insight into just how different the RCS experience is for both consumer and marketer. First, here's an illustration of how a message with the same basic objective – letting a hotel guest know they can check-in – is transformed when it can leverage the functionality of RCS.

Figure 2:

RCS: A Much Richer Messaging Experience
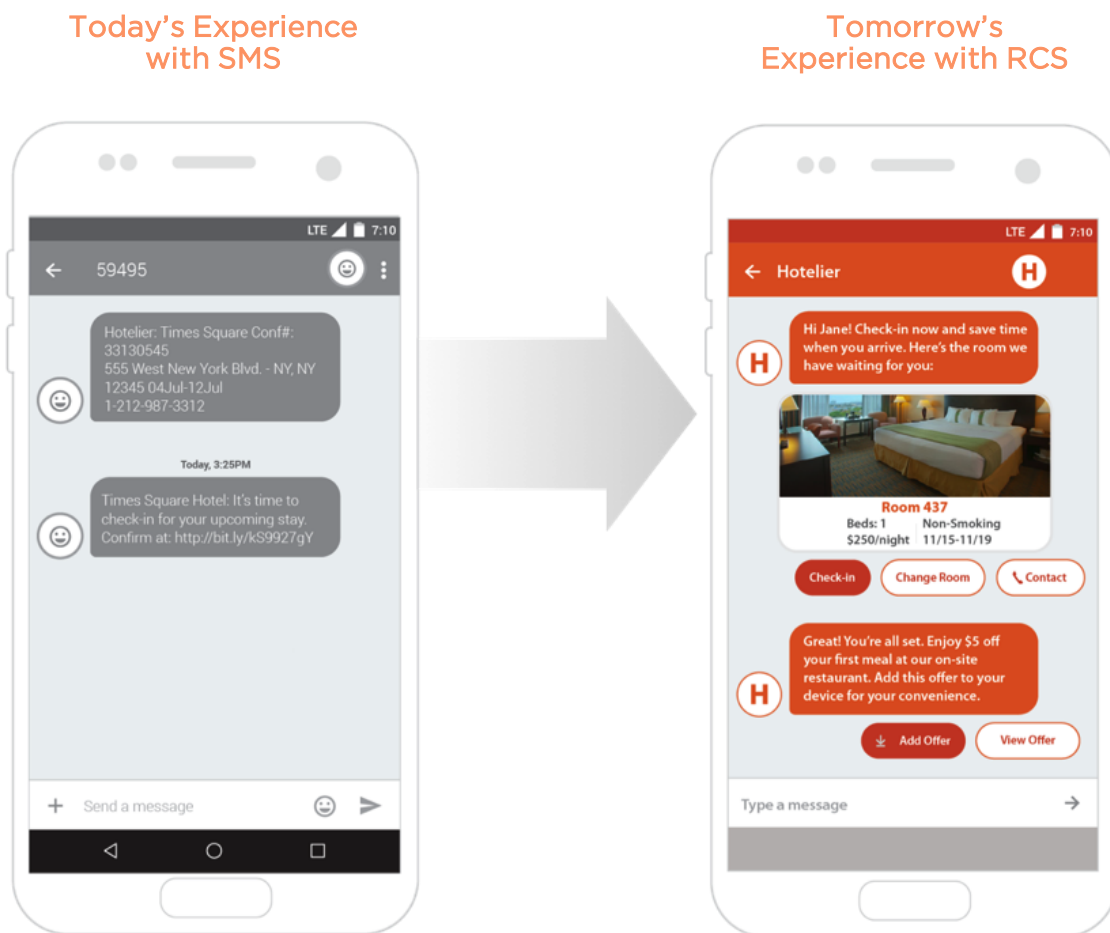
Figure 3, below, of the image at right in Figure 2, shows just how much more dynamic RCS messaging can be; it has custom branding that reinforces the association between the app and the brand's visual identity throughout the experience; a visual of the guest's room (with the possibility of embedding GIFs or video); a variety of calls to action for the guest, including the option of checking in, changing the room, or calling; and even an integrated discount offer for the hotel's restaurant -- all in one message. In short, the screen is a window into a much better experience for the consumer – and allows the marketer to have a much more meaningful engagement with its customer.

This is just a snapshot of the kind of experiences marketers can deliver via RCS.

Figure 3:

A Seamless Experience

RCS can also manage a number of different formats, ranging from free form content such as text and media (images, video, audio), to structured/templated content such as rich cards and carousels. RCS is differentiated from MMS by the size and quality of the files that it's possible to share, making for a more expansive creative palette.

In order to ensure that branding is only applied to messaging apps that are authorized to use that brand, the MaaP providers and the carriers are working through an approval process. This will ensure that consumers have confidence when interacting with an app that it actually represents the company it purports to.

How Chip Lists Expand RCS Interaction

Much of RCS' functionality is delivered via chip lists, which are a set of pre-determined replies or actions meant to guide users through a workflow. Chip lists come in two basic types: suggested replies and suggested actions. Suggested replies are text-based and act as a reply from the user.

More Options   Learn More   No, thanks
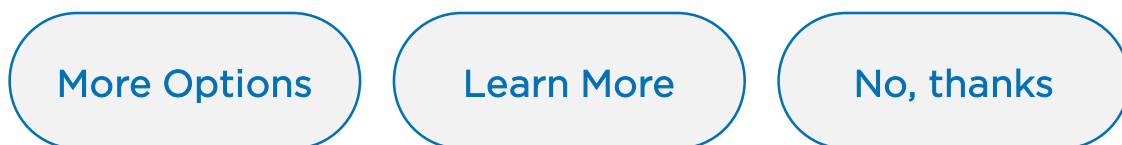
Instead of a user having to type a keyword or reply, he or she can simply tap a chip to interact with the brand.

Suggested actions can trigger an action on the device such as loading a GPS app, adding an event to calendar, or starting a voice call -- or they can send a message back to the application. For instance, in the example on page 7, the hotel guest is given the option of checking in or changing the room (both actions take place within the application), or calling the hotel (an action taken by the device).

The interaction is relatively streamlined in the hotel example, but where it warrants, marketers can build a more robust pathway of interactions.

For instance, an electronics retailer could use RCS to let a customer know that the TV they've ordered is ready for pick up and take care of other things that might typically be handled in-store, such as buying HDMI cables, a wall mount or a protection plan -- each of which could be bought via RCS. RCS could also link out to the customer's GPS to get directions to the store location where the TV is.

RCS and Conversational Commerce

Examples such as that of the electronics retailer make it clear that RCS is well-suited to being a conversational commerce platform, at a time when marketers have increasing interest in incorporating it into their marketing and sales efforts.

In fact, according to a January 2018 report from eMarketer (see Figure 4 below), conversational commerce is the digital technology brands and agencies in ecommerce are most interested in. That report cited a survey conducted by eConsultancy and Conversion which noted that some 59 percent of client-side executives say they plan to experiment with it by 2020, beating out technologies including artificial intelligence and mobile payments.

Figure 4:

Conversational Commerce is a Priority for Marketers

Digital Technologies that Agency* vs. Client-Side** Ecommerce Professionals Worldwide Plan to Experiment with by 2020

% of respondents

	Agency*	Client-side**
Conversational commerce (e.g., chatbots, personal assistants)	40%	59%
Artificial intelligence for personalization	39%	55%
Digital wallets/mobile payments	40%	44%
Social commerce	48%	40%
Voice technology	18%	18%
Beacon technology	15%	15%
Different interfaces (e.g., smart watches, internet of things)	14%	13%
None of these	18%	16%

Note: *includes ecommerce service providers (i.e., agencies, platform implementers, software vendors); **includes client-side/brand marketers at ecommerce companies
Source: Econsultancy and Conversion, "Ecommerce Performance Report 2018," Jan 18, 2018

Consumers are expressing more interest in the technology too. While the messaging app WeChat, in particular, has helped popularize conversational commerce – especially in China -- because of its transactional capabilities, the comfort-level that consumers all over the world have with technologies such as chatbots is growing.

An October 2017 report from PointSource said that in the U.S., users preferred chatbots over humans when it came to a wide range of customer service functions, such as searching for pricing and tracking packages.
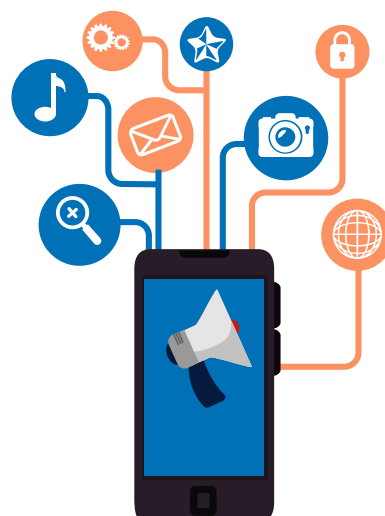
RCS' ubiquity will enable the creation of significantly more advanced conversational applications, which brands can use to interact with their customers, moving along the full embrace of conversational interfaces by consumers and marketers.

How RCS Could Transform Messaging Data

One roadblock for marketers in terms of implementing SMS has been measurement. Simply put, SMS doesn't provide much in terms of data. Because of the different types of interaction RCS can track, it could become especially important for marketers who are trying to understand user behavior and outcomes from messaging campaigns.

RCS can provide all of the following:

Delivery receipts: *Did you get my message?*

Read receipts: *Did you read my message?*

On-screen event tracking: *How did you engage with my message?*

Custom call-back data: *What is the context of how you engaged with my message? This enables a business to tag actions with data (not seen by end users) that is relevant to the business.*

In terms of custom call-back data, a business might provide two action buttons -- one that directs the user to a mobile web experience and another that places a call. By tagging these options with "web" and "phone", a business could use this information to optimize the messaging and their mobile web experience to help reduce the number of "phone" actions they receive. It could also be used to identify stages in a customer journey with the intent of trying to find sticking points or to try and optimize complex message flows. Going forward, data could be a crucial part of the RCS story.

In Practice: Starting to Implement RCS

At this point, any brands that are active in SMS should be experimenting with RCS, and a number of different aggregators, including OpenMarket, 3C Interactive, Samsung and Mobivity are helping marketers develop on this new platform. As has been illustrated in this white paper, initial executions do not have to be complex to be useful, both to consumers and in terms of what learnings they can deliver to brands.

For now, RCS is being priced by carriers on a per message basis, similar to SMS, with the per message cost going down as the scale of an initiative expands. However, the vastly superior capabilities of RCS – not the least of which is the heightened level of interaction marketers and consumers – means that going forward, basic assumptions about messaging, including pricing metrics, could change. It's easy to see, for instance, how RCS is better priced on a per session basis since it involves more back and forth between customer and business.

Conclusion: RCS and the Future of Branded Messaging

As carriers, hardware manufacturers, consumers, and other components of the mobile ecosystem embrace RCS, it looks like a platform marketers will need to know about, particularly since it integrates with so many current trends. Three, in particular, stand out:

1. **The high consumer appetite for messaging.** The last few years have seen an explosion in users of messaging apps, and their functionality.

2. **Low usage rates and penetration of marketing apps.** Consumers have long been winnowing down their app usage to a handful of what they have installed on their phones – and the vast majority of those aren't apps from marketers.

3. **Marketer interest in conversational commerce.** For marketers, RCS can potentially serve as a go-to platform to expand their meaningful interaction with consumers, providing scale, the ability to finely tune their messaging to individual customers, and the ability to mine better data on customer interactions.

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The MMA Messaging Committee includes the following member companies: 3Cinteractive, Beeby Clark+Meyler, Braze, Brinker International, Ford Motor Co., Google, Mobivity, Neustar, Inc., OpenMarket - North America, Phunware, Inc., Salesforce, SAP Digital Interconnect, Tata Communications, Vibes and Walmart Inc.

About the Mobile Marketing Association (MMA)

The MMA is the world's leading global non-profit trade mobile marketing association comprised of more than 800 member companies, from nearly fifty countries around the world. Our members hail from every faction of the mobile marketing ecosystem, including brand marketers, agencies, mobile technology platforms, media companies, operators and others. The MMA's mission is to accelerate the transformation and innovation of marketing through mobile, driving business growth with closer and stronger consumer engagement. Anchoring the MMA's mission are four core pillars; to cultivate inspiration by driving innovation for the Chief Marketing Officer; to build the mobile marketing capabilities for marketing organizations through fostering know-how and confidence; to champion the effectiveness and impact of mobile through research providing tangible ROI measurement; and to advocate for mobile marketers. Additionally, MMA industry-wide committees work collaboratively to develop and advocate global best practices and lead standards development. For more information about the MMA, please visit: www.mmaglobal.com.