



RCS Messaging

The next level of customer engagement

This third eBook in our series takes an in depth look at RCS and enterprise messaging, providing essential reading on the trends that are shaping the market today.



RCS is on the horizon

While SMS will continue to be a mainstay for many enterprise messaging tasks, it has offered only small steps in terms of innovation. For things like two-factor authentication that's fine. A simple text message between a customer and their bank for example, is all that's required.



Robert Gerstmann

Chief Evangelist & Co-founder,
Sinch

With smartphone penetration at near saturation levels, the tech in our pockets is increasingly sophisticated, spawning new patterns of demand from consumers. In terms of enterprise messaging, consumers want richer, more convenient customer service experiences and to be able to 'chat' to enterprises often instantly, in the moment of need.

Where once we had direct mail, email or 160 characters in a text, we now we have RCS messaging which offers a rich user experience that can be branded, contain images, interactive menus, video, maps, chat and chatbot like features and similarly to advertising, AB testing as well as read receipts so that RCS messaging campaigns can be improved on the fly.

Some industry commentators even see RCS as a valid alternative to certain types of mobile apps. Hotels for example struggle to get customers to download their apps, or use them to check-in, because by their nature they are only used occasionally, representing friction to most.

With RCS messaging, all the required functionality can be contained within a two-way branded message, including the ability to make a payment, but does not require the customer to download an app – everybody wins!

There's growing evidence that enterprises are ready to embrace the benefits that RCS delivers. Ovum's Enterprise Messaging Survey¹ found that one in three enterprises (**36%**) are planning to adopt RCS for enterprise messaging citing features like; including images and video (**94%**) using RCS to deliver chatbot experiences (**89%**) and location-based functions for more contextual messaging (**83%**) as features that they were interested in.

There's also an increasing number of real-world use cases, from restaurant chain, Subway, to British Newspaper, The Express, enterprises are already seeing the benefits and possibilities of the most immersive and interactive messaging format.

¹ <https://www.sinch.com/insights/downloads-and-reports/future-enterprise-messaging-ovum/?productLine=rms>

Who cares wins

People hate calling contact centers. But what's the alternative when an app or web site can only answer simple questions? Could text conversations with RCS bots solve the customer service problem? Tim Green, mobile influencer and expert, thinks so.

I once walked into a well-known UK sandwich shop. At the till, I realized I had left my wallet at home. "Never mind," said the assistant. "You can have this one on us." I was stunned. I was not a regular. They didn't know me.

I spent the rest of the day tweeting about the incident. I told everyone I knew. I'm telling you now.

Later, I learned that the freebie was not spontaneous. The sandwich company had a policy of giving free meals to 'plausible' customers. It's good PR. Makes no difference to me. I still think it's brilliant.

This small anecdote illustrates the power of great customer service. It delights people. It makes them loyal. It turns customers into ambassadors.



Tim Green

Mobile Influencer and Expert

Of course, it's one thing to deliver great service in a human-centred 'analog' setting like a sandwich shop. But what about the digital world? Is there a way to have nuanced customer service conversations in a virtual environment?

Until recently, I'd say no. Clearly apps and web sites have given consumers fast access to basic types of information. Meanwhile SMS has been great for delivering one-way messages from brands (promotions, offers, alerts etc). But when it comes to genuine conversation between enterprises and customers, the most common option is the call center. And let's be honest here. We hate call centers.

Clearly, we need something better. Rich media messaging – specifically RCS – could be it.

RCS is, of course, the next-gen 'flavor' of SMS. Like text, it will (one day) be the default messaging option on most smartphones. Unlike text, it will give users an array of rich features to choose from: view videos, share location, make payments, redeem vouchers and more. Users can explore these functions in a fully branded environment, which they trust.

Microsoft's State of Global Customer Service study found that only 28% of customers make a call as their first attempt to solve a problem. It also found that two thirds are frustrated before they even start talking.

CASE STUDY

Happy commuters

Virgin Trains has worked with messaging firm OpenMarket to add RCS to their customer's travel experience as they roll in to Euston station. Unlike SMS, RCS allows customers and Virgin Trains to interact, send photos, videos, audio and messages with easy-to-select buttons.

The service is being used for initiating a chat session 10 minutes before commuters arrive in London, offering advice and updates on onward underground services. Buttons within the chat session allow users to tap for further info.

"Chat messaging provides lots of opportunities. This is just the start, we look forward to developing our chat service to further enhance the overall journey experience."

John Sullivan

Virgin Trains Chief Information Officer

These features are great news for enterprises. And many are already testing the technology. Uber, for example, is trialling RCS to create an app-like experience – order a ride, show directions etc – in a message session.

But perhaps the true value of RCS is its ability to **support genuine conversations between customers and AI-powered bots.**

Why is this good? Well, consider financial services. Banking apps are excellent for basic needs. In just a few clicks you can see your balance and check recent transactions.

But for something more nuanced? An overdraft extension perhaps? Only a conversation will do. A bot conversation offers a compelling alternative to the branch visit or call center.

It's a genuine two-way dialog, yet it's controlled entirely by the customer. There's no wait for an agent to become available, and no technical friction to overcome, because bot conversations use natural language. AI-powered bots also learn as they go. Unlike traditional IVR systems, they do

not use rule-based 'decision trees' that break down when the user says something 'off script'.

Mastercard is one of many financial firms to have tested service bots. Kiki Del Valle, Sr VP for Commerce for Every Device at Mastercard, says:

“A customer could ask the bot to show how much she had spent in restaurants in the last three months. She could then set a cap on spending and request an alert for when she approaches the limit. It’s so much quicker and more efficient when you do this in a natural language chat session.”

Now, it's obvious that RCS is not the only channel on which to host bot conversations. OTT apps such as WhatsApp do the same. But only RCS has a shot at being ubiquitous.

The GSMA predicts **86% of smartphones will be RCS-enabled by 2020**.² It says 65 operators have launched RCS in 46 countries,³ with 40 more planned this year. If and when RCS becomes the default messaging channel on most smartphones, a significant friction - the need to download an app - will be removed.

As of now, enterprises are tinkering with smart messaging and bots. Ovum reported in 2017⁴ that 25% of enterprises had deployed a chat bot to automate customer service. And studies show how impressive the results can be. Gartner revealed that,⁵ **on average, companies reduced call and email enquiries by 70% after implementing bot software.**

These results are hard to ignore. Happier customers for less money? Anyone can see the appeal of that. No need to ask a bot.



² <https://www.techradar.com/news/google-led-successor-to-sms-is-a-boon-for-mobile-operators>

³ <https://www.gsma.com/futurenetworks/rcs/global-launches/>

⁴ <https://www.sinch.com/insights/downloads-and-reports/future-enterprise-messaging-ovum/>

⁵ <https://www.gartner.com/en/newsroom/press-releases/2018-02-19-gartner-says-25-percent-of-customer-service-operations-will-use-virtual-customer-assistants-by-2020>

RCS - the new brand champion?

Against a backdrop of intense competition for dwindling consumer attention, brands are continuously looking for ways to interact and engage with their customers. We've entered an era where consumers have less time to make informed decisions and are increasingly sceptical of advertising, writes Nick Lane, the chief insight analyst of Mobilesquared⁶.

For example, recent research by Inskin⁷ found that approximately **12%** of served display ads are actually looked at, with only **4%** being looked at for more than a second, and a click through rate of less than **0.1%** for the majority of mobile banner ads.

It goes without saying that the longer an ad is seen, the more likely it is that the visual engagement it conjures will result in higher retention rate, brand engagement and conversion rate.

However, with consumers paying less attention to digital advertising, brands are continuing to place a significant amount of faith in mobile advertising. And for good reason; Mobilesquared projects that the number of smartphone users will reach **3.6 billion by 2019**, with **46%** of the world's population owning one.



Nick Lane

Chief Insight Analyst,
Mobilesquared

⁶<https://mobilesquared.co.uk/> ⁷<http://impact.inskinmedia.com/PlanningForAttention>

CASE STUDY

The kings of RCS

NBA basketball team, Sacramento Kings has teamed up with Zipwhip to roll out RCS messaging to improve customer communication. Since September 2017 fans have been able to engage with the team by texting 833-91 Kings, which initiates an RCS session, providing them with useful information about ticketing, game schedules, promotions and so on.

For Sacramento Kings CTO, Ryan Montana, it's all about engaging fans and building loyalty.

“We are always looking for ways to ensure the Golden 1 Center experience seamlessly extends off the court and into the hands of our fans and guests through their devices.”

Ryan Montana

Sacramento Kings CTO

The numbers speak for themselves, as brands and advertisers continue to utilize the power of mobile to engage with their customers. In fact, mobile surpasses any other platform for digital advertising, **with 75% of a brand's marketing budget now spent on mobile advertising.** Nevertheless, mobile advertising still has its challenges, and despite being one of the most effective platforms to deliver highly personalized communications to customers, the need to produce creative, informative and engaging ads still exists.



Putting messaging in the mix

As brands look to reach increasingly distracted audiences via their mobile devices, they are continuing to invest in new platforms and driving mobile operators to back these channels.

Combining the power and effectiveness of SMS, the engagement and interaction of over-the-top (OTT) messaging apps such as WhatsApp with the functionality and richness of an app, RCS has sparked a lot of interest but still has a way to go before its fully rolled out. Nevertheless, the potential for brands and the monetary value for operators is palpable.

Taking a deeper look into industry views towards RCS, we discovered that whilst uptake has been slow, the platform is anticipated to gain significant momentum over the next few years, as brands and operators unleash its revenue-increasing potential.

As a result, rich communication services (RCS) has gained traction within the industry, and is expected to transform the way brands communicate with their customers.

In fact, we can expect over **65% of brands to utilize the messaging platform within the next few years**, and the user base to grow to **3.23 billion monthly active users by the end of 2023.**

With 57% of mobile users inclined to use RCS, as long as it delivers an experience that is at least as good as existing OTT and app platforms, the opportunity for brands to leverage this new channel is apparent.



Total spend by brands on RCS business messaging (RBM) is currently forecast at just \$184.14 million in 2019⁸ but, as consumer adoption increases and more businesses leverage the platform, we can expect this to massively increase to over \$18 billion by 2023.

⁸<https://mobilesquared.co.uk/global-rcs-databook-2018-2023-2/>

A slow start for RCS

However, our research also found that just **5.7%** of brands said they would look to utilize RCS immediately. Yet, with such a prominent opportunity for brands and operators to increase revenues, why are so few using it?

Firstly, a significant problem lies with the operators who need to find precious CAPEX and resource to invest in new messaging platforms that weren't budgeted for, and are competing against 5G investments. Coupled with this, there's a perception that there is a zero business case for P2P RCS messaging, only A2P. The challenge then becomes which department pushes the investment and network changes, which is not straightforward in large telco organisations.

Secondly, A2P SMS works. What it lacks in richness, it makes up for in ubiquity and cost effectiveness. This could very well remain the case until more industry heavyweights launch their own RCS services to demonstrate how it really works, and the cost implications it carries.

Similarly, brands need the reassurance that not only would RCS messaging be a cost-effective tool to reach customers, but also that it's one which generates significant ROI and therefore warrants investment.

Early signs for RCS are very encouraging. Beyond the people that will see the message on the locked screen or home screen (**98%**), SMS has an open rate of **8-10%** (i.e. people clicking on the message), whereas RCS has an open rate of **22%**.

RCS undoubtedly represents a natural evolution of messaging, as it delivers a richer and more immersive IP-based experience combined with actionable analytics on par with OTT messaging services.

Whilst the uptake may be slow to date, it will gain significant traction within the next few years with a sudden increase of adoption. The challenge for brands and operators will be knowing when to strike, those that wait too long could find themselves struggling to keep up with this brave new world of enterprise messaging.

CASE STUDY

Lunch in a message

Global restaurant chain Subway has partnered with Mobivity to create personal, on-brand, and interactive campaigns to connect with customers and drive sales through RCS Business Messaging.

Customers can start an RCS session to find a store, view, select, refine and order Subway menu items without ever needing to leave a 'text' message conversation. Initial A/B testing during weekly campaigns has revealed what the company describes "blow-the-doors-off" results, with a **40 to 50%** uptake in conversions.

"Our goal is to make ordering and receiving your favorite Subway meal as easy as possible. With RCS technology and real-time conversations, we are delivering a personalized ordering experience in seconds – and in clicks."

Carissa Ganelli

Subway Chief Digital Officer

RCS Messaging vs OTT chat apps

Is all a question of standards

There are plenty of brand-side early adopters of RCS that are using the new messaging standard to get closer to their customers.

At the same time, over-the-top (OTT) providers are beginning to launch similar enterprise services. WhatsApp has WhatsApp Business⁹, and Apple has Apple Business Chat¹⁰ for example. With Juniper Research forecasting that the RCS market will exceed \$9 billion in value¹¹ by 2022, it's not hard to see why the OTT providers are moving beyond peer-to-peer communication and into the enterprise messaging space.

Just like RCS, the OTT providers promise an app-like user experience that's altogether more engaging than SMS. However, four key differences set them apart.



⁹ <https://www.nojitter.com/whatsapp-coming-business-near-you>

¹⁰ <https://www.nojitter.com/apple-business-chat-tough-beat-messaging-mobility-brand>

¹¹ [https://www.juniperresearch.com/press/press-releases/rcs-messaging-revenues-to-reach-\\$9-billion](https://www.juniperresearch.com/press/press-releases/rcs-messaging-revenues-to-reach-$9-billion)

Coverage

Today, OTT providers have great coverage. WhatsApp for example, claims 1.5 billion monthly active consumer users. RCS usage by comparison is relatively small, but is growing rapidly with support from Google; Microsoft; Samsung and other OEMs; mobile operators; communications platform-as-a-service (CPaaS) providers; and messaging service providers. RCS will be a native feature on all handsets and networks supporting it - subscribers won't need to download an app or opt in for notifications.

Approximately 60 mobile operators in 45 countries¹² have adopted the GSMA's Messaging-as-a-Platform¹³ (MaaP) and Universal Profile¹⁴ specifications within their networks, so that RCS is enabled and interoperable between networks and handsets.

At the OS level, Android and Microsoft support RCS. According to the latest IDC figures¹⁵ Android has an 85% market share of the 1.5 billion new smartphones shipped in 2018. Crucially, Android OEMs like Samsung, LG, and Huawei support RCS, so via the usual two-year renewal cycle of smartphones, RCS will grow significantly as a native function of nearly all new Android devices - an installed user base of approximately five billion globally.

Notably, Apple is yet to get on board, but we anticipate this will change over time. In the meantime, any RCS message sent to an iOS handset is replaced with an SMS or MMS message.

¹² <https://www.gsma.com/futurenetworks/rcs/global-launches/>

¹³ <https://www.gsma.com/futurenetworks/wp-content/uploads/2017/07/maap-booklet.pdf>

¹⁴ <https://www.gsma.com/futurenetworks/rcs/universal-profile/>

¹⁵ <https://www.idc.com/promo/smartphone-market-share/os>

Personalization

When interacting with enterprises, consumers no longer accept a one-way dialog - requesting a bank balance via text for example. Rather, today they expect to be able to interact with enterprises, in the moment of need, on the platform of their choice via a two-way conversation. They want to 'talk' to enterprises.

The ability to provide that interaction, in a personalized way, where and on what platform the consumer wants, is increasingly critical to business success as a feature of customer service.



To give that more context, at a recent GSMA RCS lab in London, a Google spokesperson predicted that **over the next five years, \$800 billion will shift away from 85% of companies to the remaining 15% that get personalization right.**

CASE STUDY

Smart farming

Farm Journal Media, a business information and media company serving the agricultural market, has launched RCS messaging with Sinch and nativeMsg. Farm Journal is using RCS to make it easy for its users to opt-in to information services, such as local weather, market reports, or USDA news reports, and to personalize those services to their individual needs.

Users are presented with a menu of suggested replies and a carousel of visual choices, simplifying otherwise complex personalization choices into an intuitive user experience.

“Technology is revolutionizing agriculture in many ways. Communications is no different. Enhancing the clarity and creativity in how we are reaching our farmers and ranchers helps them do a better job feeding the world.”

James Arnold

VP of Digital, Farm Media Journal

Enterprises are responding. Recent Adobe research¹⁶ shows that **European brands are investing in AI to deliver more personalized experiences to consumers; 89% of respondents said they see personalization as a key to success.**

Both RCS and chat apps are designed to meet personalization head-on. Combined with well-designed customer profiling and AI systems, both offer brands an opportunity to achieve a much more natural way to engage and share rich information with their consumers.

Personal data and trust

Consumer trust is vital to operating any kind of online service. The perception is that many OTT companies base their commercial models on monetizing user data to enable targeted advertising. However, this isn't always the case, even if it is the current consumer perception that personal information is exchanged for free messaging. The same isn't true for mobile operators. While they can analyze and aggregate user data to inform marketing decisions, they don't sell it for advertising purposes.

The General Data Protection Regulation in Europe, as well as the patchwork of sector-specific privacy regulations in the US, have heightened consumer sensitivity to the use of their personal data, placing transparency and informed consent as key principals in its use.

And for enterprises to be compliant, messaging network traffic and data can't be routed via countries outside regulatory jurisdiction. Compliance needs to be examined at every stage of the journey.

¹⁶https://www.adobe.com/uk/modal-offers/artificial_intelligence_context_is_everything.html?sid=Z662FTW1&mv=social&mv2=orgsoc

Pricing - direct or indirect?

RCS extracts no value from user data. Like SMS, it's charged by the carrier to the enterprise (often via an aggregator). Unlike SMS, the payload per message is much higher (images, audio, videos, etc.).

While RCS is relatively new and players are ironing out how to charge for it fairly, a likely model will entail a per-transaction charge supplemented with a per-session fee to support more interactive use cases. With buy-in from all in the RCS ecosystem, a price point between 10 and **15%** higher than SMS is anticipated. It's also certain that the engagement uptake with consumers will far outweigh the relatively incremental rise in price.

Overall, the real benefit of RCS is that in many respects it's an open standard supported by a complex ecosystem, which is simultaneously cooperative and competitive. Ultimately this will boost feature availability for consumers and enable enterprises to bring the next level of engagement to customer interactions.

It also means that RCS comes with the same important guarantees as SMS. That is, guaranteed message delivery, a secure connection, low to zero latency, regulatory compliance, near ubiquitous coverage and more.

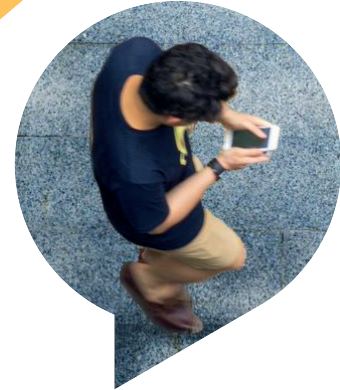
Chat app providers, on the other hand, operate from within a walled garden of standards where the messaging experience has the look and feel of the app owner. That may be OK for small businesses that are happy to prioritize function over form, but large enterprises will no doubt require the more sophisticated options that RCS offers.

With RCS, the messaging experiences can be customized, branded, and built using an evolving toolkit of features and, in what is an improvement over SMS, the sender is verified.

10 reasons why the future is bright for RCS

With a growing ecosystem of OEMs, mobile operators, Google and dozens of messaging companies, many industry commentators are touting 2019 as the year RCS will turn mainstream.

So how do the stats for RCS stack up? Here's a roundup of the key points raised in this eBook.



RCS has reach

1

Approximately 60 mobile operators in 45 countries¹⁷ have adopted the GSMA's Messaging-as-a-Platform (MaaP) and Universal Profile specifications within their networks, so that RCS is enabled, creating the foundation for RCS interoperability.

2

At the OS level, Android and Microsoft support RCS. According to the latest IDC figures,¹⁸ Android had an 85% market share of the 1.5 billion new smartphones shipped in 2018. Crucially, Android OEMs like Samsung, LG, and Huawei support RCS, so via the usual two-year renewal cycle of smartphones, RCS will grow significantly as a native function of nearly all new Android devices - an installed user base of approximately five billion globally.

¹⁷ <https://www.gsma.com/futurenetworks/rcs/global-launches/>

¹⁸ <https://protect-eu.mimecast.com/s/n2LECjZ99sAkw3i5GbvS?domain=idc.com>

3

The GSMA¹⁹ forecasts that 86% of smartphones will be RCS-enabled by 2020. European carriers have been responsible for much of the growth and adoption, but its global potential is significant, with 430 million monthly users²⁰ estimated in 2018 — a figure that's expected to surge to 2.76 billion in 2019.

5

Juniper Research has pegged the market for RCS Messaging to exceed \$9 billion in value²² by 2022. As a result, we've seen OTT messaging providers beginning to launch similar enterprise services in pursuit of a slice of the enterprise messaging pie.

4

Research analyst Mobilesquared forecasts²¹ a similarly positive outlook. It predicts that a total of 1.01bn people will use RCS messaging across 168 mobile operators around the world by the end of 2019. They estimate that this number will grow to 3.23bn across 486 mobile operators by the end of 2023.

Businesses and consumers are ready for RCS

6

According to a recent OpenMarket research report,²³ nearly 80% of consumers find RCS appealing. 74% say RCS would make them more likely to want to communicate with a brand.

¹⁹ <https://www.gsma.com/futurenetworks/rcs/>

²⁰ <https://www.gsma.com/futurenetworks/digest/majority-european-businesses-now-ready-take-commercial-rcs-messaging/>

²¹ <https://mobilesquared.co.uk/get-rcs-insight/>

²² <https://protect-eu.mimecast.com/s/46ddCOYrrU4I69MFwXvkK?domain=juniperresearch.com>

²³ <https://www.openmarket.com/resources/rcs-business-messaging-research-study/>

7

Ovum's Enterprise Messaging Survey²⁴ in partnership with Sinch reveals a growing interest in a broader mix of messaging channels to engage with customers, in particular RCS. 36% of respondents are interested in using it to enable interactions with their customers, employees and the public, while 37% want new features such as custom branding, the delivery of rich content, and read receipts – all features enabled by RCS.

8

Ovum's Enterprise Messaging survey also found that businesses acknowledge that 'talking' to their customers more effectively was a customer service requirement, with 89% saying that the ability of RCS messages to enable automated, chat bot-like conversational interaction with consumers was a major pull.

9

Recent research²⁵ from Mobilesquared indicates that 5.7% of brands and businesses say they will launch RCS immediately – a number which increases to 65.8% in three years time.

10

Global restaurant chain Subway has been using RCS to engage consumers, promote offers and help them choose a sandwich or add other menu items like drinks.

As a result, the company reported a 50-60%²⁶ improvement (over SMS) in conversion rates – a stat that led Carissa Ganelli, Subway's Chief Digital Officer to describe the uplift in sales as "blow-the-doors-off".

²⁴<https://www.sinch.com/insights/downloads-and-reports/future-enterprise-messaging-ovum/?productLine=rsc1>
²⁵<https://mobilesquared.co.uk/global-rcs-business-messaging-forecasts-2018-2023/>

²⁶<https://jibe.google.com/case-studies/subway/>



About Sinch

Sinch brings businesses and people closer with tools enabling personal engagement. Its leading cloud communications platform lets businesses reach every mobile phone on the planet, in seconds or less, through mobile messaging, voice and video.

To find out more, please visit sinch.com

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