

Analyst Insight Report

The impact of Google Guest on RCS adoption: Europe

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Introduction

Mobilesquared Analyst Insight Reports are published on a quarterly basis providing an in-depth exploration of one key topic influencing the RCS/RBM ecosystem.

In this the first A.I.R. we look at the impact Google Guest will have on the adoption of RCS. As our understanding is that Google Guest will only be rolled out in Europe in 2019, we will take a deep dive into the markets where Google Guest has launched (France and the UK), and a broader overview across 17 other potential European markets.

Google's motivation for Google Guest is to get RCS working sooner rather than later, to overcome any burning fear that the market opportunity for RCS will expire and the OTT messaging platforms replicate their dominance in the A2P space as they have with P2P.

For now, mobile operators remain the dominant force when it comes to business messaging, with A2P SMS accounting for approximately 99.97% of all business messaging spend globally.

In its simplest definition RCS is the evolution of SMS, but the deployment of RCS platforms by mobile operators is considerably slower than anticipated, opening the door for a temporary solution like Google Guest to kick-start the market.



RCS

RBM



The Launch

Google Guest launched in the UK and France in July – although was intended to launch in June. A further 10 markets – all believed to be in Europe – will be rolled out before the year end, ahead of a global launch (where required) expected by the end of 2020.

Google says it was asked to develop Google Guest by mobile operators that had launched RCS to help plug gaps in the market. Google Guest is an Over The Top (OTT) messaging platform, available to any mobile operator that is yet to launch RCS, which targets subscribers using Android Messages on relevant Android devices.

Currently, Android Messages is available as a native service on Android devices from Alcatel, Asus, General Mobile, Google, HTC, Huawei, Intex, Lava, Lenovo, LG, and ZTE. As Google Guest is an OTT offering, to activate RCS all users with RCS-capable devices will need to opt-in and agree to Google's Terms & Conditions. In doing so the native RCS component already residing on the device can be switched on and automatically replaces SMS.

However, Google Guest is not available as a native service on Samsung. Because interoperability between Android Messages and Samsung Messages is yet to be resolved, the only way Samsung users can access RCS via Google Guest is by actively downloading Android Messages from the Google Play store. This is expected to change in the near future, and potentially with the release of Google Guest 2.0, most likely in 2020. But for the time being, the lack of Samsung within the native offering of Google Guest will severely hamper the inroads Google can make with Guest.

Google claims that when a mobile operator launches its own RCS platform, that mobile operator's subscribers that have become RCS users on Google Guest, will be handed back to the mobile operator by Google.

For example, EE in the UK (at the time of writing) is yet to launch its own RCS platform, and therefore its subscribers with an Android device (non-Samsung) can adopt RCS via Google Guest. (And of course Samsung users can download Android Messages from Google Play.) In the interim period between Google offering Guest, and EE launching its own RCS platform, the EE subscribers will opt-in to an RCS service provided by Google. But when EE launches its own RCS platform, those users will be transferred onto EE's RCS platform, and Google Guest will cease to operate for EE's Android customers.

In that sense, Google Guest is a "Band Aid", a short-term fix to fill in the cracks where one or two mobile operators have launched in a market and waiting on the remaining mobile operators to follow suit. But why is this important?

The issue facing mobile operators that have launched RCS is that brands and enterprises do not want to market to Vodafone subscribers only, for example, in a particular market. They want as near ubiquitous national subscriber coverage as possible, which means they need to ensure they can access subscribers across every mobile operator. And this is why Google Guest will play such a pivotal role in driving not only the adoption of



The launch

RCS users, but encouraging brands and enterprises to start using RCS/RBM as an engagement channel as part of their omnichannel strategy.

But Google Guest would play an even stronger role were Samsung to be included in the Google Guest ecosystem.

The impact of Samsung

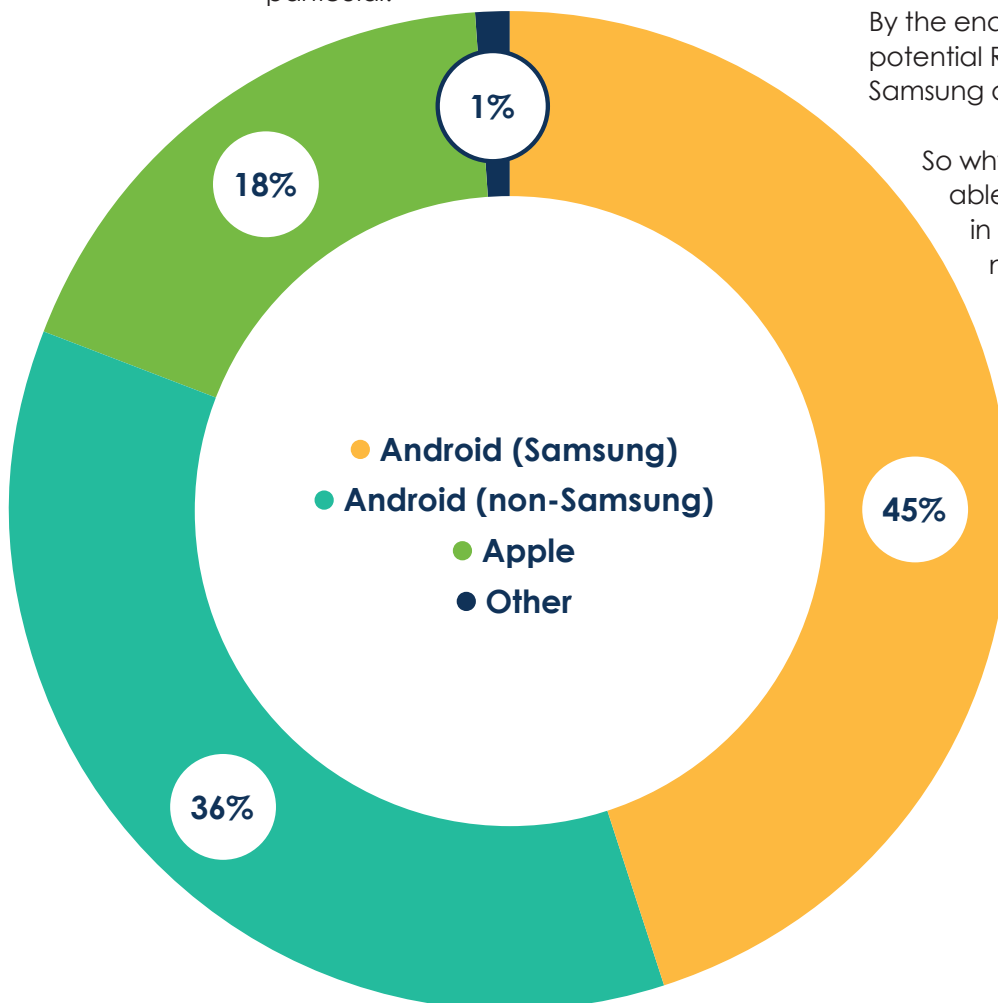
Samsung remains the dominant Android device manufacturer, so it is a prerequisite for Google to include the South Korean OEM as soon as possible. Also, because Samsung has demonstrated first mover advantage regarding RCS, and dominates OEM penetration in early deployments of RCS, and A2P/UP 2.0 in particular.

Presently, Mobilesquared estimates that Samsung accounts for 45% of total global smartphones. And of these Samsung devices, 55% are RCS enabled (i.e. when the mobile operator launches RCS, or Google launches Guest in that market, these devices have the potential to become RCS active). Of course, the advantage of a mobile operator-driven RCS launch, compared to Google Guest launch, is that it will include Samsung devices.

Samsung's importance relating to the adoption of RCS becomes abundantly clear given that 1.1 billion of its devices are RCS enabled and will potentially become active RCS users. It is typically shipping 300+ million devices per year, all of which have been RCS-enabled since 2015.

By the end of 2019, more than half of potential RCS users globally will be on a Samsung device.

So why is this relevant? Not being able to include Samsung devices in Google Guest as part of the native offering severely hampers the near-term adoption of RCS.



Global smartphone breakdown, 2019



The UK

In the UK, Vodafone launched P2P RCS in 4Q 2017, and has been waiting on the other mobile operators to roll out RCS ever since. Mobilesquared understands that O2 is the next most likely to launch, in September-October 2019 timeframe, followed by EE. Three is not expected to launch its own RCS platform until mid-2020.

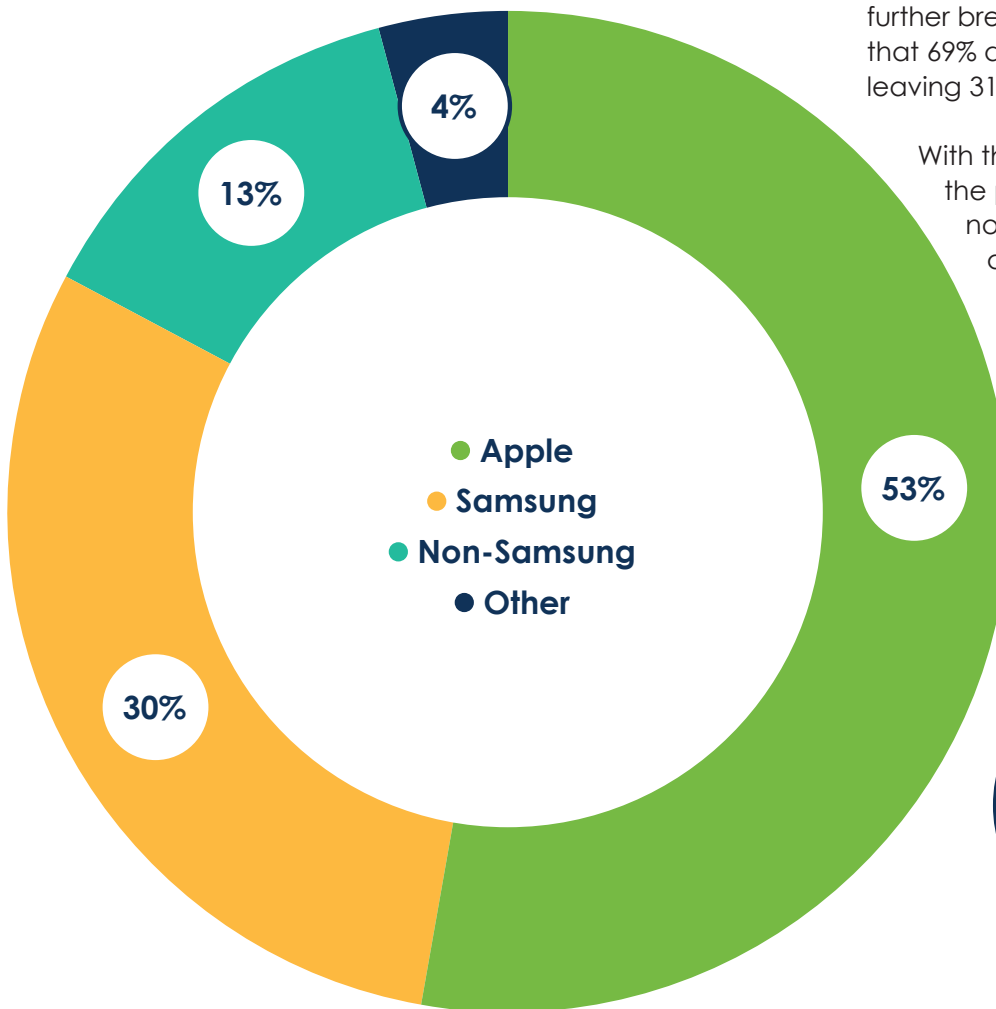
With Google Guest launching in the UK in July, it is only expected to run over O2 and EE for up to 4 months, unless these launches are pushed back further. On Three, Google Guest could potentially run for almost 12 months.

The potential reach of Google Guest

The UK smartphone breakdown is dominated by Apple and Samsung. As Apple is not involved in RCS, we automatically lose 53% of smartphone users. That means Android accounts for 43% of smartphones (with other accounting for the remaining 4%).

Mobilesquared estimates that there will be 23.3 million Android users in the UK by the end of 2019. Of these, 19.8 million devices (84%) are RCS-enabled (i.e. can support RCS when launched by either the mobile operator or Google Guest). And a further breakdown of these users reveals that 69% are on a Samsung device, leaving 31% on a non-Samsung device.

With the launch of Google Guest, the primary target is the 31% of non-Samsung devices, which accounts for just 13% of the total smartphone user base. Google's secondary target is the Samsung users that will have to download Android Messages. In real values, Google's core market represents 6.1 million users, with supplementary users coming from the 13.7 million Samsung users.





Mobilesquared's estimated Google Guest Active Users

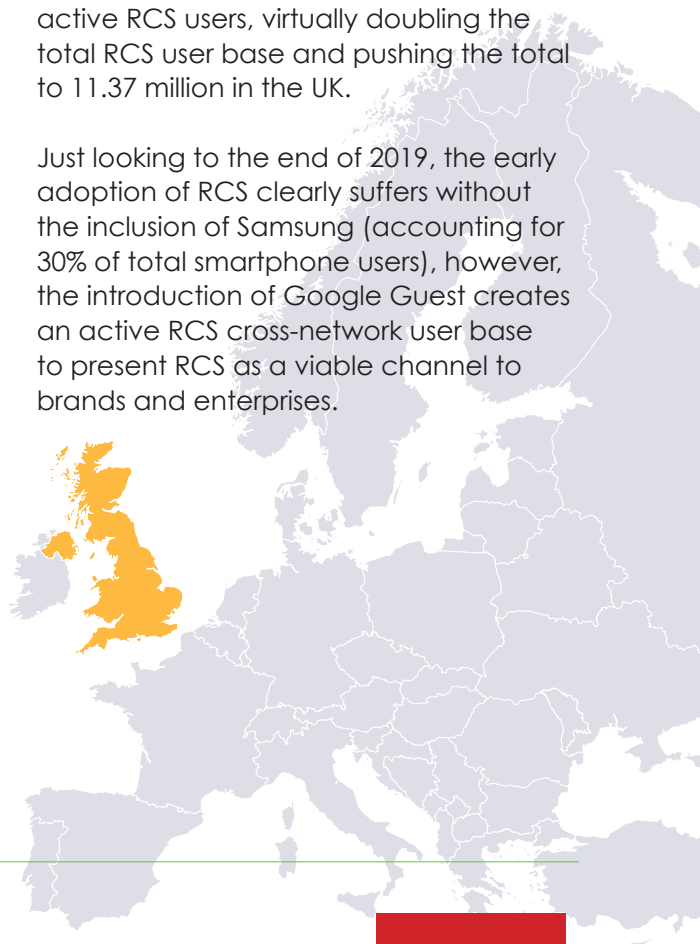
By the end of October 2019, Google Guest could have activated 1.1 million RCS users on EE, 0.93 million on O2, and 0.33 million on Three, and 0.11 million on others. Therefore, by October, Google Guest could have activated a total of 2.5 million RCS users. At which point, Mobilesquared expects Vodafone to have amassed 3.2 million RCS users, bringing a UK total of 5.6 million RCS users.

Based on existing RCS users, Google Guest RCS adoption will expand the existing RCS user base by 72.7%. Overall, Google Guest will contribute 44% of the total.

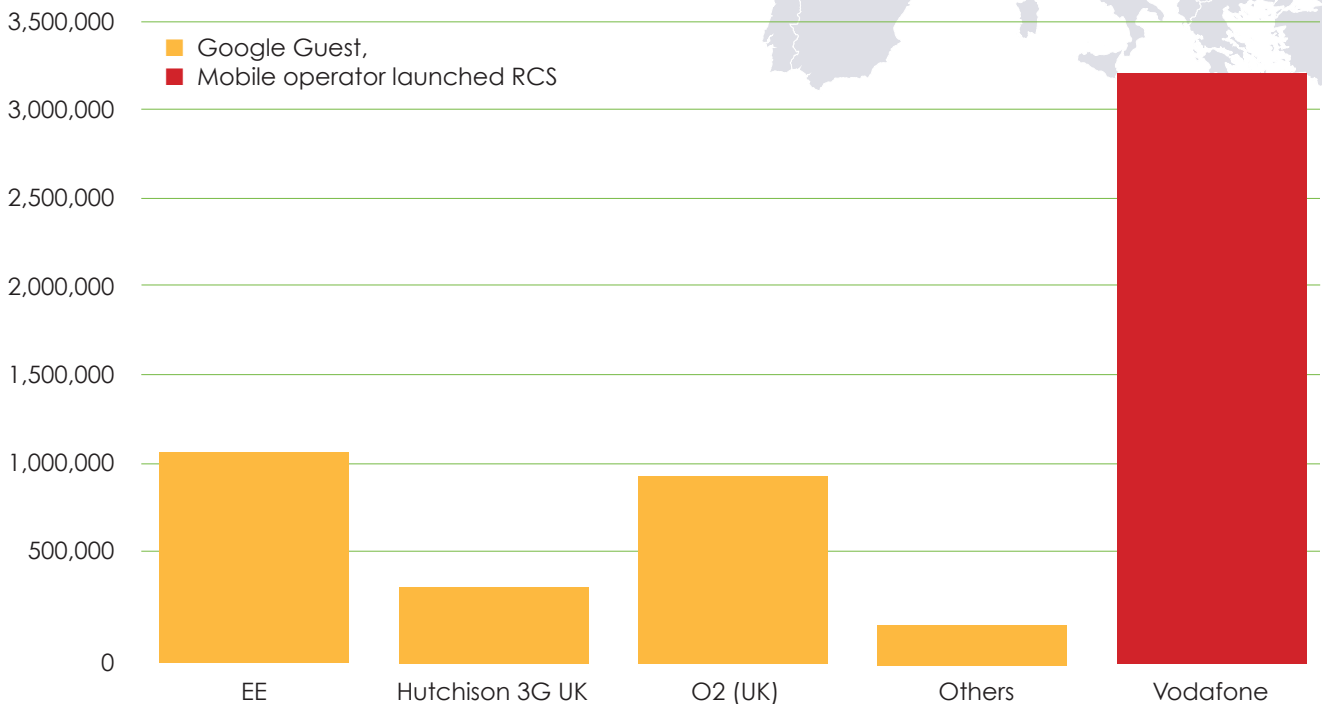
Mobilesquared has based these numbers on 40% of the potential native non-Samsung RCS users activating RCS, supplemented with 5% of Samsung users downloading Android Messages. When combined, Google has been able to activate a total of 23% of potential devices.

Were Samsung to have been included within Phase I of Google Guest and activated natively, that would have added a further 5.5 million potential active RCS users, virtually doubling the total RCS user base and pushing the total to 11.37 million in the UK.

Just looking to the end of 2019, the early adoption of RCS clearly suffers without the inclusion of Samsung (accounting for 30% of total smartphone users), however, the introduction of Google Guest creates an active RCS cross-network user base to present RCS as a viable channel to brands and enterprises.



Impact of Google Guest on UK RCS adoption, Oct 2019





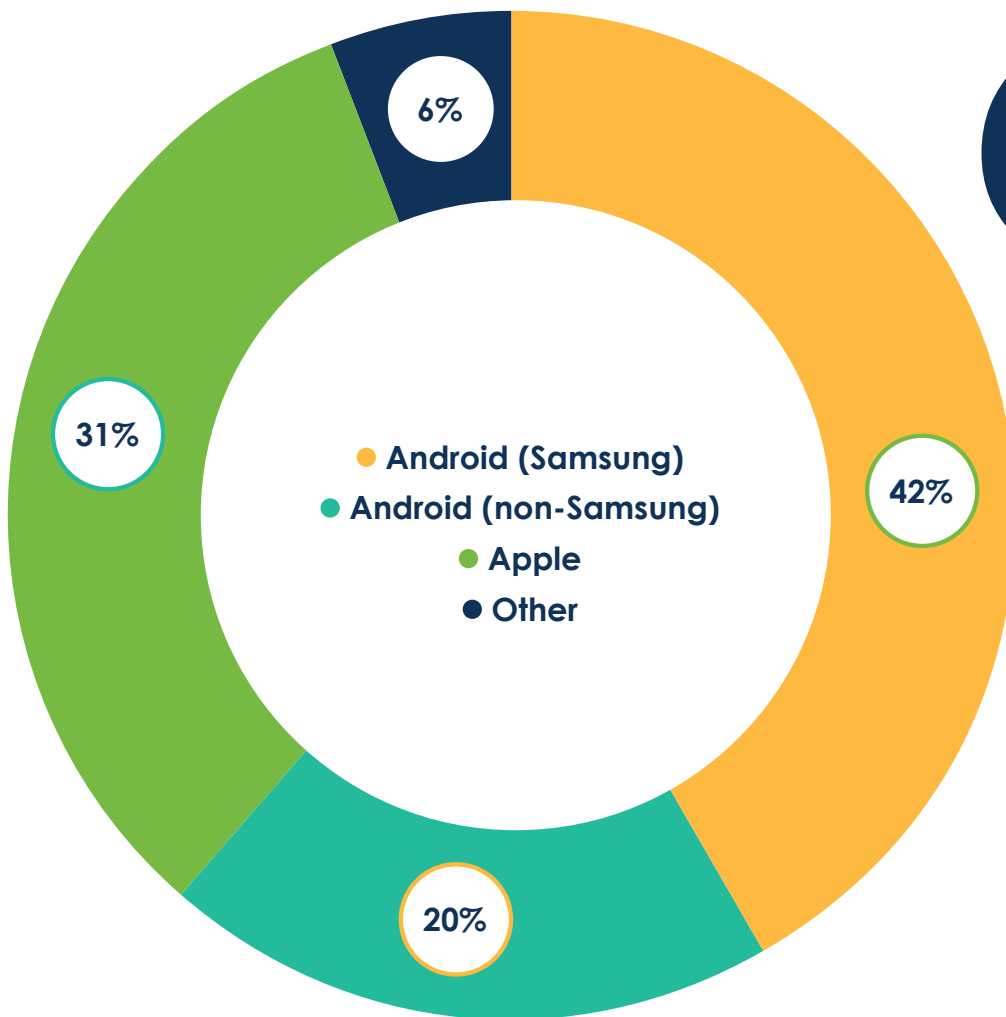
France

Although France should present a greater opportunity for Google Guest than the UK given the higher penetration of Android devices, the fact that Free Mobile and Numericable-SFR both launched RCS in 1Q 2019, limits the opportunity to Bouygues Telecom and Orange.

In France, Apple accounts for 33% of total smartphones, with Android on 61% (with others on 6%). Samsung accounts for a fraction under 42% of total smartphone share, with non-Samsung Android devices just under 20%.

Mobilesquared estimates that there will be 32.3 million Android users in France by the end of 2019, of which 80% (26.2 million) will be RCS-enabled. Samsung again dominates, accounting for 68%, leaving just under one-third (8.4 million) non-Samsung Android devices.

The native element of Google Guest is targeting the 8.4 million of non-Samsung Android devices, which represents 20% of total smartphone users. Whereas the pure-play OTT downloadable RCS messaging model is targeting the 17.8 million Samsung users.



France smartphone breakdown, end-2019

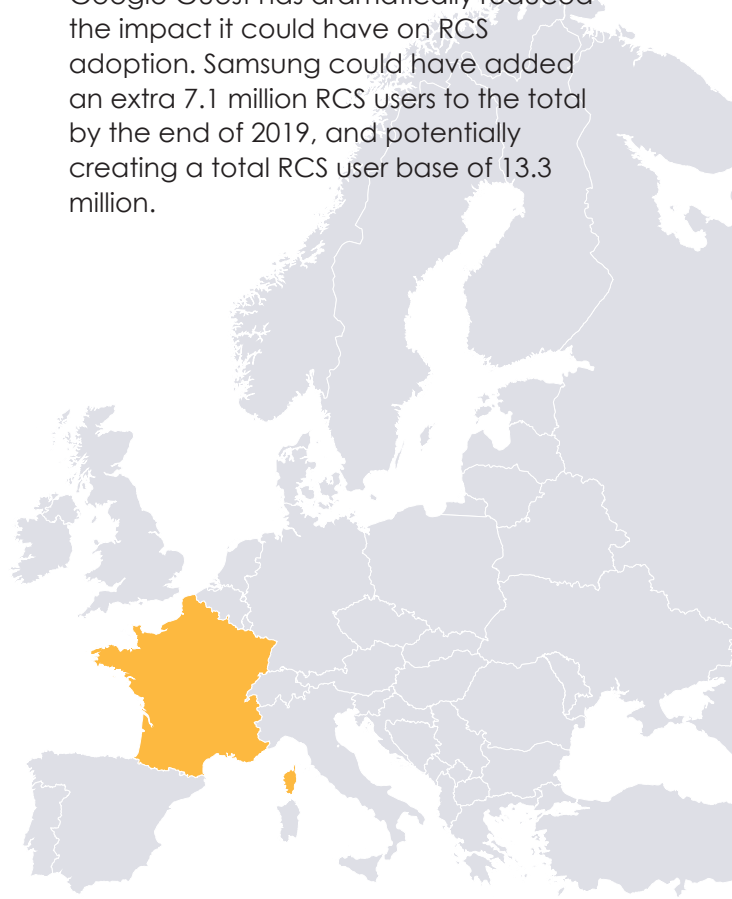


Mobilesquared's estimated Google Guest Active Users

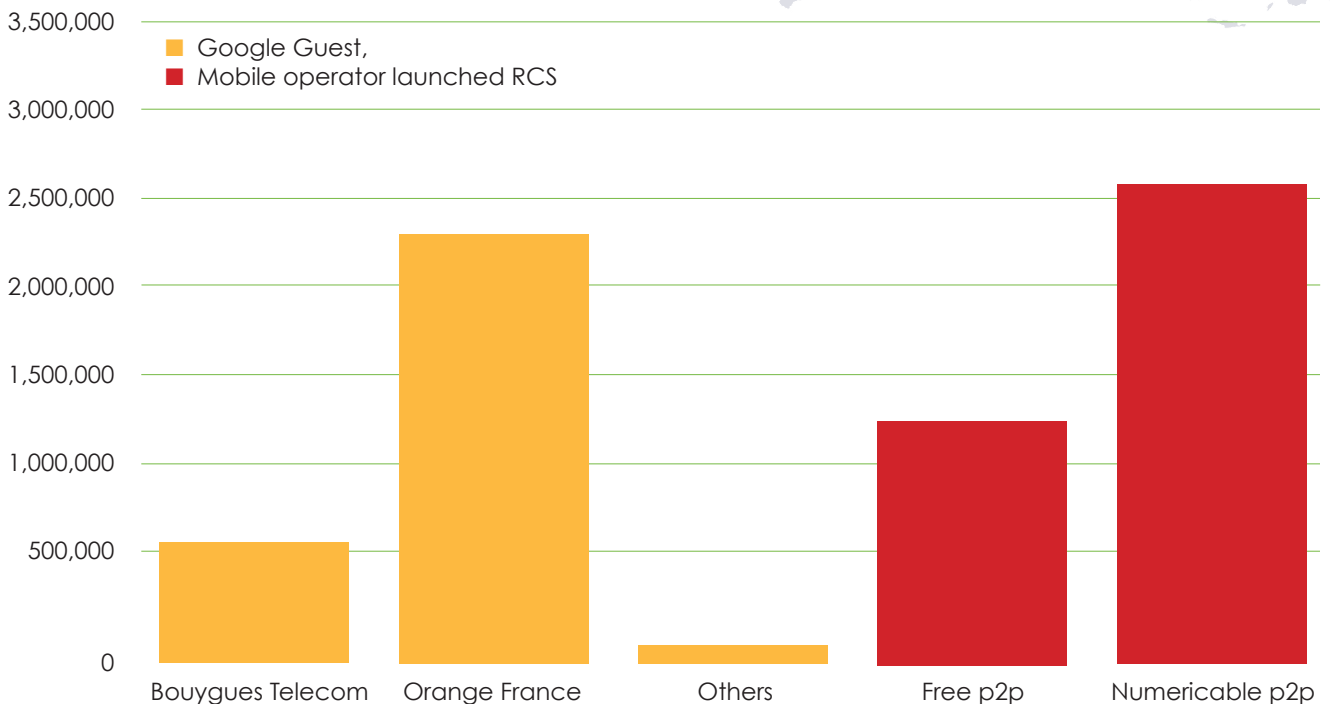
Mobilesquared does not expect Orange France to launch its own RCS platform until 4Q 2019 at the earliest, and 3Q 2020 for Bouygues Telecom. For simplicity, we shall assume Google Guest will remain active on both mobile operators until the end of 2019.

In doing so, Mobilesquared predicts Google Guest to have activated 1.5 million RCS users on Orange France, 0.44 million on Bouygues Telecom, and 0.04 million on others. Therefore, by year-end, Google Guest could have activated a total of 2.4 million RCS users. At which point, Mobilesquared expects SFR and Free to have collectively amassed 3.8 million RCS users, bringing a French total of 6.2 million RCS users. Based on existing RCS users, Google Guest RCS adoption will expand the existing RCS user base by 64.8%. Overall, Google Guest will contribute 39% of the total.

As highlighted in the UK, the absence of Samsung from the native aspect of Google Guest has dramatically reduced the impact it could have on RCS adoption. Samsung could have added an extra 7.1 million RCS users to the total by the end of 2019, and potentially creating a total RCS user base of 13.3 million.



Impact of Google Guest on French RCS adoption, end-2019





Google Guest around Europe

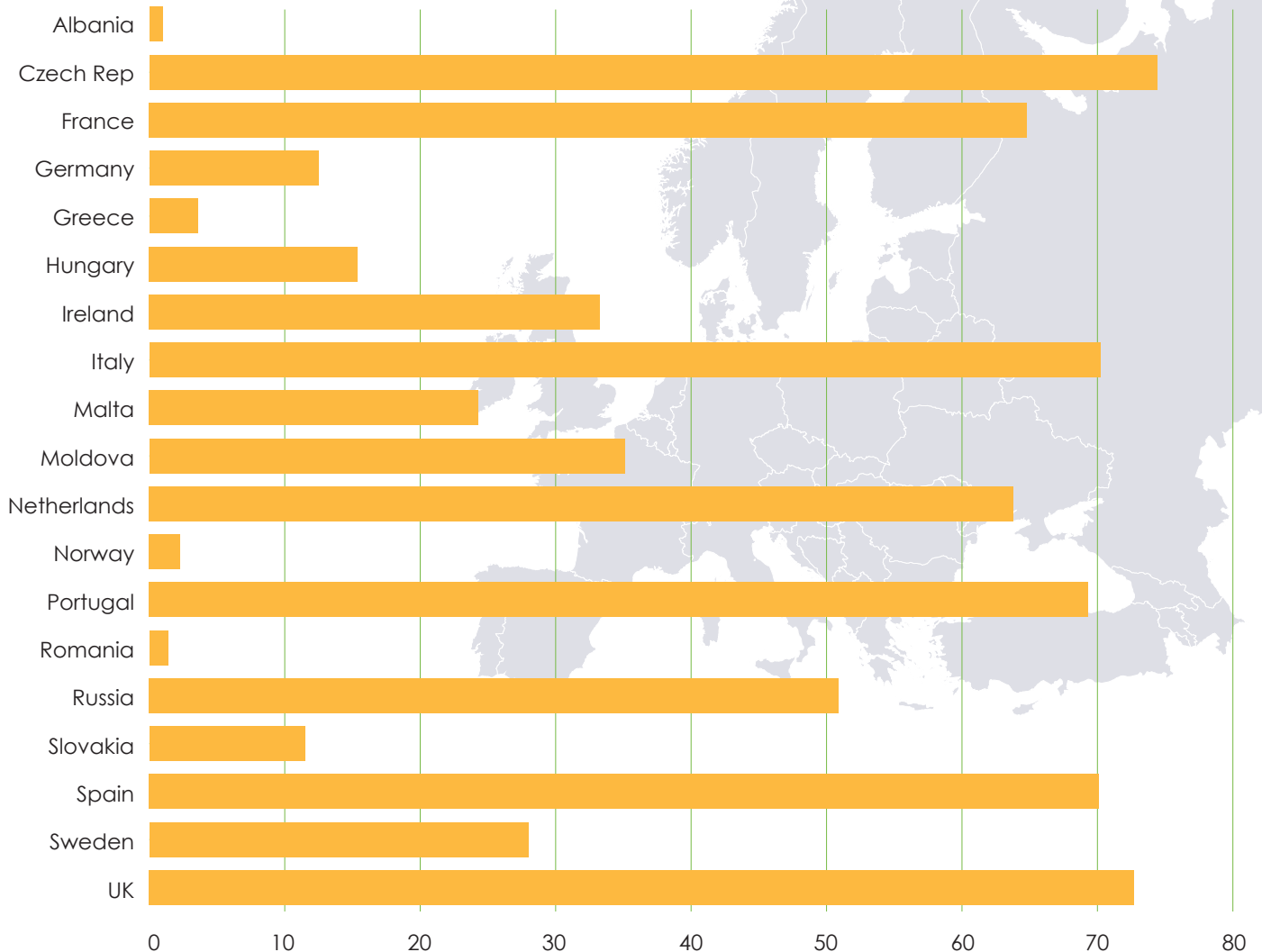
As we have highlighted in both the UK and France, the need for Google Guest is apparent, if only to allow those mobile operators that have launched RCS to kick-on with their RBM discussions with brands and enterprises and present a cross-network user landscape – regardless of how many actual active RCS users there are.

Across the 19 markets, this covers 65 mobile operators, of which 26 have launched RCS, which presents Google Guest a total opportunity of 39 mobile operators.

Based on the markets where RCS has launched, Google Guest will expand the existing RCS user base by an average of 37.1% per market by (an average of 1.6 million) by the end of 2019.

Google Guest adds (%)

Google has told MobileSquared that it will launch Google Guest in a further 10 markets, most likely in Europe, but is yet to confirm which markets. Here, we take a broad look at the impact Google Guest will have in all 19 European markets where P2P RCS has already launched, and the uplift it will have by the end of 2019.





Google Guest uplift snapshot

Albania	
RCS launched	Vodafone Albania
RCS launched	Telekom Albania
Google Guest	Eagle Mobile

Google Guest RCS user base uplift: 2.1%

France	
RCS launched	Free Mobile
RCS launched	Numericable-SFR
Google Guest	Bouygues Telecom
Google Guest	Orange France

Google Guest RCS user base uplift:

Greece	
RCS launched	Vodafone
Google Guest	Cosmote
Google Guest	Wind

Google Guest RCS user base uplift: 3.6%

Ireland	
RCS launched	Vodafone
Google Guest	Eir
Google Guest	Three

Google Guest RCS user base uplift: 33.3%

Malta	
RCS launched	Vodafone
Google Guest	Go
Google Guest	Melita

Google Guest RCS user base uplift: 24.3%

Czech Rep	
RCS launched	Vodafone Czech Republic
Google Guest	O2 Czech Republic
Google Guest	T-Mobile Czech Republic

Google Guest RCS user base uplift: 74.4%

Germany	
RCS launched	T-Mobile
RCS launched	Vodafone
Google Guest	O2

Google Guest RCS user base uplift: 12.5%

Hungary	
RCS launched	Vodafone
RCS launched	T-Mobile
Google Guest	Telenor

Google Guest RCS user base uplift: 15.4%

Italy	
RCS launched	Vodafone
Google Guest	TIM
Google Guest	Wind

Google Guest RCS user base uplift: 70.2%

Moldova	
RCS launched	Orange
Google Guest	Moldtelecom
Google Guest	Moldcell

Google Guest RCS user base uplift: 35.1%



Google Guest uplift snapshot

Netherlands	
RCS launched	Vodafone
Google Guest	KPN Mobile
Google Guest	T-Mobile
Google Guest	Tele2

Google Guest RCS user base uplift: 63.8%

Portugal	
RCS launched	Vodafone
Google Guest	Nos
Google Guest	MEO

Google Guest RCS user base uplift: 69.3%

Russia	
RCS launched	MTS
Google Guest	Tele2
Google Guest	VimpelCom
Google Guest	MegaFon

Google Guest RCS user base uplift: 50.9%

Spain	
RCS launched	Vodafone
Google Guest	Orange
Google Guest	Telefonica Moviles
Google Guest	Yoigo

Google Guest RCS user base uplift: 70.1%

UK	
RCS launched	Vodafone
Google Guest	O2
Google Guest	EE
Google Guest	Three

Google Guest RCS user base uplift:

Norway	
RCS launched	Telenor Mobil
RCS launched	Telia
Google Guest	Ice.Net

Google Guest RCS user base uplift: 2.3%

Romania	
RCS launched	Vodafone
RCS launched	Orange
RCS launched	Telekom
Google Guest	Digi Mobil

Google Guest RCS user base uplift: 1.4%

Slovakia	
RCS launched	Orange
RCS launched	T-Mobile
Google Guest	O2
Google Guest	Swan Mobile

Google Guest RCS user base uplift: 11.5%

Sweden	
RCS launched	Telia
Google Guest	Three
Google Guest	Tele2
Google Guest	Telenor

Google Guest RCS user base uplift: 28%



What happens next?

Then there is the “what happens next”, i.e. the handover of RCS users between Google and mobile operators, as the latter launches their own RCS strategies?

Google has openly said that any RCS users registered to the Google platform via Guest will be transferred back to the mobile operator when they have launched their own RCS platform, provided it is of “comparable quality and experience”.

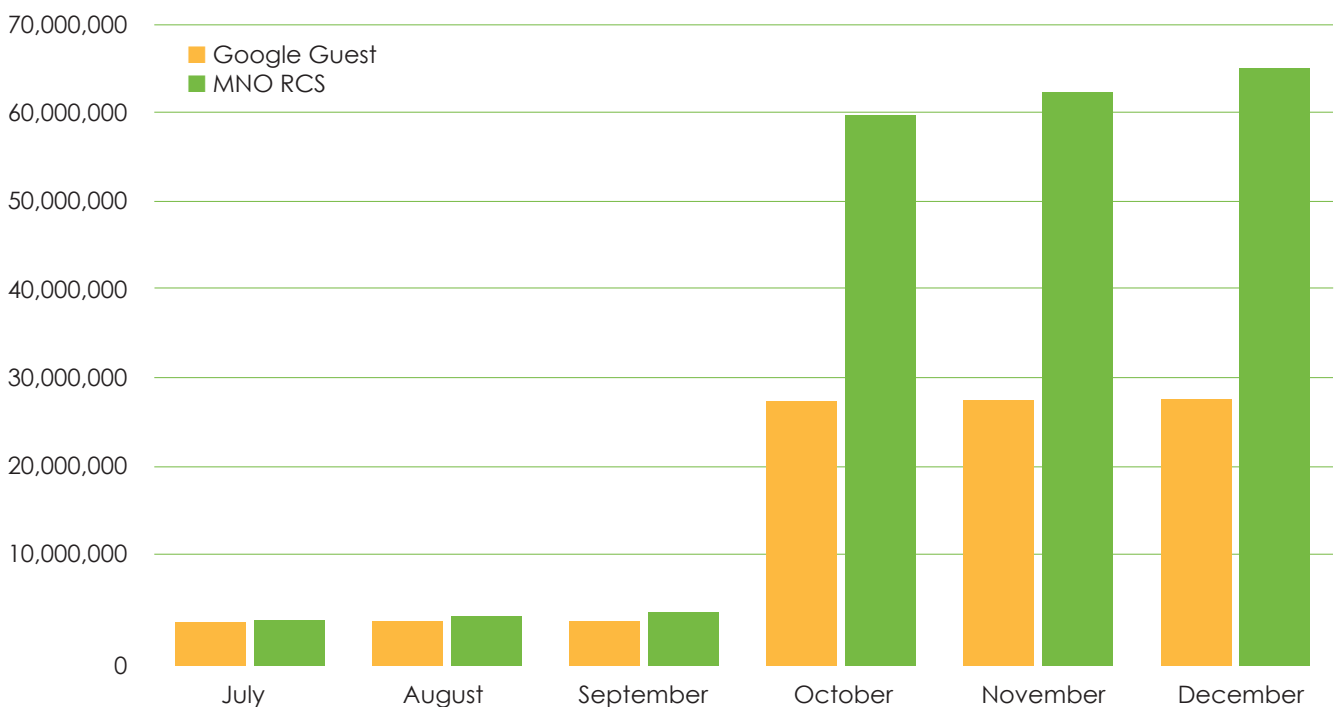
Mobilesquared believes there is an opportunity for a neutral company to oversee this RCS user handover between Google and the mobile operators, to ensure that the mobile operator understands what has to be in place, such as KPIs or an SLA, with regard to RCS, to ensure the transfer of RCS users from Google.

Obviously the overall impact of Google Guest in 2019, and potentially 2020, will depend on the next markets to launch. If Google was to base its rollout on the largest potential markets, it would target Russia, Italy, Spain, Germany, Netherlands, Czech Rep, Portugal and Sweden. By the end of 2019, Google Guest would have activated 29.3 million RCS users across the top 10 markets. And on average, it would have expanded the RCS user base by 44%.

Mobilesquared does not expect Google Guest to have any impact on brand spend. Brand spend on RCS is virtually non-existent this year, and largely experimental in 2020.

We believe Google Guest's period of influence will be until early 2021. By then it would have achieved the goals it looked to address, and that is namely, to kick-start the RCS revolution.

Google Guest impact on RCS, top 10 markets, 2019





Last thoughts

1 Google Guest is good for RCS. It will help those mobile operators that have launched RCS to promote a cross-network platform to brands. And will encourage those mobile operators that are yet to launch to launch. Therefore, Google Guest, is helping the market go GSMA Gold.

2 Mobilesquared expects Google Guest's reign to last not much longer than 18 months. This is the RCS acceleration period – from July 2019 to December 2020 - where the issues that have blighted the platform to date, are tackled, addressed, ironed out. By which point, RCS is ready for the big time, from 2021 onwards.

3 During this RCS acceleration period, brand spend will be limited, therefore, Google Guest will have minimal, if any impact on brand spend. If anything, it will expedite the point at which brands are comfortable paying for RCS campaigns.

4 An agreement needs to be in place between Google and the mobile operators outlining what are the parameters required of the mobile operator, to ensure the successful migration of RCS users from Google to the mobile operator.

During this RCS acceleration period, brand spend will be limited, therefore, Google Guest will have minimal, if any impact on brand spend



Let Mobilesquared help you develop your RCS strategy. We are experts in RCS, and provide Databooks, market reports, analyst insight, and consultancy to identify your exact market opportunity.

Contact

info@mobilesquared.co.uk

+44 (0) 118 2149 777 / +44 (0) 7976 057 052

www.mobilesquared.co.uk

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