

# Taking the Pulse of the Messaging Market Webinar

December 11th , 2023

# SPEAKERS



**JASON MCGEE-ABE**  
Global TMT Lead  
26FIVE Global Lab



**MITCH CUTMORE**  
Senior Consultant  
Global Telco Consult



**NICK LANE**  
Chief Insight Analyst & Founder  
Mobilesquared



**RICARDO MARTINS**  
VP Global Messaging  
iBASIS

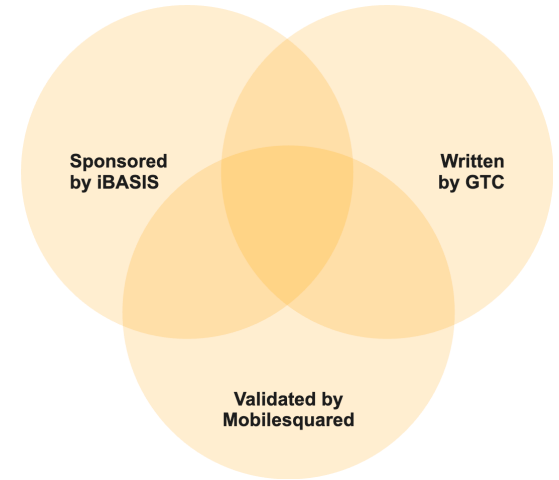
# AGENDA

- METHODOLOGY
- PROBLEMS & CONSEQUENCES
- OPPORTUNITIES FOR OPERATORS
- CONCLUSIONS

# THE WHITE PAPER



- **Identifying the question**  
Understanding what the team wanted to explore
- **Finding the narrative**  
We prepared an outline of how GTC would answer that question
- **Validating our approach**  
Conversations with our network of experts to fact-check our interpretation of the market
- **Connecting the dots**  
Pulling insights together into a coherent narrative linking problems to consequences and opportunities



# THE QUESTION

*Are OTTs helping or hurting SMS?*



*Towards a new balance of power?*

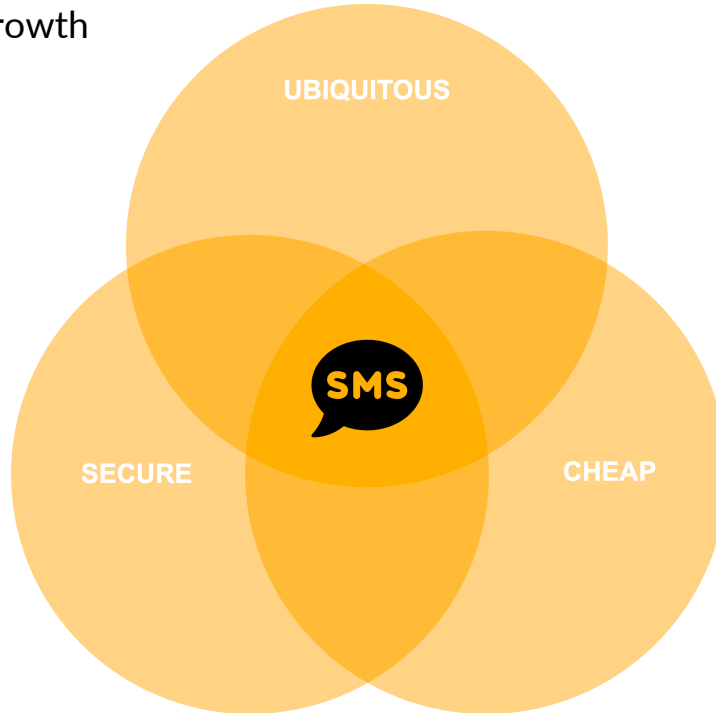


# Problems & Consequences

# THE PROBLEMS

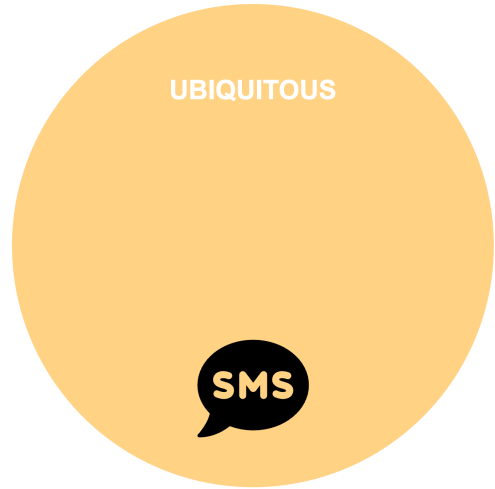
A2P SMS has enjoyed steady growth on a solid foundation.

But *recently*, its reputation has gone from triple threat...

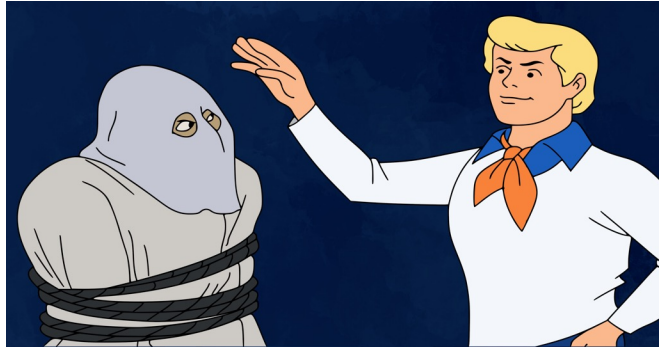


# THE PROBLEMS

...to one-trick pony:







WHO IS HURTING SMS TODAY?

# THE PROBLEMS

- ✓ OTTs have helped SMS massively.
- ✓ OTTs are hurting SMS today *somewhat*.
- ✓ OTTs will hurt SMS revenues more in the future.



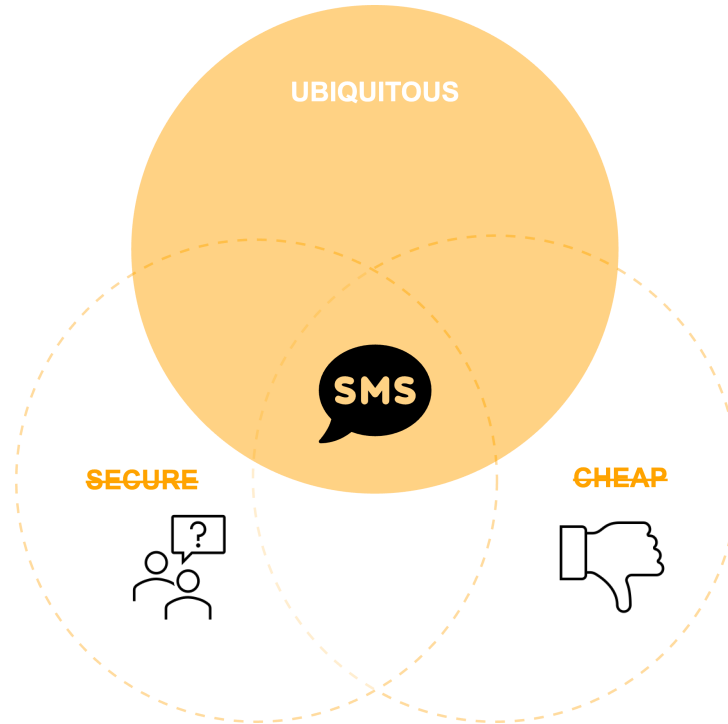
# THE PROBLEMS

## Positive

- ✓ OTTs are spending millions on huge volumes of A2P messaging traffic.
- ✓ Familiarizing consumers worldwide with SMS for multiple use cases.
- ✓ Educating their users on the importance of activating 2FA.

## Negative

- ✓ Reducing the volume of SMS they send to curb spiraling A2P costs.
- ✓ Creating rich messaging channels that compete with SMS.
- ✓ Questioning the channel's security.
- ✓ Finding alternative authentication technologies to replace SMS.
- ✓ Pushing aggregators to offer low price (hence potentially grey routes based) solutions.

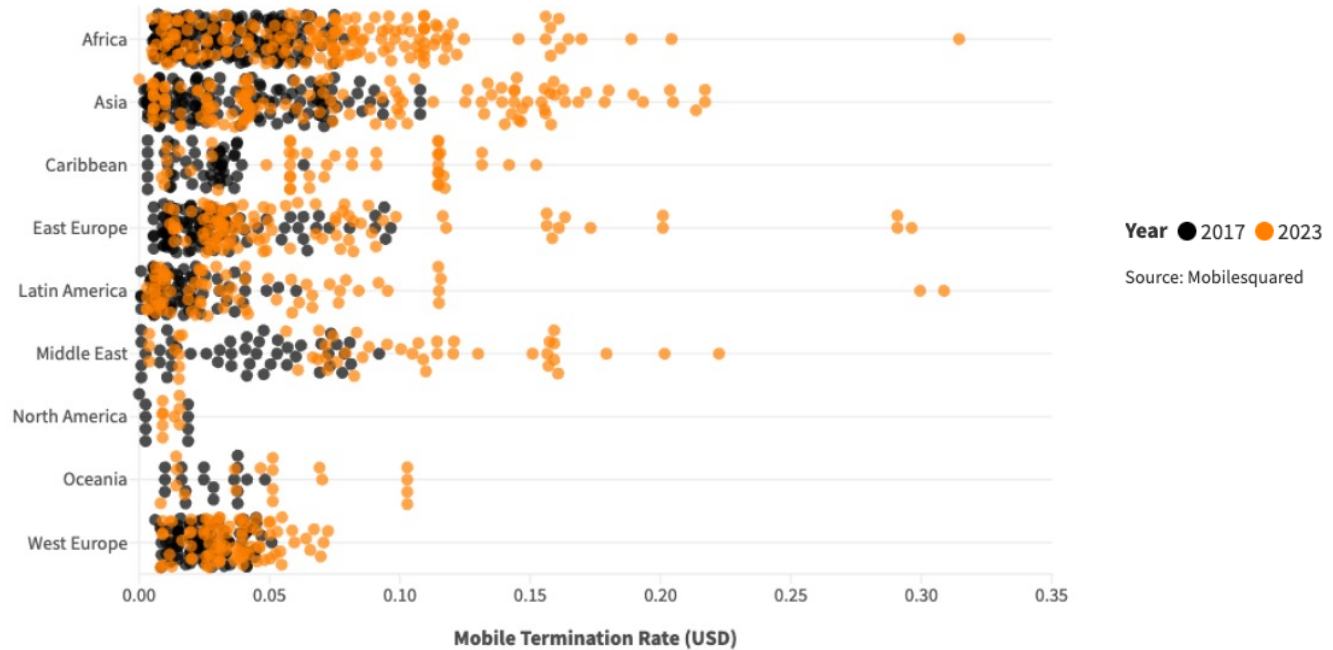


SMS's competitors are quick to question its security and Operators need to address that.

However, Operators control their prices, making this a self-inflicted problem.

## Almost every region has seen operators hike prices since 2017

Comparing operator MTRs in 2023 to 2017 (grouped by region)



# THE CONSEQUENCES

Could more firewalls lead to more fraud?



# THE MISUSE OF MONETIZATION COMMERCIAL MODELS

- Network protection to prevent bypass and fraudulent termination in the network was needed and lead to a natural increase of adoption and implementation of SMS Firewall.
- This step was key to enable MNOs to control and protect their network and subscribers and to monetize the A2P termination rates into their network.
- Impact and evolution of commercial models:

## MODEL A

A Capex|Opex model:

MNO in control of the SMS FW and of the aggregation activity



## MODEL B

No Capex\  
No Opex model:

to install the SMS FW but as trade-off to outsource exclusivity of termination provided to an aggregator with a revenue share model



## MODEL C

More aggressive models:

no Capex\|no Opex but exclusivity of termination provided to an aggregator with unrealistic financial commitment by the aggregator and pre-payment regime

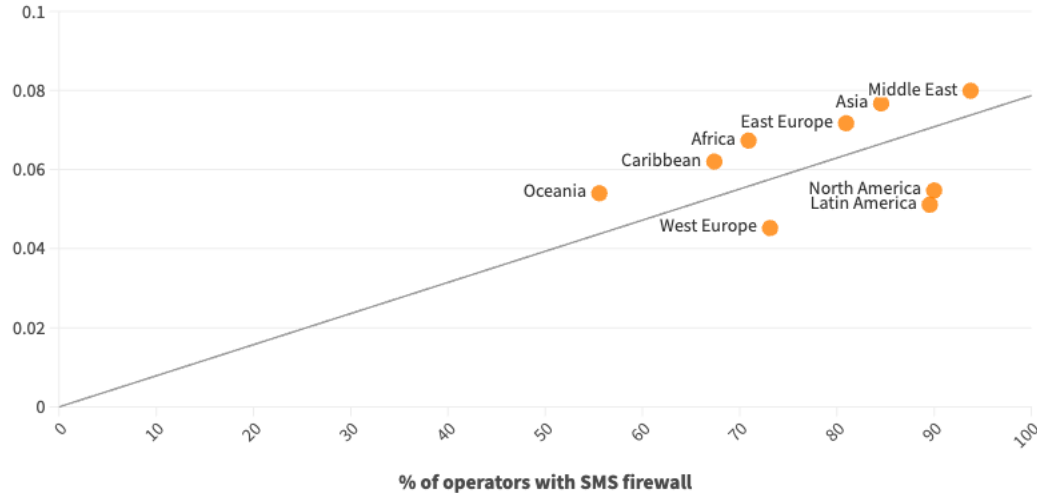
**Significant increase** of the prices for A2P termination in the market, **the rise of artificial inflated traffic** for destinations with high termination prices and/or with exclusive deals in place.

Unsustainable commercial model with impact on the industry – **short term gain vs long term risk on the SMS channel**

## More operators with firewalls lead to higher prices

% operators with FW x Average International MTR

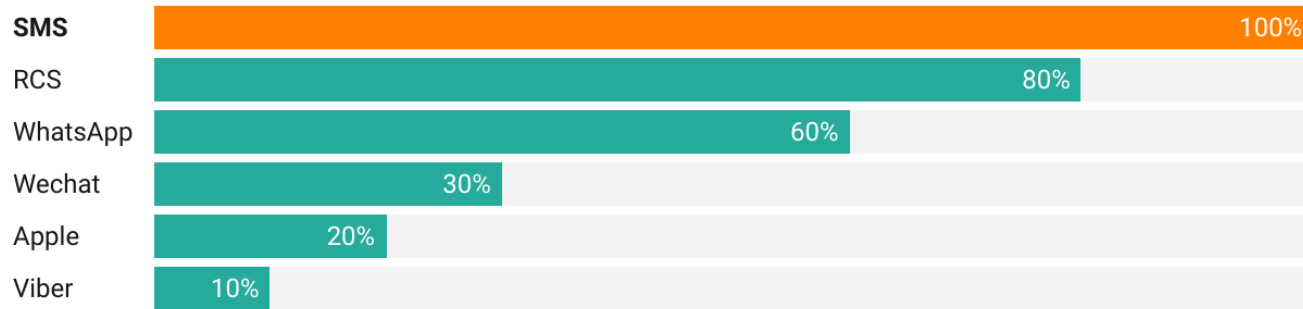
Average MTR for International A2P SMS



Source: Mobilesquared • Global A2P SMS 2017-2027 Report  
p. 36



## Potential Reach of Rich Messaging Channels

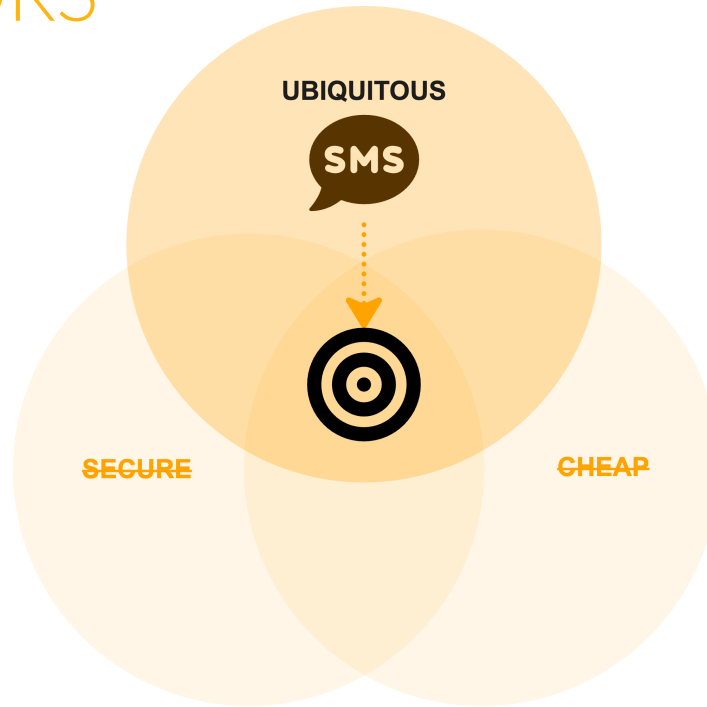


*Compared to SMS via % of Unique Mobile Subscribers*

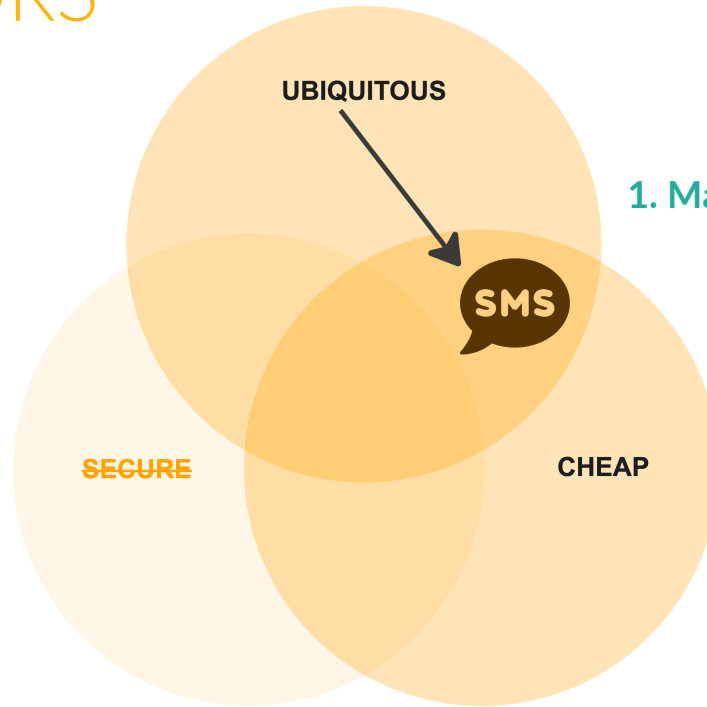
Chart: GTC • Source: Mobilesquared

Mobilesquared states that 'increase in **international termination rates have altered the trajectory of the entire market** and will generate a business spend peak earlier than expected in 2024. The market could still be enjoying significant growth but instead will enter decline.' [...] Mobilesquared estimates that recent developments, mainly price increases, over the past 18-24 months **will have cost the A2P SMS industry \$14.36 billion dollars by 2027.**[2]

# THE OPPORTUNITIES FOR OPERATORS

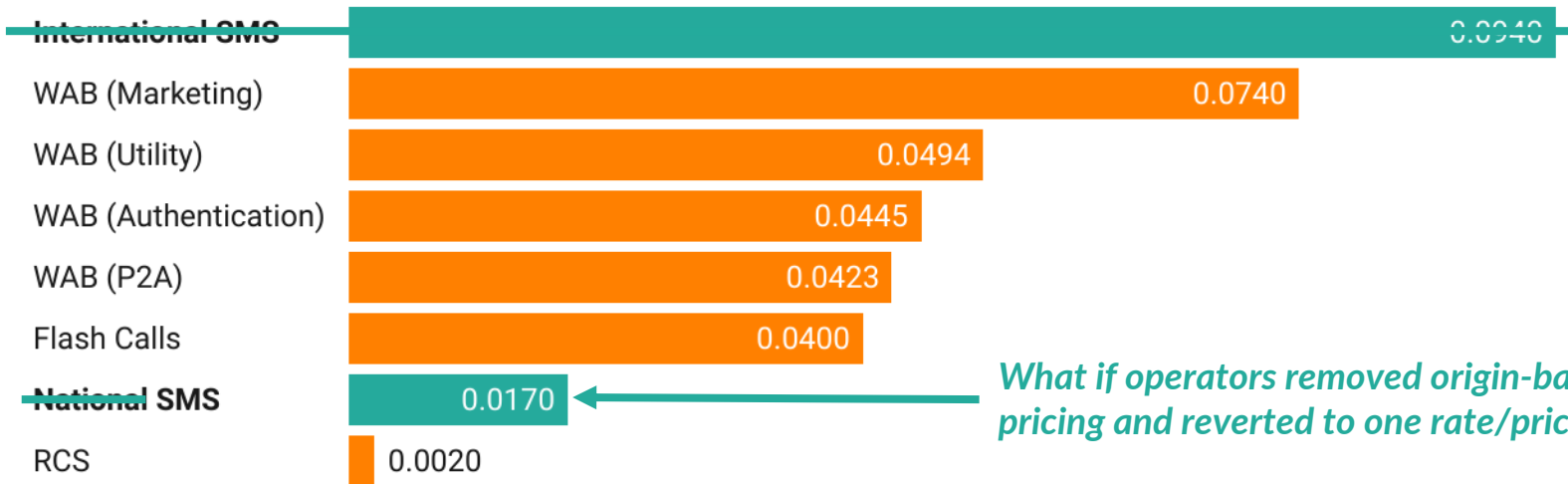


# THE OPPORTUNITIES FOR OPERATORS



1. Make SMS pricing attractive again.

# THE OPPORTUNITIES FOR OPERATORS



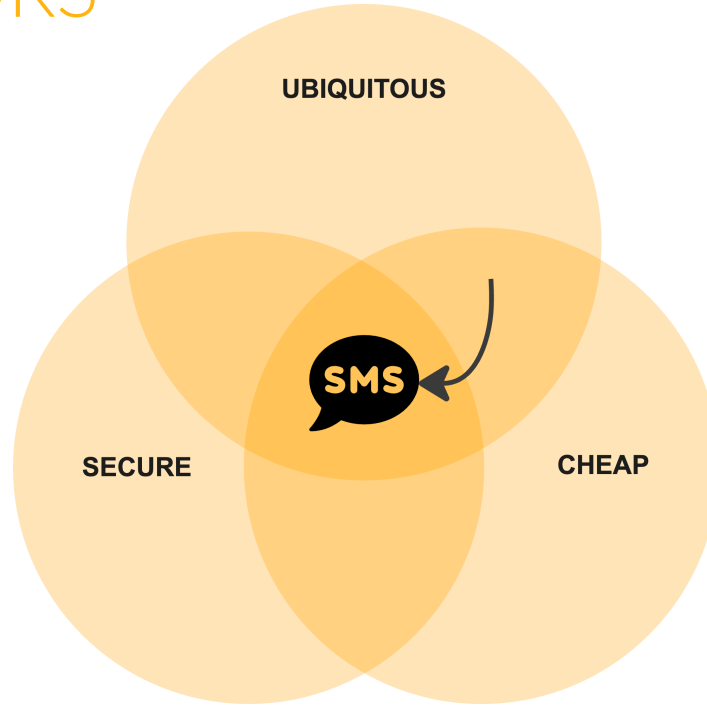
*What if operators removed origin-based pricing and reverted to one rate/price table?*

Termination rates (in USD) to one market in LATAM

Chart: GTC • Source: GTC

# THE OPPORTUNITIES FOR OPERATORS

2) Explore Network APIs to enable stronger & simpler authentication



# CONCLUSION

*Operators are not a pawn in OTTs' game.*

*Operators have lost leverage towards OTTs by driving enterprises away with their prices and misuse of commercial models.*



*Operators can still make adjustments to their monetization strategy to retain value of SMS channel .*

*The industry attention, and renewed demand, could also drum up interest for RCS as a next-generation operator channel.*

**iBASIS**  
POWERED BY TOFANE

BE THERE FIRST



**THANK YOU**