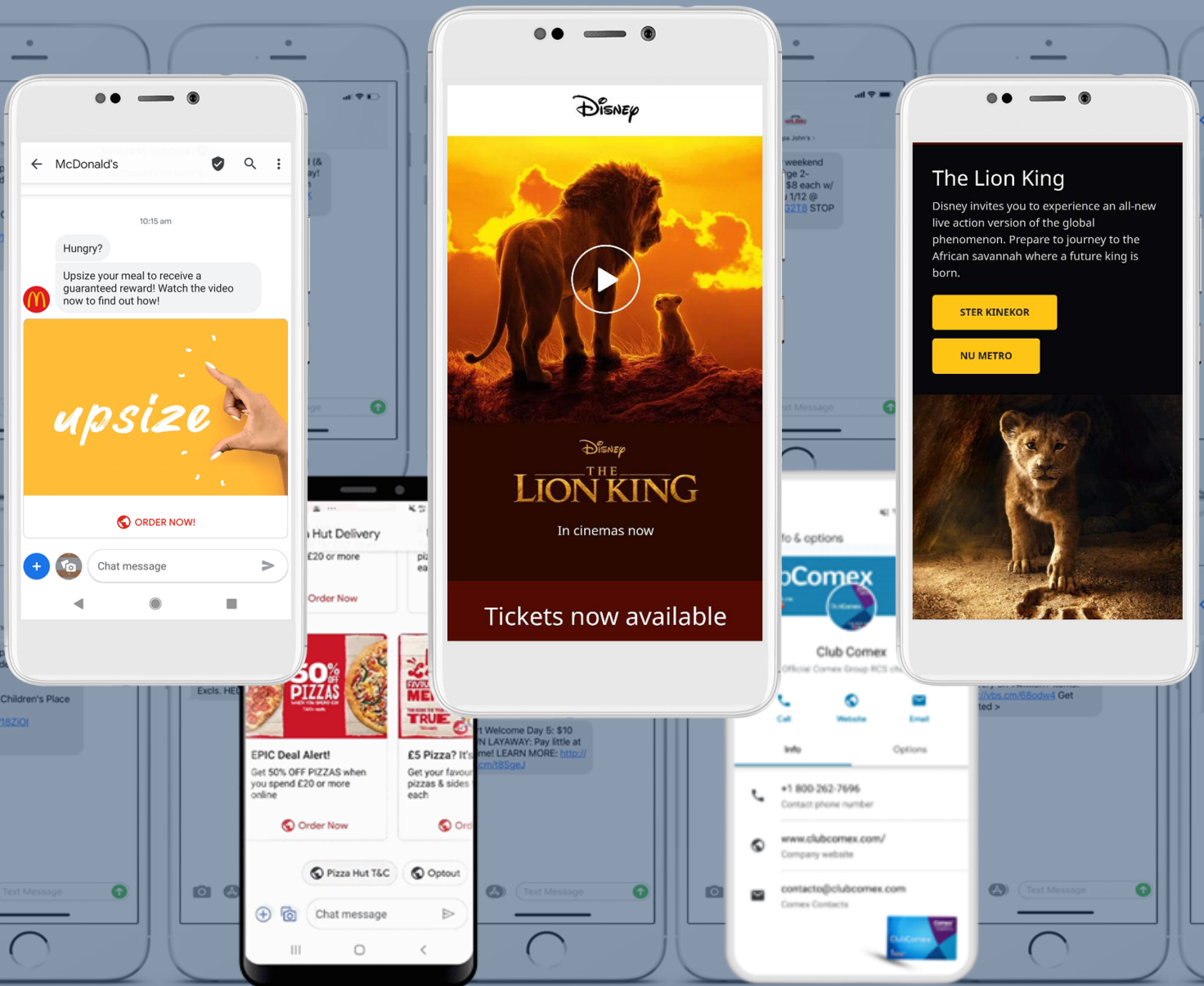


RCS

Rich Communication Services

THE GAME CHANGER THE INDUSTRY HAS BEEN WAITING FOR



Published November 2020 by

 **Mobilesquared**
Communicating data

In association with

 **OutThere**
media

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Executive Summary

- RCS (which stands for Rich Communication Services) has been developed by the mobile operator community as a highly engaging, extremely interactive digital messaging platform to provide a trusted, secure and safe channel for brands to connect with consumers.
- RCS campaigns deliver unprecedented levels of customer targeting and 100% viewability to the brands.
- Campaigns already run on RCS are encouraging brands to start moving their digital spend away from ineffective digital channels on to this new powerhouse of a medium.
- Maintaining spend on ineffective digital channels will see brands waste \$70.7 billion of their digital media budget on banner ads in 2020 – based on a 0.1% global average click-through rate. Brands would cumulatively waste \$917.2 billion on banner ads between 2018 and 2028 unless they change their budget allocation.
- RCS is set to become the single biggest medium in the world. By the end of 2020, RCS will achieve scale of 0.7 billion users, reaching 17% of total smartphones globally, and twice as big as Twitter – which every brand uses. It will become a 1 billion user platform in 2021.
- MobileSquared calculates that RCS campaigns for McDonald's and Disney in South Africa generated an average ROI of approximately 207% (two hundred and seven percent).
- By the end of our extended forecast period in 2028, a significant proportion of the 4.89 billion Android devices globally will be RCS users (3.7 billion). At which point, brands will be able to reach 61% of total smartphone users via RCS, this is twofold of what Google or Facebook can reach today. Just like SMS today, RCS will offer universality.
- Brands will spend \$52.5 billion on RCS by 2028, equaling approximately 16% of total digital ad spend today.
- Brands cannot afford to invest in digital channels that deliver an extremely poor return on investment, such as banners for example. They should adopt the next generation of channels where their customers are spending a considerable proportion of their mobile time – in interactive messaging, and on RCS in particular.

Introduction

RCS stands for Rich Communication Services. It is the new standard of messaging owned by the mobile operators in the world providing a native, secure, and trusted environment that turns messaging into an interactive, actionable, feature-rich experience. Brands using RCS will be able to deliver rich media, send high-resolution images and videos, use chatbots, send file transfers, process payments, use location, and much, much more.

RCS delivers a highly engaging, extremely interactive digital platform right into the hand of the consumer, that will open up a two-way dialogue, drive purchases, sell upgrades, generate footfall into stores, assist product research, solve enquiries, aid customer care, you name it, RCS can do it all. And it can do all of this while keeping the customer in the RCS environment. But more than that, it will deliver an unprecedented return on investment that brands have never experienced over any other channel to date.

From a caterpillar to a butterfly

When a mobile operator launches its RCS platform, every subscriber with a relevant device will automatically upgrade from SMS to RCS. RCS combines the reach and universality of SMS with the richness of an app with the power and interactivity of messaging apps like WhatsApp, iMessage and Facebook Messenger, directly to the native messaging app built into the smartphone.

The transition from SMS to RCS happens seamlessly. The consumer does not have to do anything, no downloads, no registrations, nothing! so a device that was SMS one day will be converted to RCS overnight. It is the classic caterpillar-to-cocoon-to-butterfly story.

What's more, it has been specifically designed for brand-to-consumer (B2C) engagement.



Messaging is the new internet and the new social media

Messaging will overtake the mobile internet – and probably the internet including social media, as the go-to channel used by brands to communicate with consumers. Today, there are more than 3.5 billion mobile internet users, in fact, there are more mobile internet users than desktop internet users. When the mobile internet hit scale, it became ‘a thing’. Brands fell for the mobile internet’s charms because smartphones put more people online, more frequently, regardless of their location, and this provided another window of opportunity to connect with consumers.

But the problem with the internet (mobile or not), is that the consumer has to be on a particular website on a certain page to be served an ad. In today’s online world, multiple ads are being served on a single page (often in a very crass and intrusive way) delivering a very poor experience to that user. And more importantly, viewability and brand safety are often poor to non-existing.

Not surprisingly, consumers have become savvy to the over-abundance of advertising that now exists on the internet and have developed an internet advertising immune system (banner blindness). With click-thru rates on banner ads now down at an average of 0.1% and falling, connecting to a consumer via the internet has become increasingly difficult. Brands continue to invest big dollars in the channel -- as we shall reveal in the report -- but it must be with a certain amount of trepidation knowing that \$99.9 of every \$100 is wasted.

This is not the case with messaging. A message delivered when the consumer’s device is locked will sit on the locked screen. A user does not have to do anything to see if the message is from McDonald’s or Disney or any brand. It’s there simply waiting for them to open it. What’s more, messaging not only provides the reach but can target the user based on age, spend, mobile spend, and so on.

Not only do brands need to divest in channels that are not delivering an ROI for them, but they need to go where their customers are. And that is messaging – actually rich messaging - and that is why it is being heralded as the new internet.

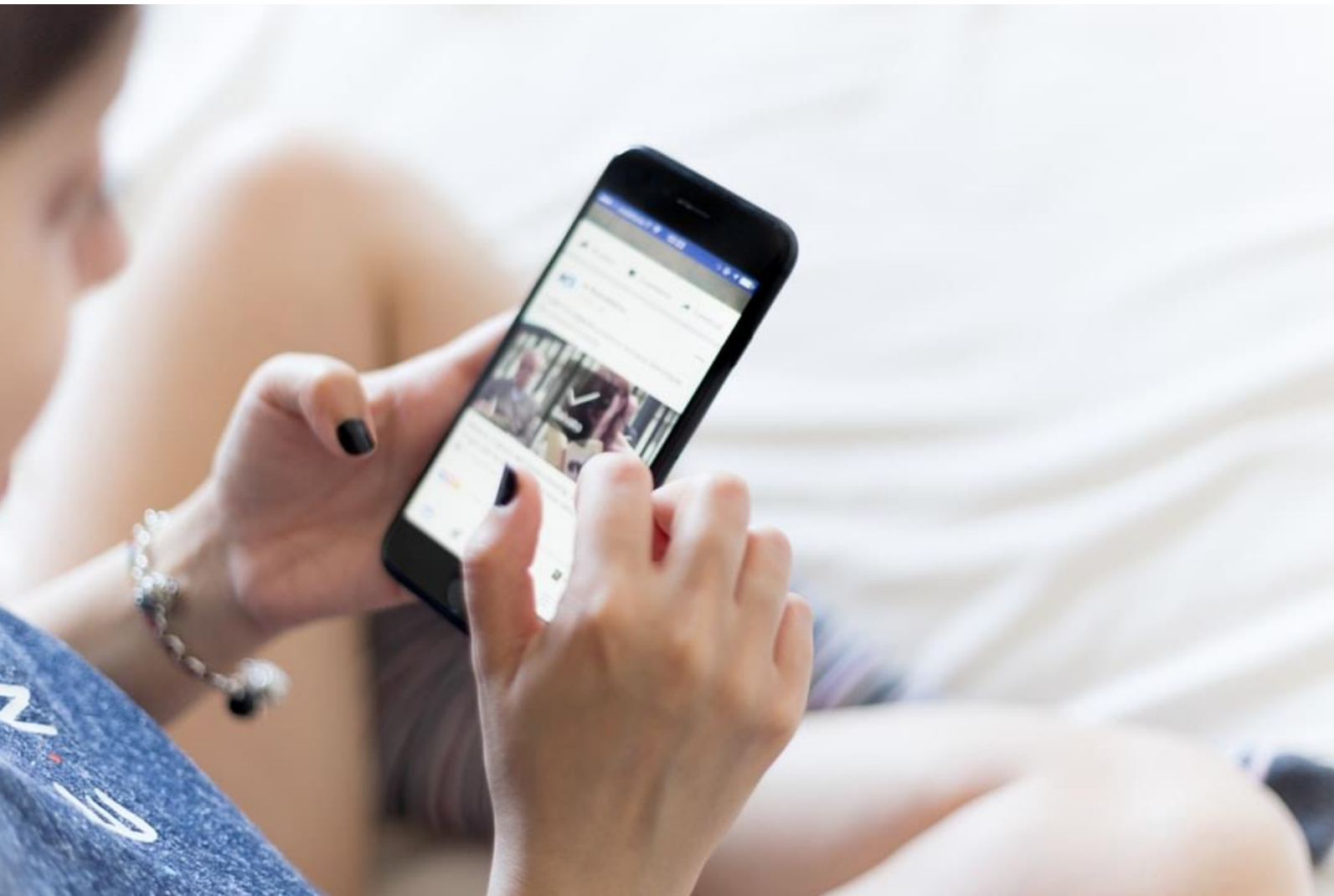
The number of rich messaging users globally is now on par with the mobile internet, and people are spending an increasing share of their mobile time chatting on messaging apps. Brands must find ways of utilizing rich

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messaging channels in a non-intrusive and brand empowering way in order to become an intrinsic element of these chats.

WeChat in China is the prime example of a messaging channel becoming a platform, with an abundance of mini-programs (apps) available for its 1.15 billion users to play with, shop, purchase, donate, and so on. Its users send over 45 billion messages a day, and their daily activity on the platform accounts for more than one-third of China's data traffic. Perhaps the key stat of them all, is that over 900 million users make a purchase at least once a month, with the messaging app alone driving \$50 billion into the Chinese economy in 2017^[1].

If brands around the world can replicate the success of WeChat on RCS, it could potentially drive the greatest shift in digital spending that the mobile internet is yet to have experienced.



^[1]Source: <https://www.businessofapps.com/data/wechat-statistics/>

Why is there a need for a new channel?

Why do brands need to assess and evaluate how effective their digital media spend is? Simply put, a medium that once worked well can become tired and obsolete, and that is what's happening in certain parts of digital. Brands also need to be where their customers are. And with messaging becoming the new internet (and social media), brands need to respond quickly.

Every year brands are wasting billions of dollars from their digital media budgets on digital advertising campaigns that yield a minuscule return. In fact, of every \$1 million spent on banner advertising, a lowly average CTR of 0.1%^[1] or \$1,000 is effectively generating a return on investment for each brand, which means \$999,999 is wasted.

This is not, and should not be, sustainable for any brand actively pursuing digital campaigns, especially when considering the universality and targeting of channels, such as messaging, that are now available. In the early days of digital advertising, banners achieved reasonable effectiveness, but their heyday has long since past, and new channels present new and exciting opportunities.

RCS is perhaps the most exciting channel of all. It stands for Rich Communication Services and is a native digital messaging channel dedicated to brand-consumer communication developed and built by the mobile operator community. Just like SMS, mobile operators own the business messaging space and are now extending their presence into digital messaging with RCS to ward off the likes of WhatsApp and Facebook Messenger.

As this report will show, brand campaigns on RCS are already outperforming existing channels by over 207% (two hundred and seven percent). We are only at the start of the RCS journey, but it is already attracting major brands like McDonald's, Subway, Disney, Virgin Trains, Pizza Hut, Papa Johns to name just a few, as they look to make more effective use of their digital media budgets. The effectiveness and reach of RCS have also been recognized by global non-governmental organizations (NGOs) such as the United Nations and the World Health Organization who have started running campaigns across multiple markets during 2020.

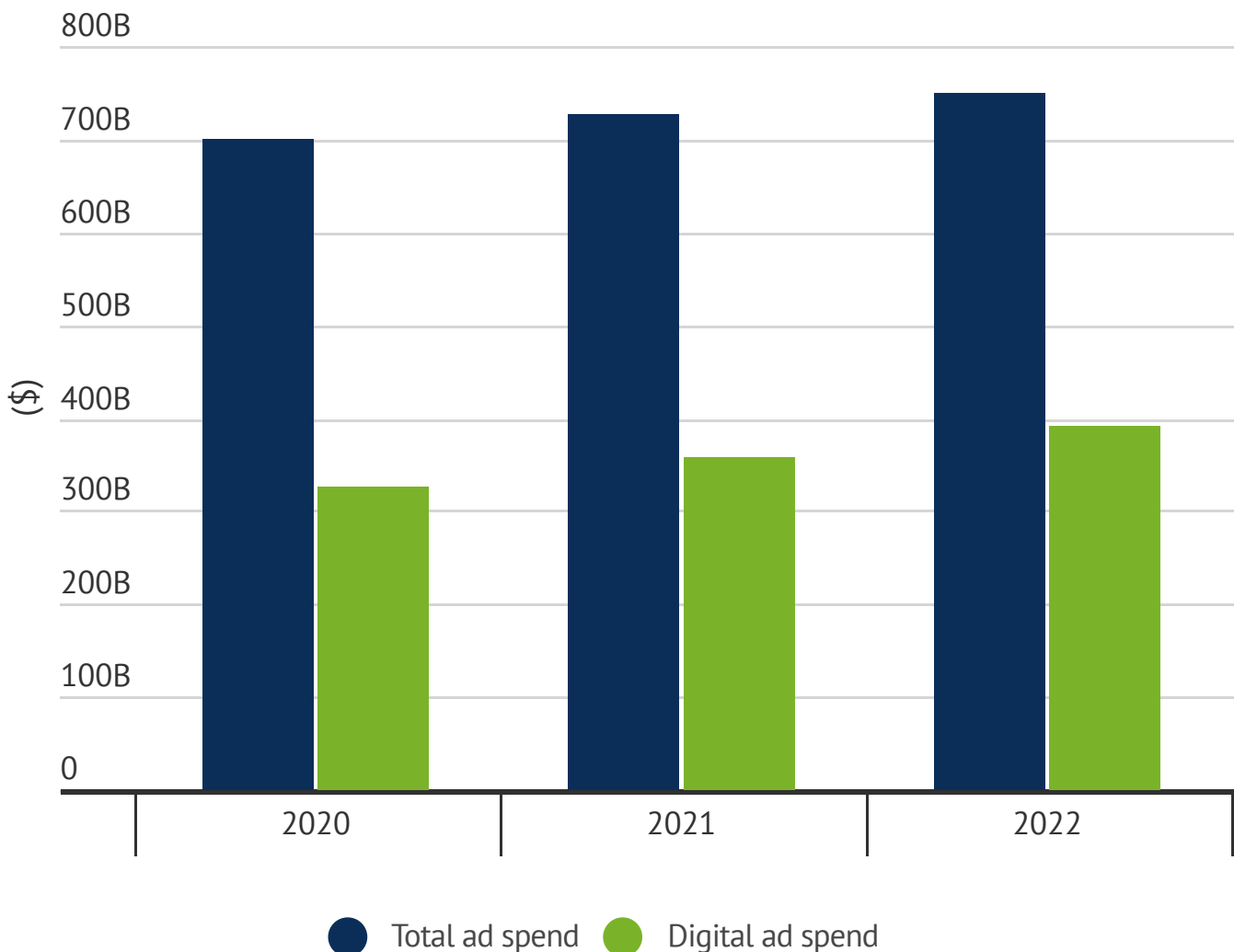
[1]Source: <https://www.acquisio.com/blog/agency/what-is-a-good-click-through-rate-ctr/#:~:text=The%20average%20CTR%20for%20a,lt%20sits%20somewhere%20around%200.1%25.>

Putting a little perspective on things

Brands are expected to spend \$700 billion on global advertising in 2020, rising to \$727.3 billion in 2021 and \$749.8 billion in 2022^[1]. Digital advertising spend is expected to account for 47% of total spend in 2020, approximately 49% in 2021 and 52% in 2022. In total, between 61%-74% of digital ad spend is controlled by 7 companies, which corresponds to an estimated 70% of the digital spend based on the GroupM data, with Facebook and Google currently taking the lion share^[2].

For so few companies to dominate one landscape is not a healthy environment for digital advertising to operate in, with a clear need for alternative channels to try and dismantle the dominance exerted by Facebook and Google in particular.

Fig 1: Global advertising spend (\$)



^[1] This Year, Next Year Worldwide Media Forecasts report, published by GroupM December 2019

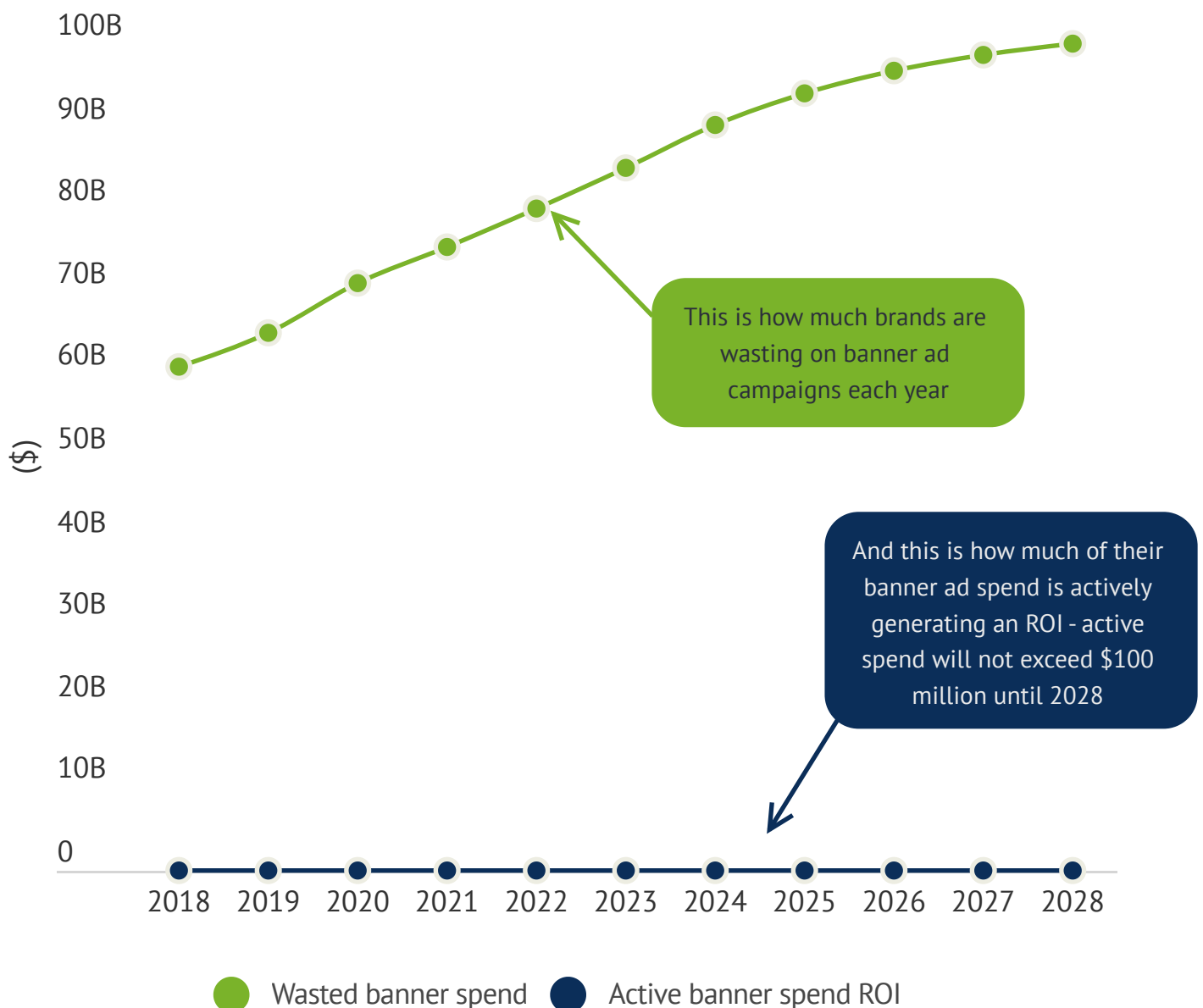
^[2] The other 5 of the big 7 companies are: Microsoft, Amazon, Twitter, Verizon and Snap

Of the projected total digital spend in 2020, banner ads will account for 22%, dropping to 20% by 2022, and will continue to fall throughout the extended forecast period to 2028.

According to Mobilesquared forecasts, brands will spend \$70.8 billion in 2020 on banner ads, and with just 0.1% of that budget actively working for brands, they will be wasting \$70.7 billion. Assuming the 0.1% actionable rate remains constant over the forecast period, brands will cumulatively waste \$917.2 billion on banner ads between 2018 and 2028.

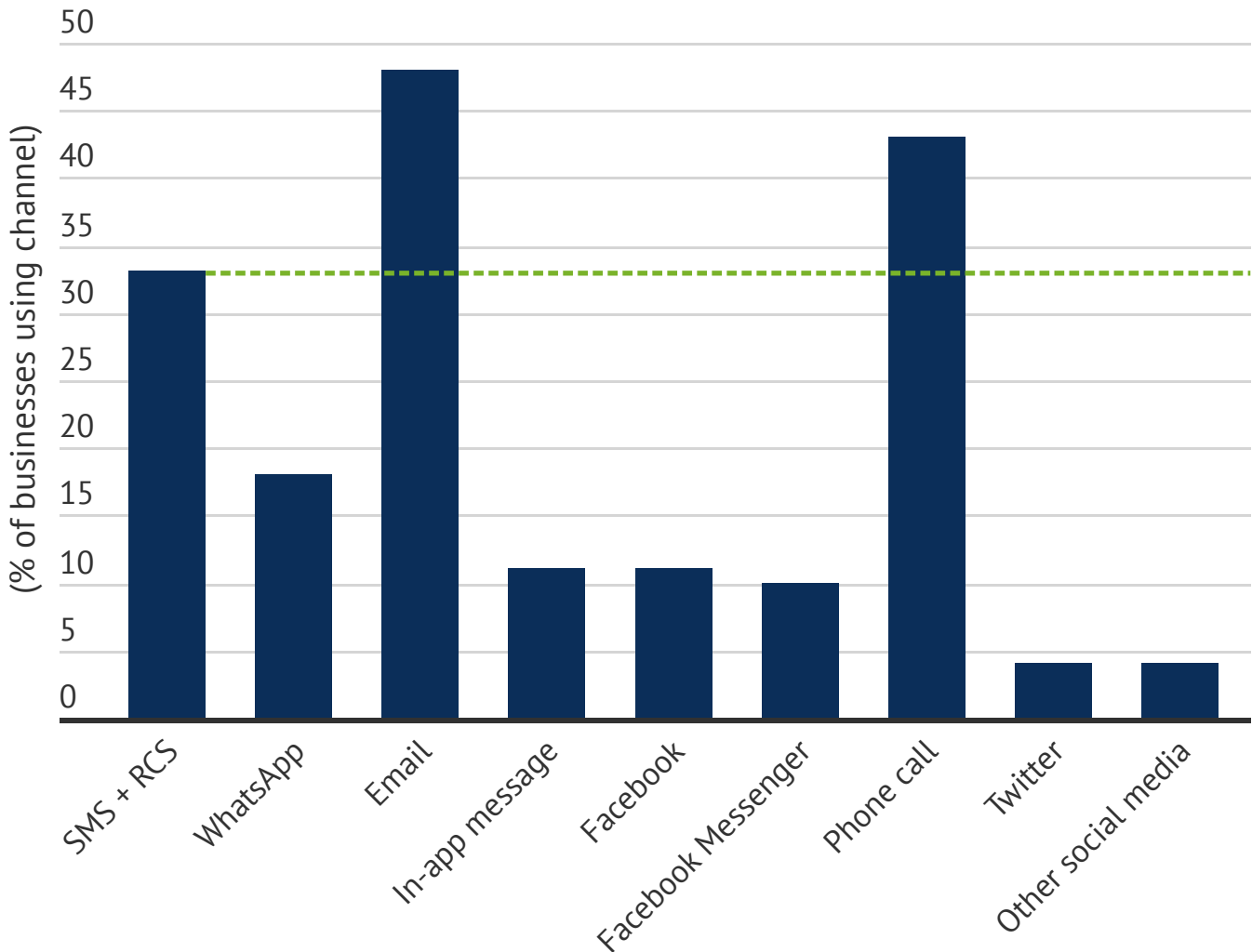
To visualise the impact of this wastage of total brand spend on banner ads, we have had to use a logarithmic scale chart to highlight how much of banner spend actually works for the brands.

Fig 2: Wasted digital brand spend (\$)



Despite brands continuing to spend half of their digital spend on Facebook, just 11% and 10% of consumers actually want brands to communicate with them via Facebook or Facebook Messenger, respectively. Consumer research revealed that business messaging (consisting of SMS and RCS) was the third most preferred channel for a brand to communicate with them in 2020, behind the old school choices of email and voice.

Fig 3: The omnichannel world of 2020



Consumers now recognize the value and appeal of messaging as a trusted channel by which they can communicate with their chosen brands. Equally, brands will focus their spend on the channels that provide them with the most access to their customers. The mobile internet provides access to billions of users, but they have become immune to banner ads and exercise banner blindness. Banners have had their day. Ad fraud has also blighted the banner marketplace, where 70% of impressions are created by bots and not genuine clicks from humans.

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As a trusted mobile operator channel, RCS is clean and free from fraud, providing 100% brand safety following a thorough verification process.

Brands need to shift digital spend onto channels that will actively deliver a return on investment. RCS is not only extremely compelling, it will revolutionise how brands communicate with their customers.

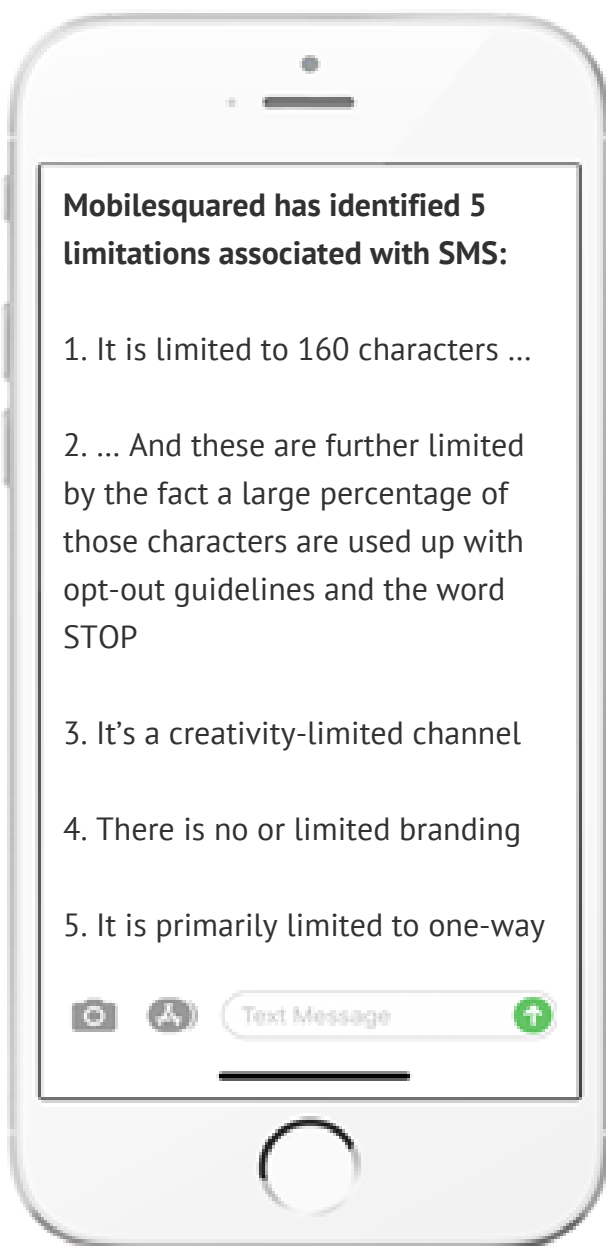
It is the game changer the industry has been waiting for.

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The evolution of messaging

RCS is the evolution of SMS. Brands love SMS because it is a native app that commands a 98% open rate and 90% of all messages are read within 3 minutes^[1]. For brands delivering simple communications with customers, there is nothing better than SMS. But SMS comes with a number of limitations, which is why brands view SMS as merely functional. Going from SMS to RCS is the equivalent of going from black & white TV to UHD 4K TV almost overnight, without the consumer having to do anything, as the upgrade from SMS to RCS on the device will be done automatically.

Fig 4: The humble SMS



As Fig 4 shows, SMS is functional with its 160 characters providing limited scope for creativity. Any response mechanism to the message will direct the user to an alternative channel – in this instance a URL but it could also be a phone number. The message also has to contain links to any terms and conditions applied to that particular campaign, as well as providing the user with the option to opt out, which in the case of the message shown, requires the user to type in a separate number. There is also little data that can be shared with a brand outlining consumer activity in response to the campaign. So as far as getting a simple message to a consumer, SMS is absolutely fantastic, but beyond that it is in need of an upgrade. RCS is that "upgrade", and more.

[1] Source: Conversational Advertising report published by Mobilesquared in 2010

The USP of RCS

RCS has been purpose-built by mobile operators for brands to hold rich communications with consumers in a trusted environment. These communications can range from one-off messages to full-blown rich and interactive conversations. With RCS, brands can have a permanent presence within the channel, with a homepage similar to that used on social media providing key information in brand colours and company logo.

The message template is also branded, with the company name and/or logo at the top of the message. This will sit alongside a verification stamp to confirm that the message is a genuine branded communication.

Within the body of the template, a brand can opt to send a text-only message, can include an image, embed a video (up to 20MB), include a rich card, or a carousel with multiple rich cards for the consumer to browse through.

Fig 5: The key benefits of RCS



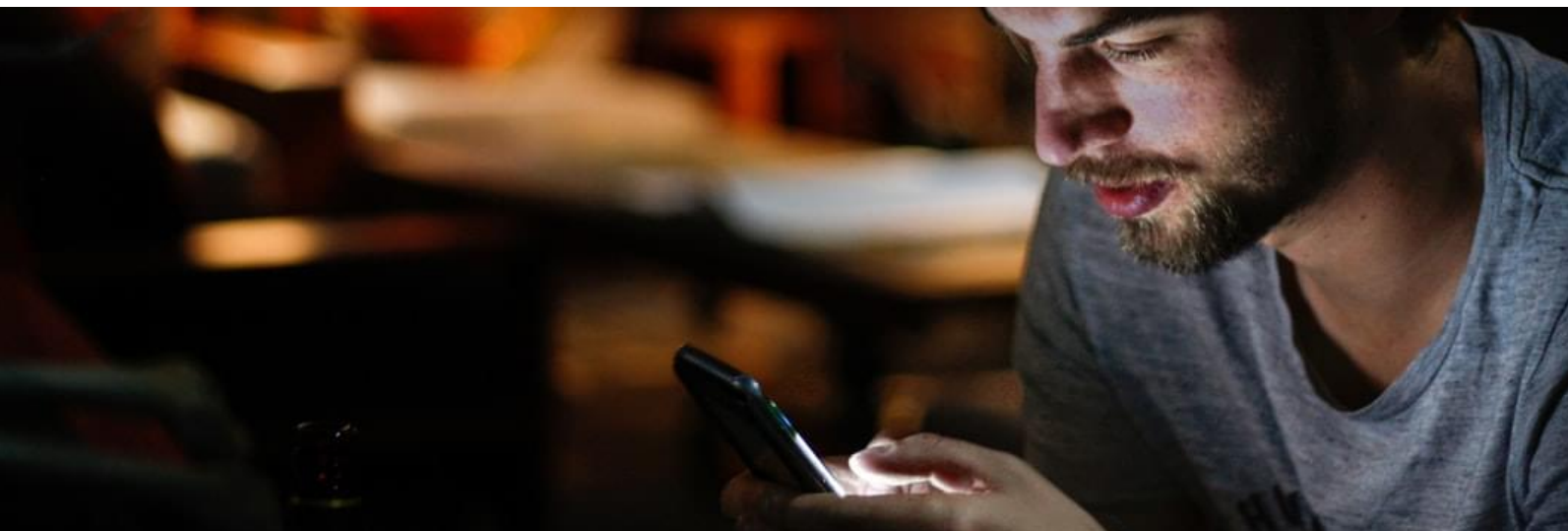
As part of the template, below the content of the message are buttons. These are designed to be frictionless buttons to encourage the user to respond to the brand and start an engagement. The buttons can also be used for one-click purchases, delivering a seamless transactional feature to the consumer - another feature that will deliver an unprecedented ROI to the brand.

RCS also provides brands with the level of metrics they have become accustomed to receiving for digital campaigns. Such metrics on RCS include delivery when the message was read, how long did the user spend on the message, as well as any interactions.

RCS has been designed to deliver a personalized experience that keeps the user within the ecosystem so that the entire journey from delivery of the initial message to the engagement and interaction stays within a brand's RCS feed. Keeping consumers in the same channel during their path to purchase will see drop-offs limited compared to other channels that force the consumer to switch mediums to complete a transaction.

In any case, as a feature-rich channel, RCS includes deep-link capability which means that a conversation can move from the existing RCS channel straight into an app or to open a website URL – and back again, should the need arise. RCS can also be used as an entry point to other parts of the phone, such as opening maps in a pre-specified location, and can link appointment reminders to the calendar.

Aside from its performance, from a functionality standpoint, this makes RCS extremely attractive to brands. What's more, the addition of chatbots to the channel ensures a brand can integrate conversational artificial intelligence (AI) and natural language processing (NLP) into its RCS feed. This means a brand can use AI to potentially deal with all inbound traffic, from one inquiry to thousands, simultaneously, and within seconds. This delivers a personalized, emotional experience that drives responsiveness, and a highly engaging experience for each and every consumer.



Unleashing the power of RCS

Case studies from RCS campaigns featuring major brands show results that are unprecedented compared to other digital channels. Two of the most talked-about campaigns were delivered by Out There Media (OTM) - using OTMs' Mobucks platform - via Vodafone (Vodacom) in South Africa for McDonald's and Disney in collaboration with OMD, part of the Omnicom Group.

While not all campaign details have been made public, Out There Media has shared some key data points with MobileSquared; enough for us to model campaign results based on our RCS pricing model (see Appendix).

McDonald's case study

If we look at the McDonald's case study first, this was a video RCS messaging campaign with a link to the McDelivery page, boosting awareness on how to get "rewards" by upscaling your McDonald's meals as well as boosting orders of McDonald's meals.

RCS users received an RCS message with the McDonald's "How to" rewards video and a link to the McDelivery page. The 31-second video shared with the users did not "eat" into their data plan.

Out There Media leveraged its mobile operator partners opted-in UP 2.0. RCS-enabled Android smartphone users in the Vodafone/Vodacom database for the campaign in South Africa.

With the message and video going straight into the RCS inbox of a user, the read/viewed rate was 73.2%, with 2.5% of these users clicking on the 'Order Now' button and placing their order. And of these users, the on-going engagement rate with McDonald's was 44% as they continued their journey to select the McDelivery component and ensure their food was delivered to them.

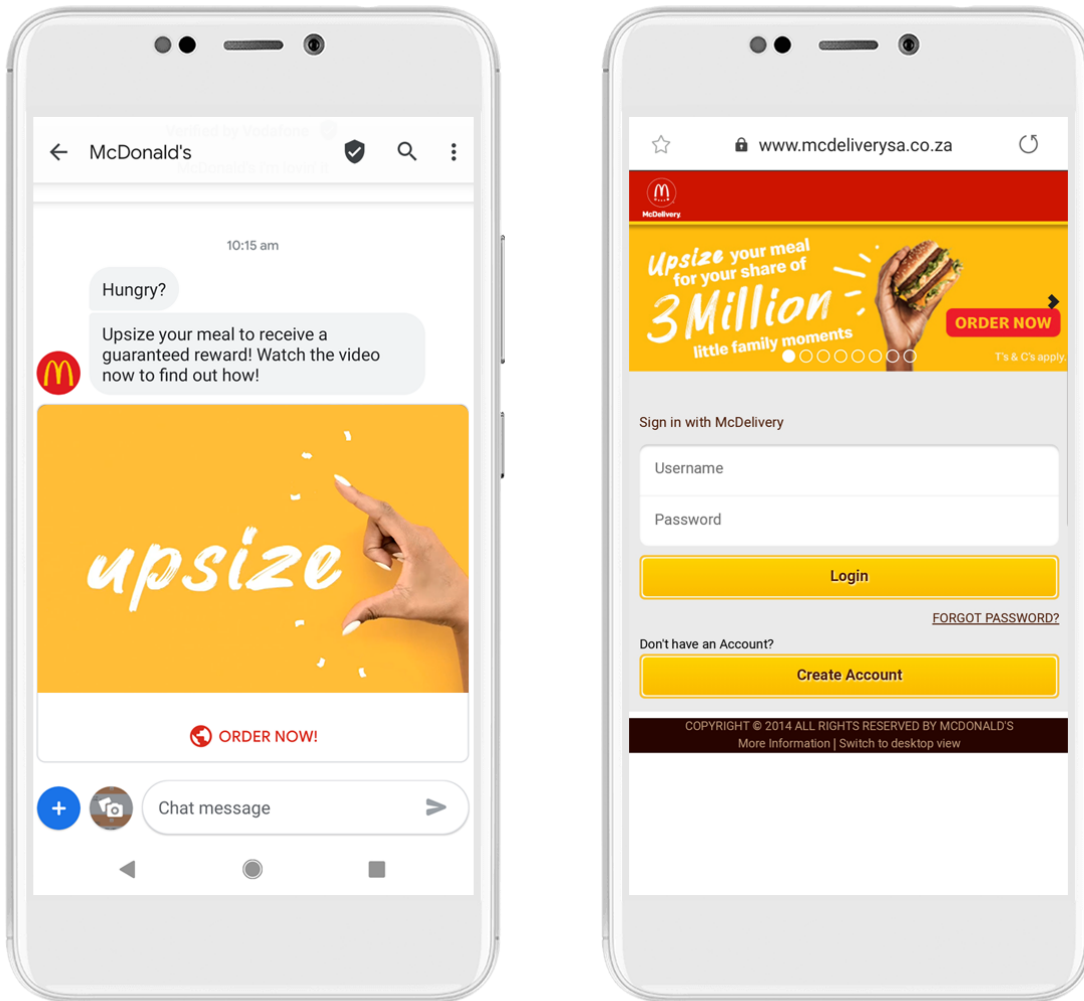
Out There Media (OTM) is a leading mobile advertising and data monetization company that uniquely links mobile operators with advertisers via its proprietary, award-winning technology, Mobucks™.

Mobucks™ enables mobile operators to monetize their data, assets and subscriber bases enabling brands and agencies to reach their audiences in a highly targeted manner leading to unprecedented levels of consumer engagement.

On the advertisers' side, OTM works with Fortune 500 companies such as Unilever, Pepsi, Nestle, L'Oreal, Coca Cola, P&G. On the mobile operators' side - whom OTM also helps to collect opt-ins if required - OTM works with leading companies such as Vodafone, Vodacom, MTN, Zain, StarHub, O2, Orange, Indosat and many more.



Fig 6: McDelivery McDonald's "Rewards" RCS campaign



In analysing the success and ROI of this campaign, Mobilesquared will make two assumptions: Firstly, that 200,000 RCS messages were sent out, and secondly, that each message costs R0.8 for a targeted RCS campaign.

The campaign experienced a read rate of 73.2%, which means 146,443 users would have read/viewed the video, with 2.5% of these users completing the journey and making an order, in other words 3,617 recipients ordered food. What is more, 44% of these users (1,592) continued to then book a McDelivery.

The cost to send 200,000 RCSs would have been R160,000 (US\$10,500). Mobilesquared has applied an average spend per order of R100, with a set delivery charge of R10 per order. Spend on the back of the campaign was R361,714, with an additional R15,915 generated from deliveries. In total McDonald's generated revenue of R377,620, or a profit of R217,630. This would represent an ROI of 136% (one hundred and thirty-six percent).

Fig 7: McDelivery McDonald's Campaign results

Cost (Rand)	Messages sent	Read rate (73.2%)	Orders made	Avg customer spend/order (@R100)	Engagement rate on McDelivery (44%)	Deliveries requested	Total revenue (Rand)	Profit (Rand)	ROI
160,000	200,000	146,443	3,617.14	361,714	1,592	15,915	377,630	217,630	136%

The success of the McDelivery McDonald's campaign has been recognised by the Food and Beverages (FAB) industry, where it won a FAB Silver Award in the "Best use of Technology" category in 2020. This is the first time that an RCS campaign has won a prestigious and very reputable advertising award.

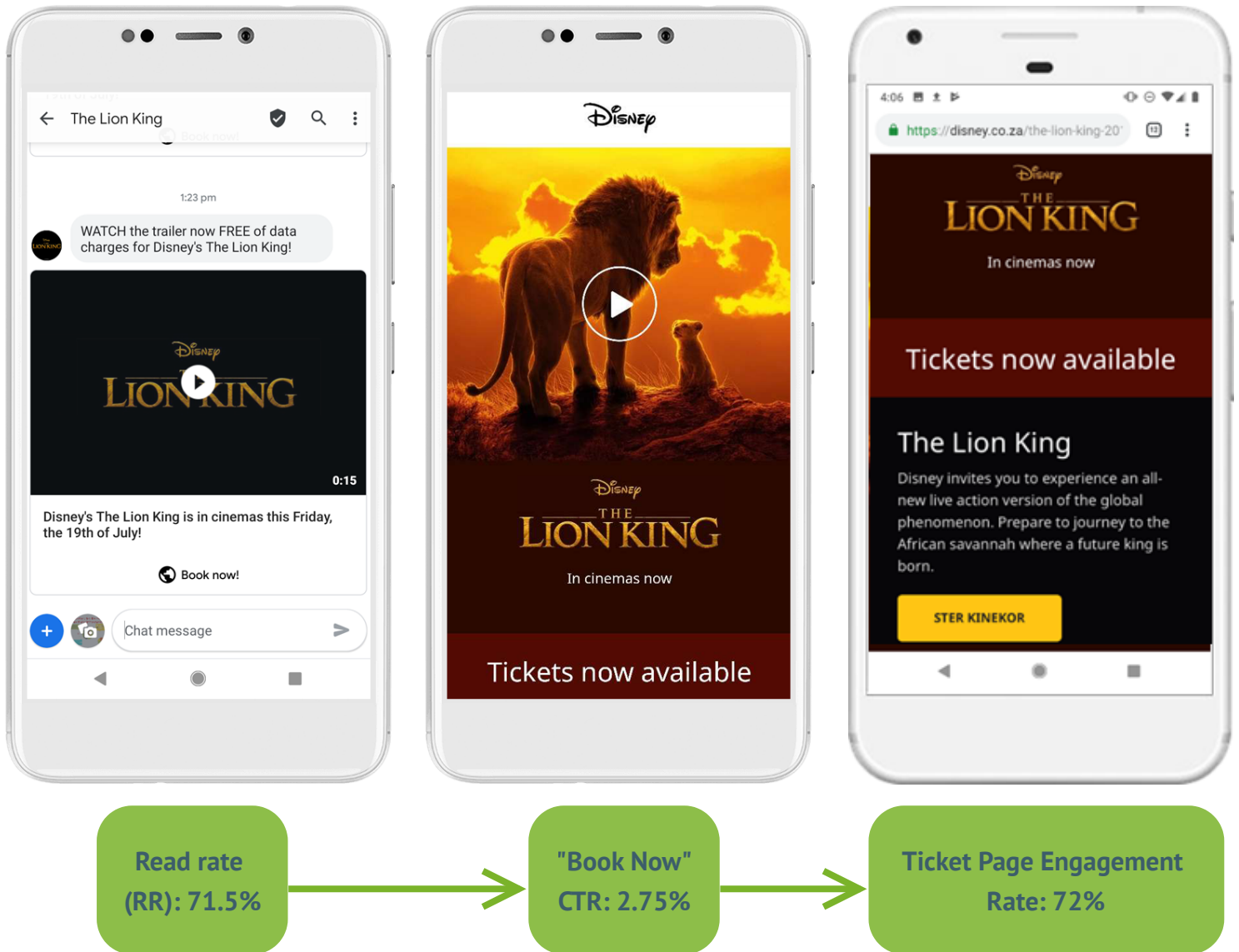
Disney "The Lion King" case study

The Disney case study was a two-phased campaign designed to first raise awareness of the upcoming release of The Lion King movie in South Africa, and then to drive ticket bookings. As with the McDelivery McDonald's campaign, the campaign was also based on a video RCS messaging campaign with a link to The Lion King ticket bookings page.

RCS users received an RCS message with the Lion King trailer video and a link to the official movie ticket booking page. The 31-second video, shared with the users did not "eat" into their data plan.

And as before, Out There Media leveraged their telco partners' opted-in UP 2.0. RCS-enabled Android smartphone users in their database for South Africa.

Fig 8: Disney "The Lion King" campaign results



If we take an average read/viewed rate across both campaigns ("Coming Soon", and "Is Here"), that was 71.5%. Of these users, an average of 2.75% clicked on the "Book Now" button, and of these an average of 72% proceeded to the bookings page, highlighting an extremely strong intention to purchase.

Similar to before, Mobilesquared has assumed 200,000 messages were delivered at a cost of R0.8 per message as part of a targeted RCS campaign. The campaign experienced an average read rate of 71.5% (143,000 actual read/views) and an average of 2.75% clicking on the book now button, of which 72% clicked continued to the actual bookings page. As part of our analysis, Mobilesquared has assumed that all of the 2,831, journeys to the bookings page were completed successfully.

Based on the average cost of a cinema ticket in South Africa (R107) and the average booking for 2 tickets, the campaign directly generated revenue of R605,920 (not including any additional revenue generated from sales of drinks and food in the cinema). With a cost to send 200,000 RCSs at R160,000, Mobilesquared estimates that the profit would have been R445,920, and an ROI of 279% (two hundred and seventy-nine percent).

Fig 9: Disney's Campaign results

Cost (Rand)	Messages sent	Read rate (71.5%)	Book Now (Avg 2.75%)	Intent to purchase (Avg 72%)	Total revenue (Rand)	Profit (Rand)	ROI
160,000	200,000	143,000	3,932.50	2,831	605,920	445,920	279%

In both instances, RCS used rich content to generate interest in the brand and with a call-to-action to generate sales within the RCS ecosystem.

Across both the Disney and McDonald's case studies, the average open/read/view rate is 72.4%, with an average of 1.61% of total users completing a purchase. These numbers provide an indication of why brands need to start moving their digital media spend from channels that are not performing onto RCS.

Club Comex case study

Club Comex, the loyalty scheme of Mexican DIY chain Comex, worked with Infobip to deliver two branded, rich, and interactive mobile RCS campaigns to relevant Android users within their opted-in database.

The first campaign, "Regalon Regalistro", ran country-wide over a three-day period aiming to generate direct sales by giving a litre of paint per gallon purchased. The campaign launched country-wide over a three-day period.

The second campaign featured articles and stories from "Sensaciones", a Mexican interior design magazine, with the objective of inspiring Club Comex members into improving and refreshing their home design, using RCS to deliver a series of images, videos, audio, and web links.

The first sales-focused RCS campaign generated a 115% increase in revenue and a 163% increase in click throughs (7.9% up from 3%), compared to a similar SMS campaign from 2018. The second customer-nurturing campaign using the magazine imagery resulted in a click-through rate of 20.6% – representing a 10-times engagement increase compared to SMS (2%). Comex said that using RCS helped their customers to easily understand their value proposition when they can visually see the possibilities.

Pizza Hut case study

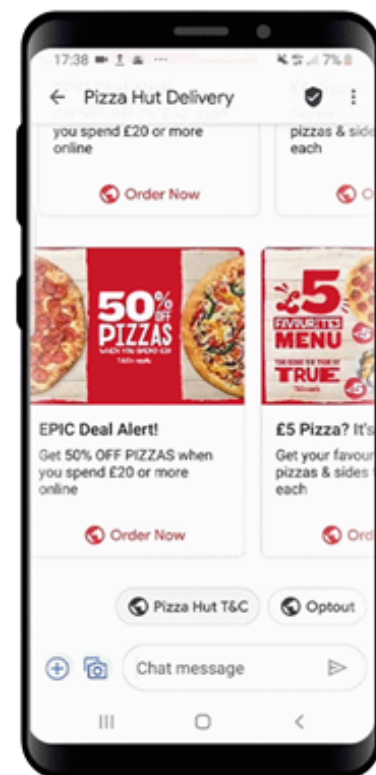
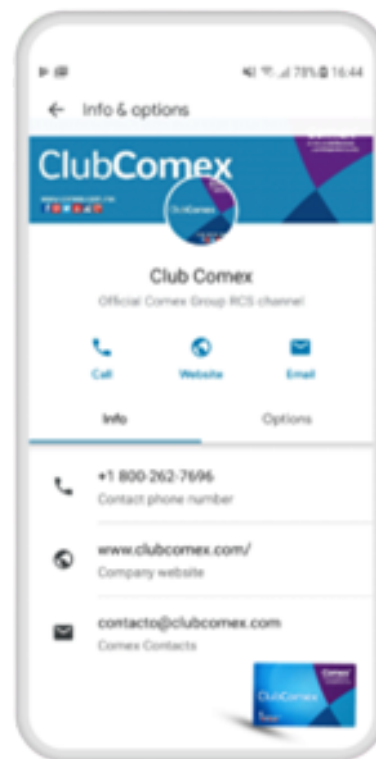
Pizza Hut ran a series of campaigns with IMI mobile to develop its understanding of RCS, contacting the same number of customers through RCS and SMS to provide a direct comparison. The branded RCS messages either contained a single rich card offering a single deal or a carousel containing multiple offers ranging from pizzas or bundled deals. Customers clicking on an offer were redirected to a website to complete the transaction.

A campaign of 64,000 RCS messages resulted in a click-through rate 37% higher than SMS. Of the customers that clicked on the message to complete a transaction, this was 13% higher compared to SMS.

United Nations & Vodafone case study

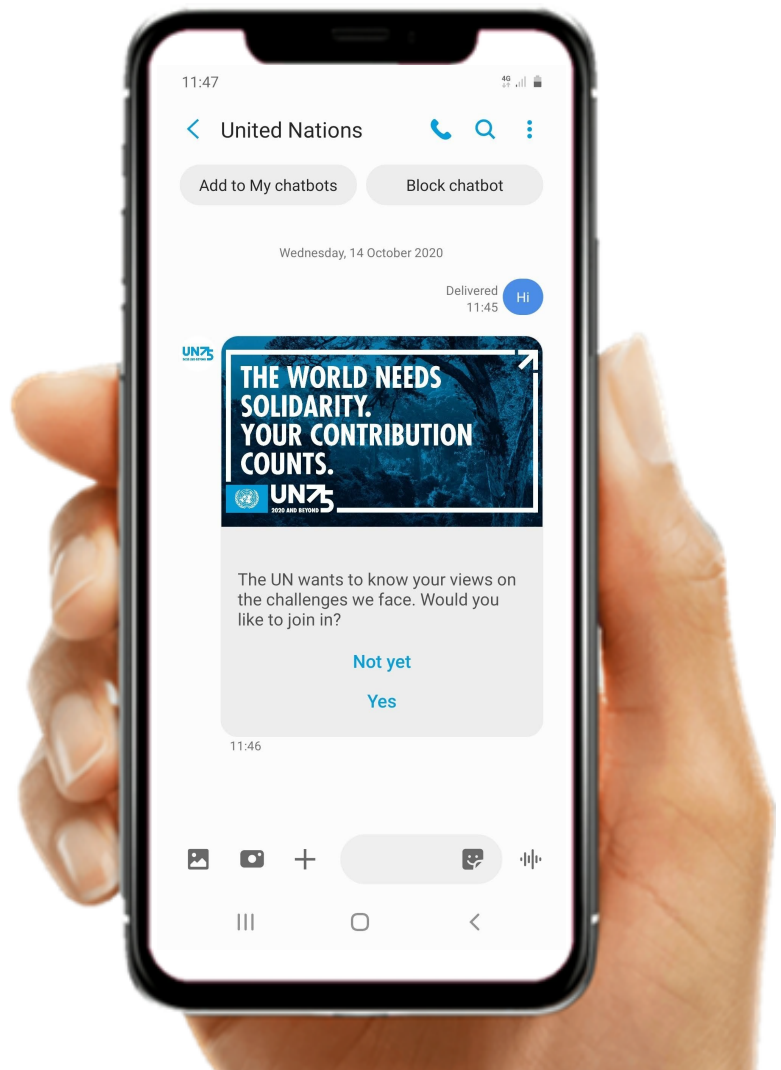
In January 2020, the UN launched UN75 – an ambitious effort to crowdsource priorities and solutions for the future. One element of the campaign was a one-minute survey, www.un75.online, giving people a chance to make their voices heard by sharing their priorities for recovery from the pandemic, and to imagine the future they want.

The UN teamed up with Vodafone who created a chatbot to help promote the survey to its customers and provide an interactive chat experience, enabling them to give their views on future priorities for the United Nations. Vodafone also used standard text messaging to enable customers with older phones to take part.



The bot was promoted to customers, in line with relevant data and privacy protection regulations, in Greece, Italy, Spain and Turkey. It is also available on the Vodafone RCS directory in Germany, Greece, Ireland, Italy, Spain and the UK.

Vodafone achieved engagement rates up to 20.4%, with a click-through rate of 5.2%. Overall, the conversion rate was 1.6%. The chatbot reached 6.3 million Vodafone RCS users, via the operator's chatbot directory.



Campaign performance comparison: RCS vs email, direct mail & banners

So how do the performance stats from the above case studies compare to other channels? If we assume a fictional brand, called Lightfire has \$100,000 to spend on a campaign promoting a revolutionary new lightbulb with a retail price of \$19.99, here's what would happen over the course of a campaign using RCS, direct mail, banner ads, and email.

In the below table we have included the cost (in \$), the average open rate, and the average purchase rate as a percentage of the total number of people that respond to a campaign (ie click through, open etc). In the case of Lightfire's return on its \$100,000 investment promoting its light bulb, it would receive a 315% ROI on RCS, a 22% ROI for direct mail, a 17% ROI on email, and a 7% ROI for banner ads. In other words, for every \$1 spent on RCS it will deliver a return of \$3.15 compared to \$0.17 over email, \$0.22 on direct mail and \$0.07 on banner ads.

Fig: 10: Ad spend comparison

Campaign performance basics

Channel	Cost (\$)	Open rate	Purchase %
RCS	0.12	72.40%	2.61%
Direct Mail	3	66%	5.00%
Banner ads	2.8	0.10%	1%
Email	0.01	21%	0.04%

Channel comparison based on \$100,000 campaign spend

	Total sent per channel	Open rate	Purchase %	Sales (\$)	ROI	\$1 investment
RCS	833,333	603,333	15,747.00	314,782.53	315%	3.15
Direct Mail	33,333	22,000	1,100.00	21,989.00	22%	0.22
Banner ads	35,714,286	35,714	357.14	7,139.29	7%	0.07
Email	10,000,000	2,080,000	832.00	16,631.68	17%	0.17

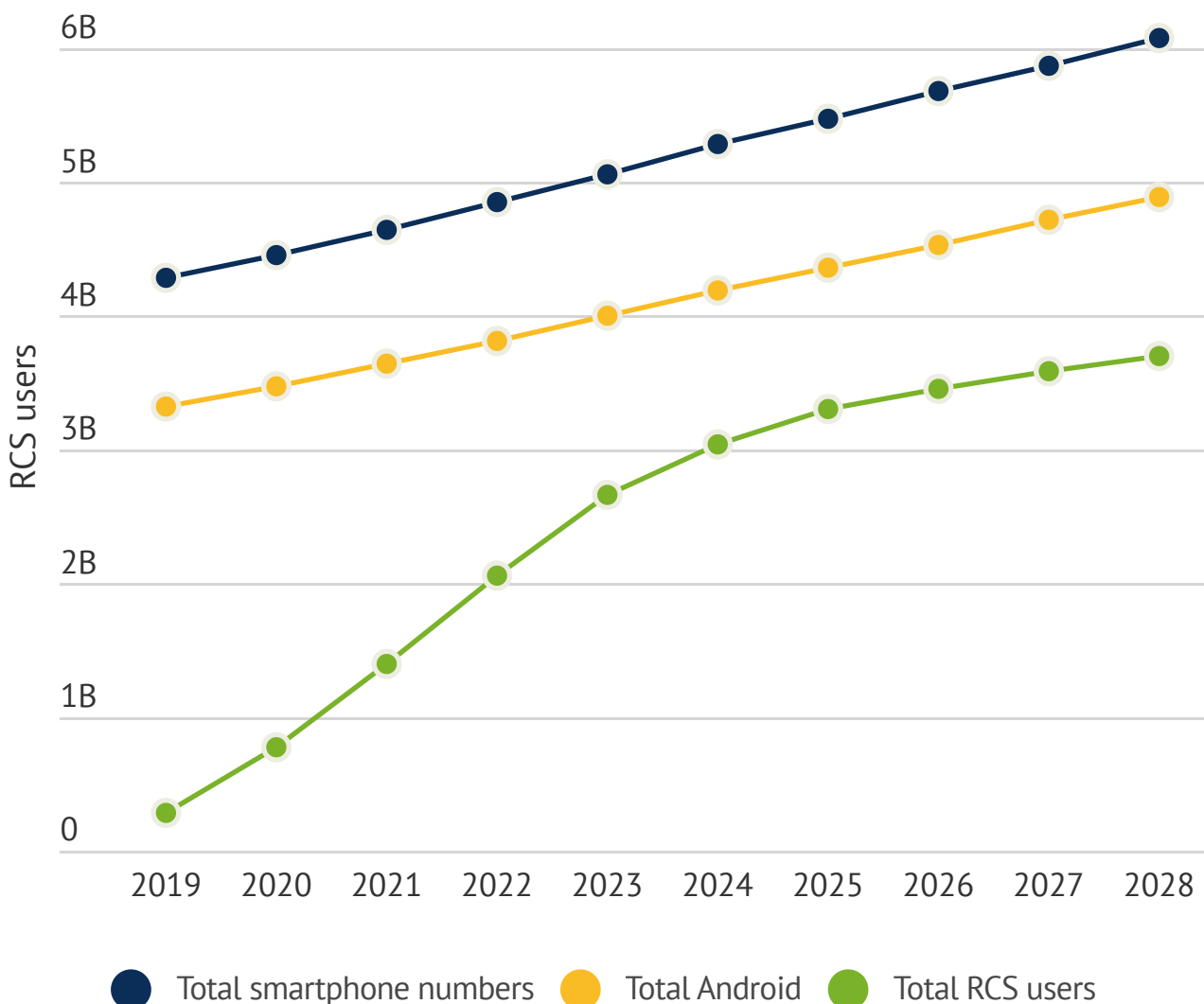
RCS has the potential for brands to deliver a return on their investment that is unprecedented on every other digital or traditional channel. Direct mail, email, and banner ads are all underperforming, but with the latter significantly so. Brands cannot afford to waste their digital media spend on these channels. The message is very simple and very clear: Move your digital media spend onto RCS.

Becoming the biggest messaging platform in the world

RCS will become the world's biggest messaging platform. This is down to the fact that Android is the dominant operating system used by smartphones, and RCS has been developed for Android. By the end of 2020 there will be 4.46 billion smartphone users globally, and Android will account for 78% of those users (3.48 billion users). RCS will achieve scale of three-quarters of a billion users (0.773 bil) by the end of 2020, reaching 17% of total smartphones globally.

By the end of our extended forecast period in 2028, there will be 4.89 billion Android devices globally, and 3.7 billion of them will be RCS users. RCS will reach 80% of total Android users and 61% of total smartphone users.

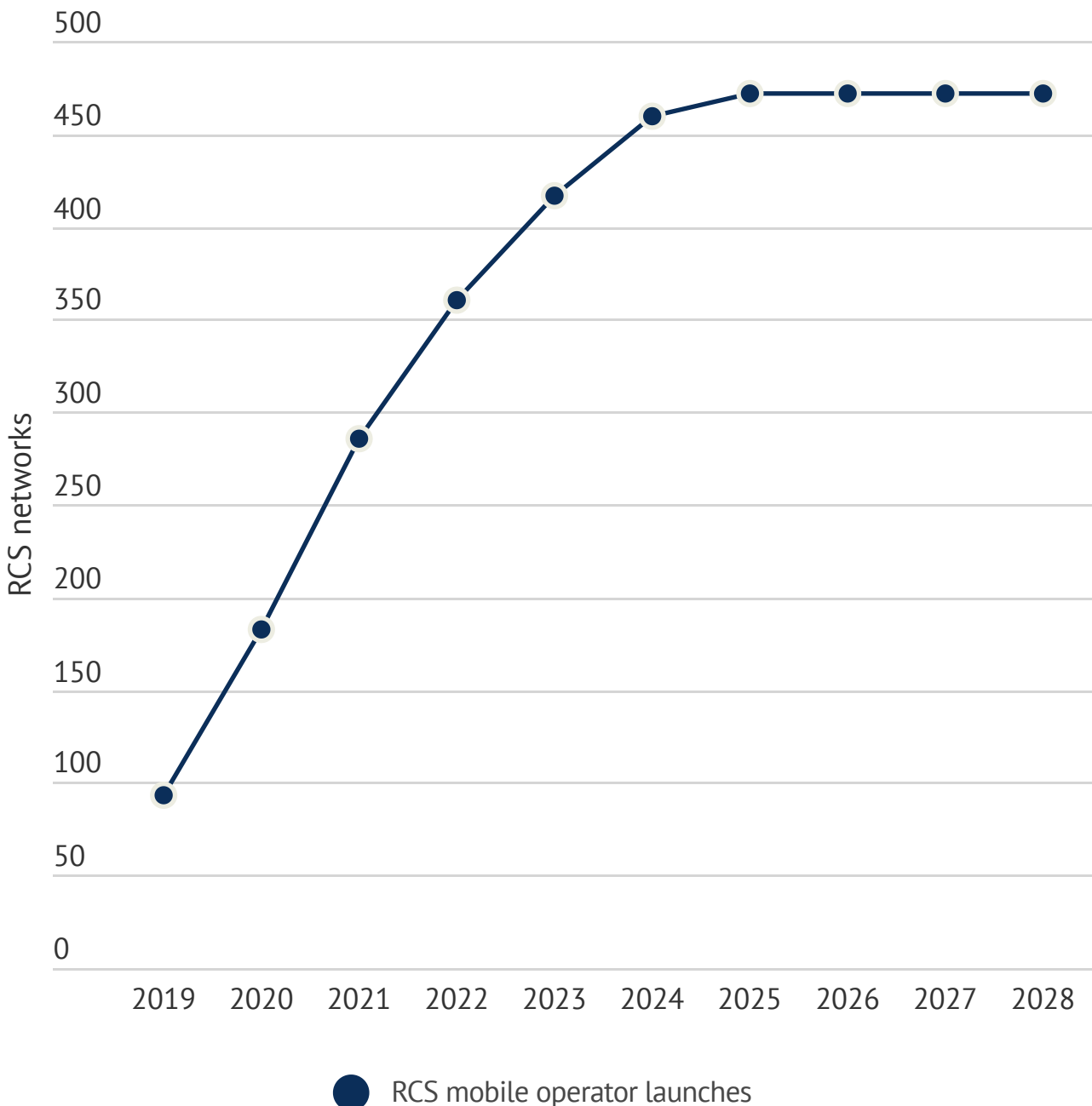
Fig 11: The rise of RCS



In 2020 the number of mobile operators launching RCS will ensure the channel is well on its way to becoming the next billion-user platform. And from this point it will just go from strength-to-strength, becoming a billion user plus channel in 2021.

By 2023 the number of mobile operators offering RCS will total 417, with RCS users close to 3.1 billion. By 2025 Mobilesquared believes RCS networks will reach its ceiling of 472 mobile operators, although the number of RCS users will continue to grow as in line with Android device growth. By the end of 2028, the mobile operator community will have created an RCS platform with the number of RCS users closing in on 5 billion.

Fig 12: RCS mobile operator launches



The RCS users

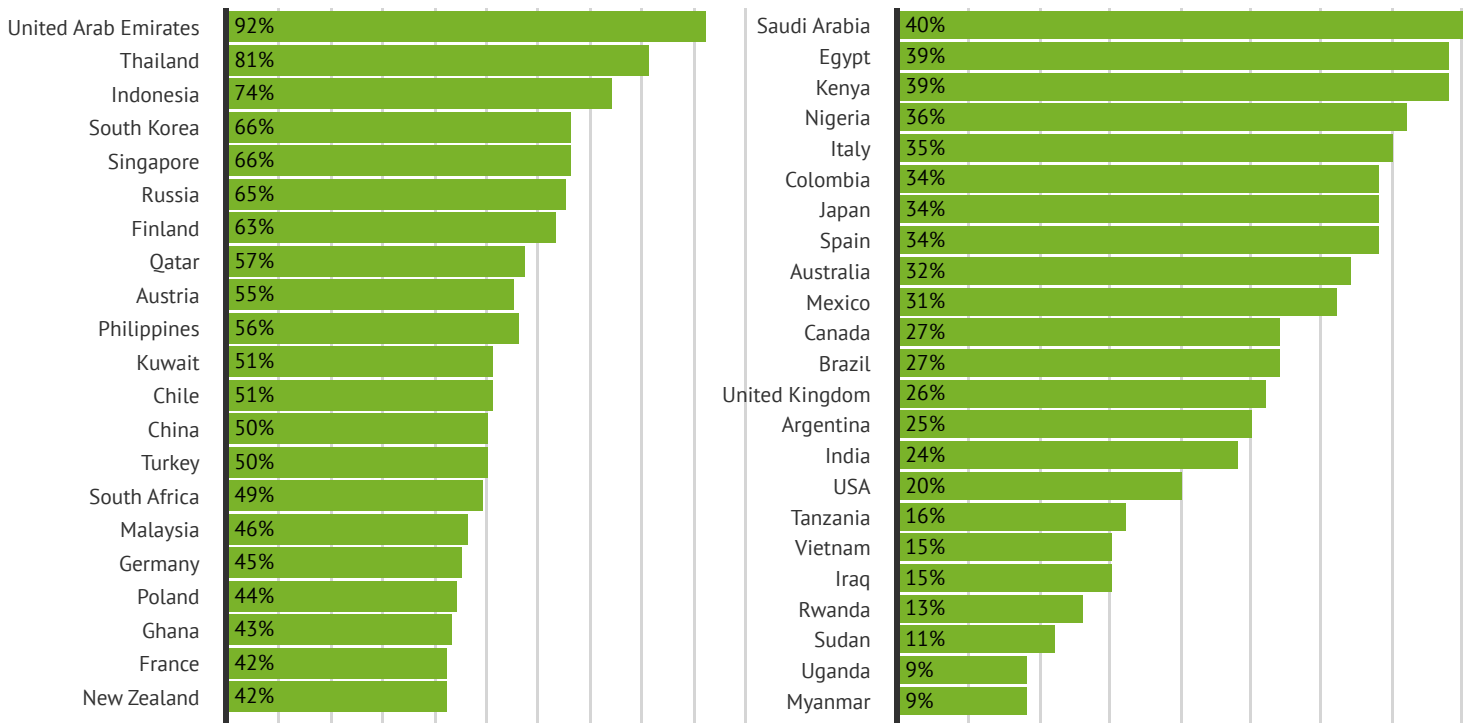
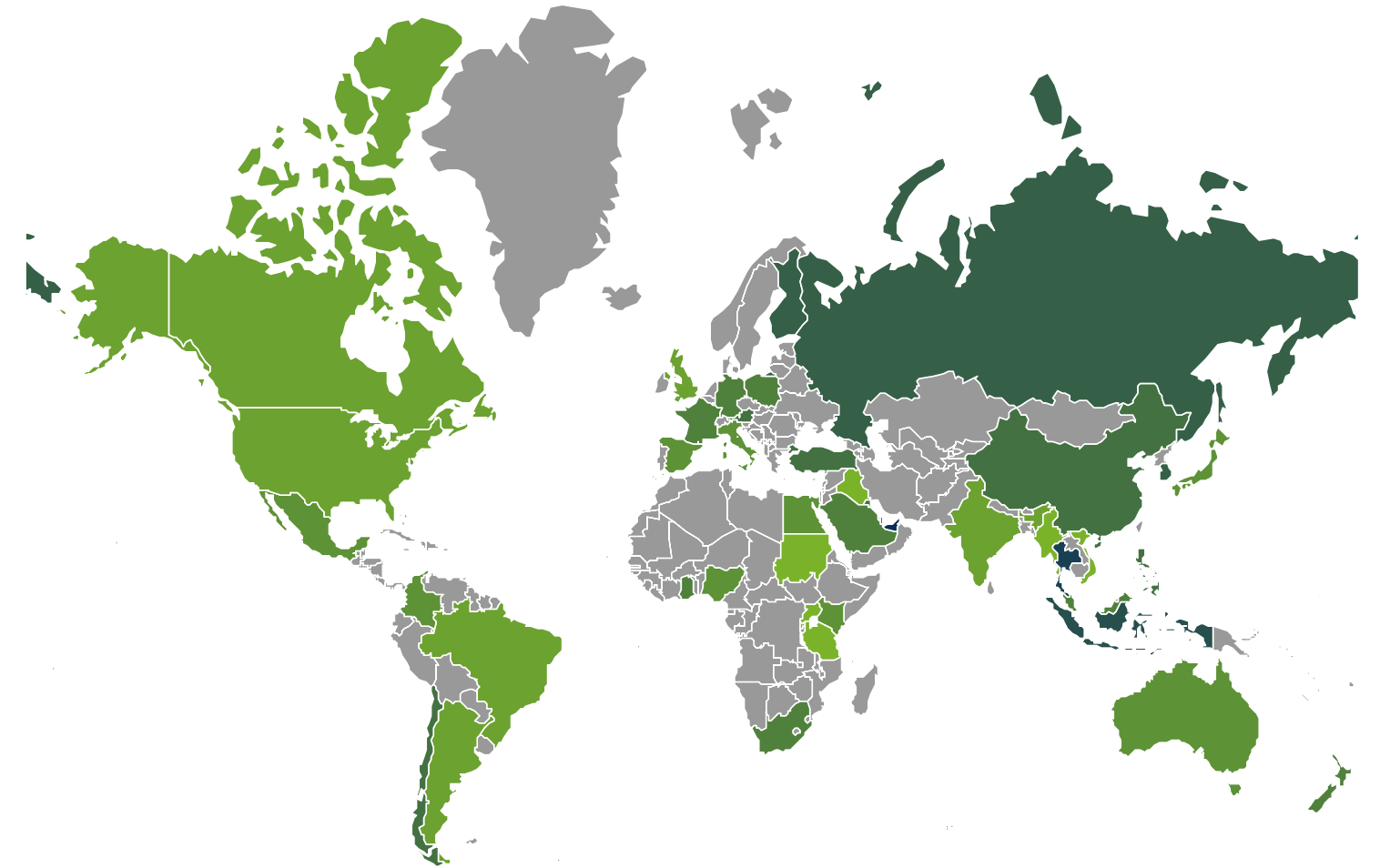
Let's get the headline figure out the way at the start: 66% of consumers want RCS^[1]. What's more, RCS will be truly global. Not surprisingly, Asia will have the largest RCS markets, but as Fig 11 shows, the Top 20 markets span the globe and serves only to highlight the global reach that RCS will have.

Fig 13: Top 20 markets by RCS users (2023 & 2028)

	2023		2028
China	731,127,596	China	990,664,730
India	474,122,428	India	642,780,724
Indonesia	209,625,283	Indonesia	294,210,757
Brazil	118,374,949	Nigeria	172,694,327
USA	101,054,032	Brazil	138,115,310
Russia	95,549,091	Russia	126,666,667
Nigeria	84,441,605	Philippines	117,824,499
Philippines	84,185,197	Pakistan	117,603,727
Mexico	67,403,675	Bangladesh	117,515,298
Thailand	57,107,659	USA	112,331,257
Egypt	48,215,421	Mexico	87,374,293
Pakistan	43,584,118	Thailand	85,435,540
Turkey	43,186,554	Iran	70,706,888
Japan	42,912,476	Japan	60,908,023
Germany	37,831,534	Egypt	59,417,975
Bangladesh	37,557,435	Germany	55,247,966
South Africa	36,700,526	Turkey	55,233,530
France	34,802,862	Ethiopia	51,159,716
South Korea	34,177,085	South Africa	50,379,786
Argentina	31,477,642	Vietnam	48,716,519

[1] Consumer research conducted by Mobilesquared in 2019

Fig 14: RCS users as a % of population 2023



RCS already has good scale but as we have demonstrated will soon reach scale of unprecedented levels, making it the world's largest channel. But it's how a brand utilises the channel that will ultimately drive results.

Universality and targeting of messaging with rich media is where RCS will truly come into its own. Because of Android's truly global penetration, RCS will effectively achieve ubiquitous coverage in almost every market. For a brand, RCS can be local, regional, national, continental or global.

But the RCS user breakdown will take all campaigns deeper still.

Understanding the make-up of any audience is key. As our data highlights, RCS has a diverse mix of users that enables brands to develop an extensive and broad range of campaigns targeting all demographics, as well as handset types, operating system (OS), how much people spend on their phone bills, etc.

The global RCS user breakdown for 2023 as an example, reveals that Gen X account for the largest share of users, followed by Baby Boomers, Millennials, Gen Z, and lastly Baby Boomers Premium. Combined, these users account for 74.6% of total users, with the remainder of users aged 15 and under.

Targeting will be critical for any brand when developing a successful RCS campaign, with behavioral data, operator data, and meta data all complimenting opt-in data

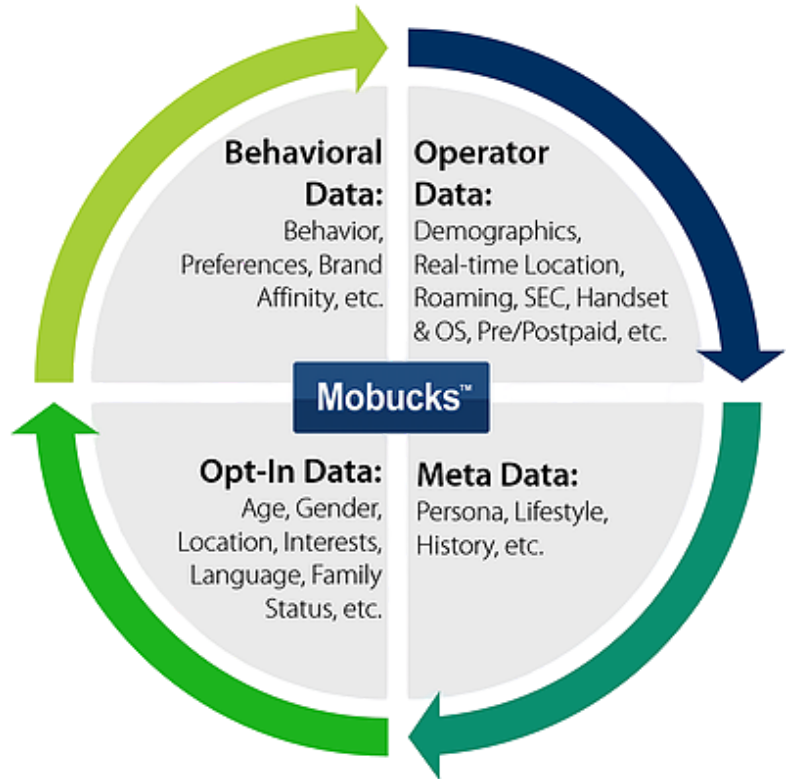
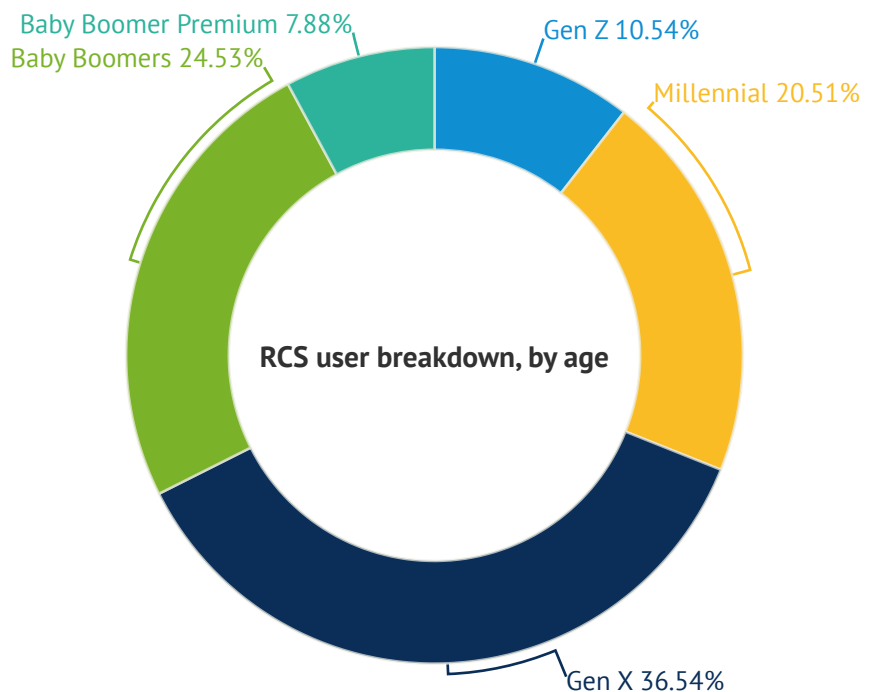


Fig 15: Global RCS user breakdown, by age



Swapping percentages with actual numbers will help put scale into greater perspective. There will be nearly 1 billion Gen X RCS users around the world by 2023. Baby Boomers and Millennials total a little over 1.1 billion, while Gen Z and Baby Boomers Premium are approaching half a billion users.

Fig 16: Global RCS breakdown, 2023

	Male	Female	Total
Gen Z	168,428,912	157,211,498	325,640,410
Millennial	326,784,138	307,309,154	634,093,292
Gen X	572,510,975	557,027,462	1,129,538,437
Baby Boomers	372,847,816	385,357,353	758,205,169
Baby Boomers Premium	105,254,894	138,345,430	243,600,325

RCS in action

Let's now apply our RCS user knowledge to a fictional country with 25 million RCS users, and apply to our phantom brand, Lightfire, for an imaginary campaign to launch a new lightbulb costing \$19:99, to provide insight on what we expect to happen, when we breakout a campaign by distinct user types. Firstly, based on what we know, the demographic split can be applied as follows:

Fig 17: RCS breakdown by demographics

	User breakdown
Gen Z	2.63 million
Millennial	5.13 million
Gen X	9.14 million
Baby Boomer	6.13 million
Baby Boomer Supreme	1.97 million

This means our potential RCS user base can be broken down by 77% recognised as Normal users (19.14 million), 20% Heavy users (5.08 million), and 3% Super users (0.77 million) – for a definition of Normal, Heavy and Super RCS users see Appendix 1. In effect, a brand will have a 1 in 33 chance of reaching a Super user, and a 1 in 5 chance of reaching a Heavy user.

Fig 18: RCS user breakdown by frequency

	Male	Female	Total
Normal	8,930,861.2	10,213,390.7	19,144,252.0
Heavy users	3,055,151.3	2,026,428.9	5,081,580.3
Super users	516,318.3	257,854.0	774,172.3

If Lightfire were to spend \$100,000 on an RCS video campaign, it will be able to deliver 833,333 messages at a cost of \$0.12 per message (based on the Mobilesquared RCS pricing model). Based on the breakdown of RCS users, delivery of the campaign (stage 1) will reach 641,667 normal users, 166,667 Heavy users, and 25,000 Super users.

Based on the propensity of 73.2% of users to enter stage 2 (based on campaign results included earlier), 69% of Normal users will click through and read/view the message, 85% of Heavy users, and 100% of Super users. Of the 610,058 of users that progress to stage 2, the breakdown of users now stands at 73% Normal users, 23% Heavy, and 4% Super users.

2.9% of users will continue the journey to stage 3 with the intention of completing the purchase. 1 out of 100 Normal users will make the step from stage 2 to stage 3, compared to 1 in 5 Heavy users, and 1 in 4 Super users. By now, 17,767 users will intend to complete the purchase, with Normal users accounting for 25%, Heavy users 40%, and Super users 35%.

Conversion/purchase (stage 4) completes the user transition: 25% of Super users will complete the transaction, compared to 4.25% of Heavy users, and 0.69% of Normal users. Fig 19 visually highlights the dominance of Super users at the latter stages of the path to purchase.

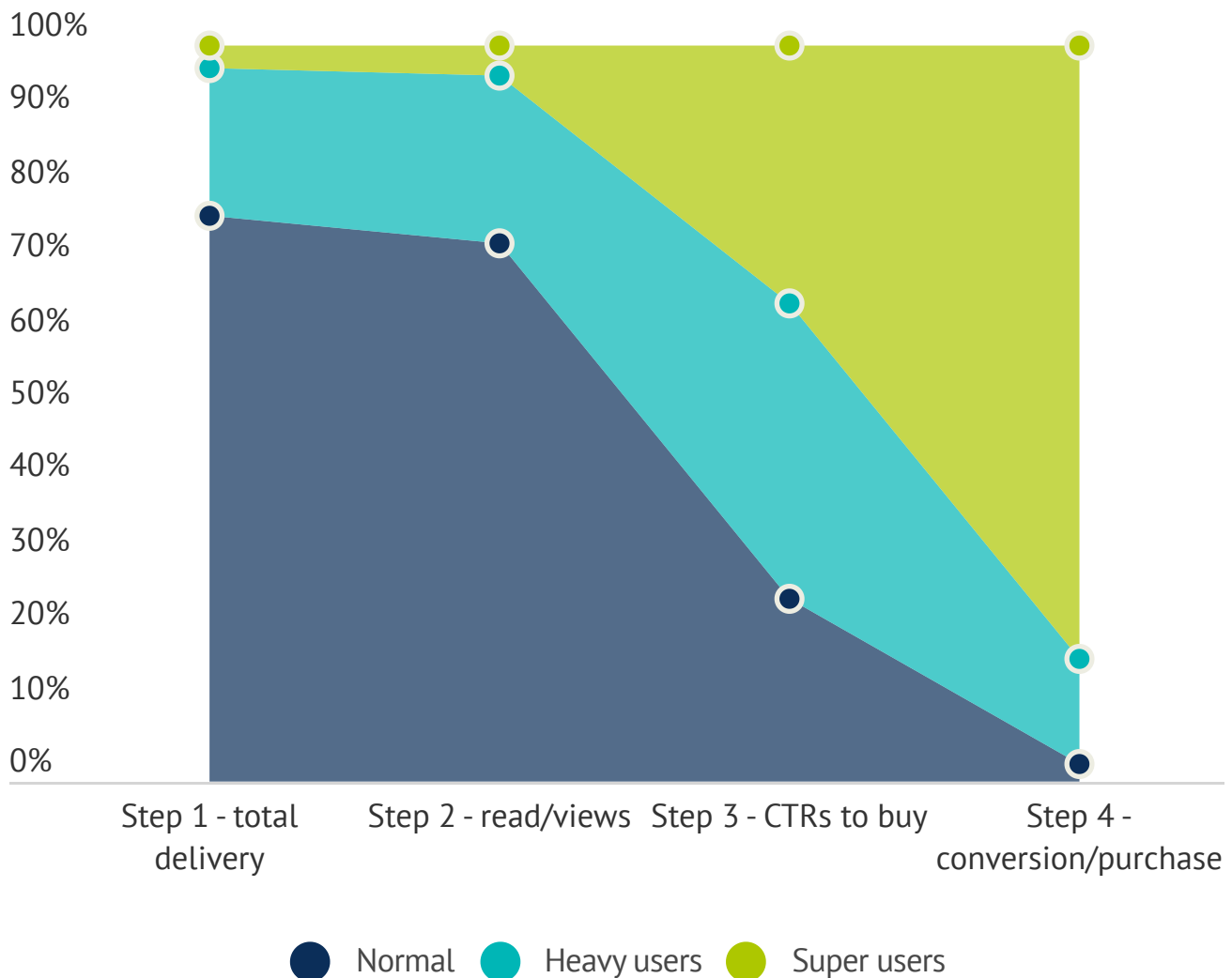
With the RCS campaign leading to sales totaling \$355,167, the ROI on Lightfire's initial \$100,000 investment is 355% (three hundred fifty-five percent). The impact of running a targeted campaign provides a higher ROI than the generalised campaign featured earlier in the report (page 21).

Campaign conclusion: one very happy Lightfire!

Fig 19: RCS campaign breakdown in numbers

Total video messages sent		Message delivery by user breakdown	Total read/views of message	CTRs to purchase	ROI
833,333	Normal	641,667	443,392	4,434	
	Heavy users	166,667	141,667	7,083	
	Super users	25,000	25,000	6,250	
Total		833,333	610,058	17,767	355%
		100%	73.21%	2.91%	

Fig 20: RCS users' campaign journey

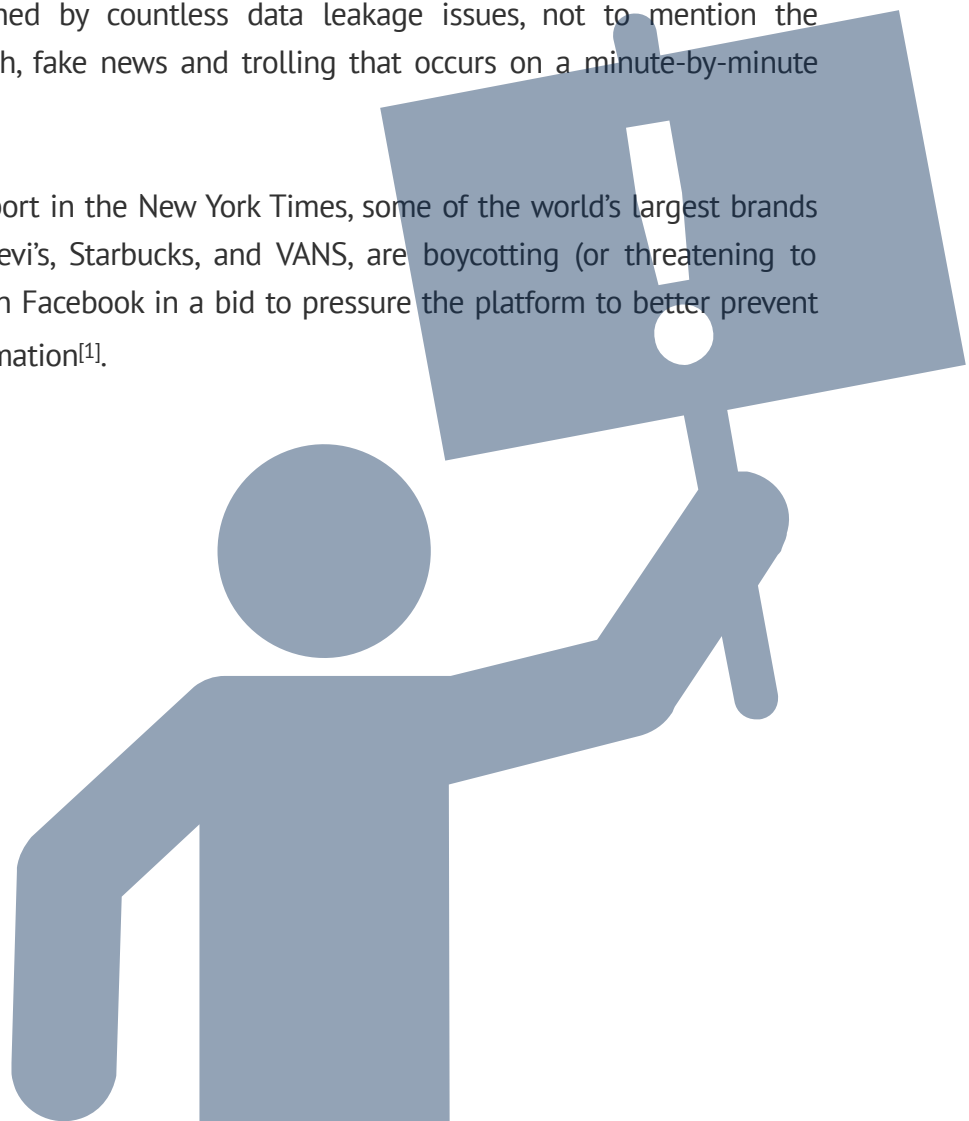


The data contained in this section highlights the universal reach RCS has across demographics. At a time when social media is becoming fragmented by age group versus use case, such as younger demographics using TikTok and SnapChat, and old demographics using Facebook and Twitter, RCS helps brands cross the digital divide.

What's more, with brand verification required before any activity taking place over RCS, this creates an environment that is 100% brand safe and provides total consumer protection, creating a clean channel free from the scandals that can often be entwined with other mediums.

For instance, brand safety can no longer be guaranteed on social media. Its reputation has been significantly tarnished by countless data leakage issues, not to mention the abundance of hate speech, fake news and trolling that occurs on a minute-by-minute basis.

In fact, according to a report in the New York Times, some of the world's largest brands like Coca Cola, Adidas, Levi's, Starbucks, and VANS, are boycotting (or threatening to boycott) their ad spend on Facebook in a bid to pressure the platform to better prevent hate speech and misinformation^[1].



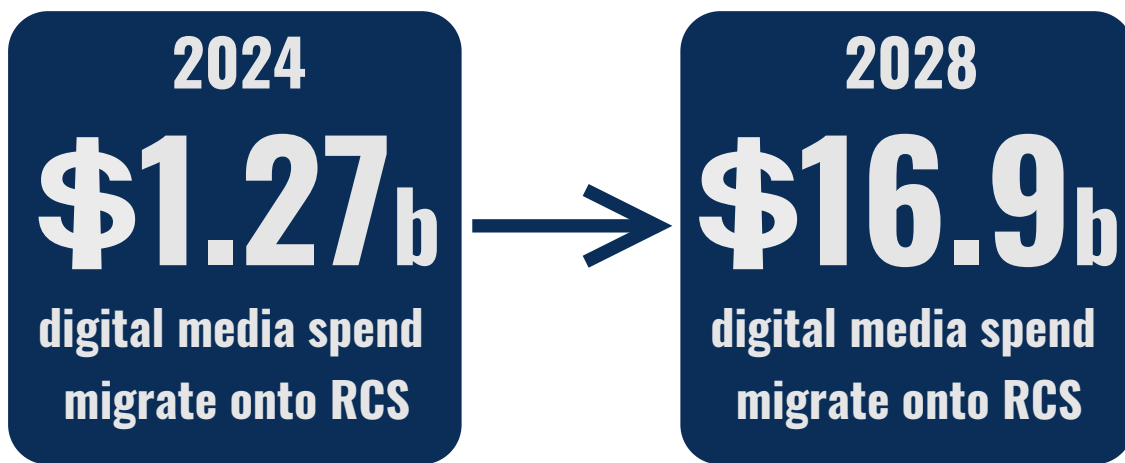
^[1] Source: <https://www.nytimes.com/2020/06/26/business/media/Facebook-advertising-boycott.html#:~:text=The%20brands%2C%20which%20have%20the,creating%20and%20maintaining%20safe%20environments.%E2%80%9D>

Brand digital media budget migration

Mobilesquared expect brands to start shifting their digital media spend away from banners onto RCS in 2021 reaching \$200 million in 2022, growing to \$1.27 billion in 2024, before accelerating - effectively doubling year-on-year from 2023 onwards - to \$16.91 billion in 2028.

A breakdown of the spend over the forecast period reveals that CAGR between 2021-2023 is 513%.

Fig 21: Brand spend migration to RCS



As more brands develop RCS strategies and redirect their digital media budget toward the channel, the total global banner spend that would have migrated onto RCS will account for 32% of total RCS spend by 2028.

Fig 22: RCS migration as % of total banner spend



The top 20 markets will account for 88% of total banner ad spend migration onto RCS in 2028

Impact on total RCS spend

Brands are already spending on business messaging on SMS and a percentage of this spend will migrate onto RCS where their spend will multiply because of the exponential increase in interactions and engagements with consumers. But this spend comes from a different pot to the digital media budget.

Mobilesquared has identified three avenues of revenue generation for RCS. Firstly, there is the traditional 'telco model', which is based on brands that already set aside budget for SMS campaigns and activity, and plan to extend that onto RCS. Secondly is the 'P2A^[1] customer care' evolution, with call centres adopting messaging to replace IVR with RCS in particular. Here brands will migrate budget set aside for customer care and/or call centres onto RCS. And thirdly, as we have explored throughout this report, is the migration of digital media spend onto RCS. Combined these avenues highlight the enormous potential of RCS.

As a new platform, RCS will be attracting total brand spend of \$1.5 billion by 2022, rising to \$11 billion in 2024, before enjoying significant growth up to 2028 when brands will be spending \$52.5 billion on the platform.

Fig 23: Total brand spend on RCS, 2024 & 2028



^[1] P2A stands for Person-2-Application, and is when a consumer contacts a brand and engages with a chatbot

5 steps to a successful RCS campaign

1 Selection process is key: Select your RCS partner very carefully, make sure they clearly outline what RCS can do for your business, and ensure your expectations and campaign targets are set accordingly.

2 Use it don't abuse it. Identify, or have your RCS partner identify, who is on RCS in your database and ensure they have all opted-in, either via their mobile network operator or directly with the brand.

3 Be relevant! As you have now identified your target respondents, make sure the content you share is relevant to them.

4 Add value via rich experiences: Where possible look to drive engagement using chatbots, rich content like videos and interactive maps, include simple payment options. RCS partners such as Out There Media, will help you conceptualise, create and develop your chatbots as well as rich and interactive RCS experiences.

5 Transparency and metrics: Working within a trusted mobile operator environment will provide you with detailed and reliable campaign results. Make sure you apply this data to refine each campaign and enjoy enhanced engagement and interaction levels. Get the help of your RCS partner who can provide you with all those capabilities as a "one-stop-shop".

That's a wrap

- **Massive revenue opportunity for RCS:**

To reach \$52.5 billion in advertising spend by 2028, equaling approximately 16% of total digital ad spend today.
- **Outstanding results:**

Case studies show 73% read rate, 82% engagement rate. This is 730x better performance than digital ad industry comparables (e.g. CTR of a banner of 0.1%).
- **Combines the best of two worlds:**

Reach and targeting with richness and interactivity.
- **Scale:**

Potential to convert 5 billion messaging users globally to RCS over the coming years, making RCS the single biggest medium in the world.
- **Brand Safety and Viewability:**

Advertising within a 100% secure and trusted environment, enjoying 100% viewability simultaneously.
- **Great potential for mobile operators:**

New, significant revenue streams from advertising and the unique opportunity to become a substantial player in the digital ad space.
- **The way forward for brands & agencies**

RCS is the way forward to enter into a one-on-one dialogue with your audience at scale – combining the universality of messaging with personalisation and interactivity in a rich media environment.

Appendix

#1 Breaking out the demographics

Knowing the demographic breakdown is a very useful start, but brands need more detail still.

Mobilesquared research has identified three RCS user categories based on their propensity and frequency to engage and interact with brands. These are the Normal, Heavy, and Super users.

A **Normal user** is one that will use RCS to engage with up to 6 brands on a frequent (daily to weekly) basis, but the least likely of all users to actively interact with a brand, and also the least likely to complete a transaction either directly (staying within the RCS brand's feed) or indirectly (a brand promotion, for example, driving the user in-store). As is the norm with RCS campaigns, the majority of these users will have a passive engagement with a brand: they will open and read the message (hence the engagement) but unlikely to interact any further unless they have been compelled to do so. In other words, transition the engagement from a one-way, unilateral communication, into a two-way interaction with the potential to lead to a conversation. These users are reliant on the brand reaching out to them, but they will reach out to the brand on an infrequent basis when they need to.

A **Heavy user** is someone that will engage with up to 15 brands on a frequent basis and actively interact with brands. As these users are more open to receiving communications from a multitude of brands, this makes them considerably more likely to transition the engagement into an interaction to achieve the brand's call-to-action, such as completing a purchase. A Heavy user will actively reach out to brands and start conversations.

A **Super user** is also an influencer and will engage with [well over] 16 brands on a frequent basis, constantly looking to engage and interact with brands. These users will also be a brand's key "influencer" and ambassador within their consumer community. Critical to any on-going RCS campaign by a brand will be to identify the influencer/ambassador users early on, and ensure they are the focal point of the campaign. These users can also be crucial in brand discovery [chatbot search] process for others. They will actively search for brands to replace peripheral brands, and will frequently reach out to brands, starting conversations. A Super user will be extremely active in terms of their interaction with brands and will be first to make purchases on the channel and will continue to make repeat purchases.

About Mobilesquared

#1 For business messaging intelligence

Mobilesquared is the go-to partner for definitive business messaging market intelligence, relied on by brands including Mastercard, Google, Vodafone, LivePerson, Telefonica, and PwC. We own the most comprehensive global messaging data forecasts in the industry, trusted for business modeling, market sizing, and company expansion. If you need accurate messaging market insight and future-proofed strategy, no one is better qualified to help.

About Out There Media

Out There Media (OTM) is a leading mobile advertising and data monetization company that uniquely links mobile operators with advertisers via its proprietary, award-winning technology, Mobucks™.

The company's platform enables mobile operators to monetize their data, assets and subscriber bases while at the same time enabling brands and agencies to reach their audiences in a highly-targeted manner with OTM's 'micro-targeting at scale' approach - leading to unprecedented levels of consumer engagement.

OTM works with Fortune500 companies such as Unilever, Pepsi, Nestle, L'Oreal, Coca Cola, P&G, and mobile operators such as Vodafone Group, O2 Telefonica, Orange, Vodacom, MTN Group, Zain, Starhub and Indosat. The company is headquartered in Vienna, Austria with operations across the globe.

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