



Photo by Andrea Piacquadio from Pexels

Consumer Messaging

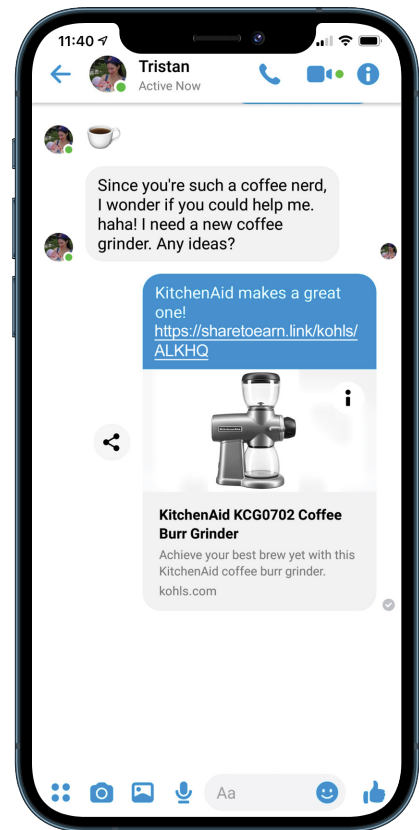
has just become a multi-billion-dollar industry... again

A report by:  **Mobilesquared**
Communicating data



Foreword

Messaging has undeniably become the “killer app” for most mobile users, long ago replacing voice as the primary communication mode on mobile devices. However, from its peak for mobile operators in 2013, revenues from messaging have steadily declined, and now sit at half of what they once were. While there are many reasons for this, Over-The-Top (OTT) messaging providers like iMessage, WhatsApp and WeChat are the primary culprits, taking consumers away from their native mobile messaging environments. And who could blame them? Compared to the clunky and antiquated SMS technologies underpinning the messaging of yesteryear, OTT messaging provides a slick interface with features impossible to replicate with SMS.



But here to save the day is RCS! But not really. Somehow, RCS, in the minds of mobile operators around the world, became synonymous with RBM, and the entire telecom industry has thus been focusing on the smallest potential revenue opportunity from what could be the most revolutionary technology upgrade to messaging since the first text was sent: A2P. While A2P may one day generate real revenue, for now it is in its infancy.

Sitting in plain sight is the much larger revenue opportunity: Monetize P2P messaging. RCS unlocks the ability to do so by providing the IP-based environment and client-side features that make it possible, and the technology is available today: Messaging Contextual Shortcuts, or MCS. MCS detect intent within messaging and replace certain words with links to helpful destinations. For instance, when a friend texts you “let’s get tickets for the David Gray concert at the O2 arena”, the contextualization of the message will appear as “let’s get tickets for the David Gray concert at the O2 arena” with the underlined text providing a direct link to the relevant page at a ticketing website.

People make recommendations to each other **2.4 billion times per day** via text, and they follow those recommendations, too.

MCS has two things going for it: First, people make recommendations to each other 2.4 billion times per day via text, (99% of consumers in a telecom-sponsored study confirm) and they follow those recommendations, too (96% of participants in the same study.) MCS is in fact viewed as a helpful UX improvement, saving users steps to get to where they want. Which brings up the second item MCS has going for it: Mobile users have already come to expect it, so there is no new behavior to learn. Most messaging providers already provide Messaging Contextual Shortcuts to other apps like Calendar ("meet me at 11am tomorrow) or Maps, (my place is at 123 Elm St) but one company has now taken MCS a step further to provide an interface to the broader internet, providing links to services, brands, merchants, travel, events, and the like, and effectively embedding product discovery within the context of the conversation.

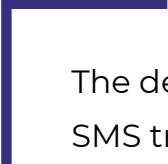
MONETIZING P2P MESSAGING:

A market opportunity estimated by MobileSquared to reach \$164 Billion by 2025

That company is Wildfire Systems in San Diego, which recently closed a \$15mm series A fundraising round to further commercialize their patented technology to help messaging providers monetize P2P, a market opportunity estimated by MobileSquared to reach \$164 billion by 2025, eclipsing the nascent A2P opportunity.



Introduction



The demise of peer-to-peer (P2P) SMS traffic has left a gaping hole in the revenues of mobile operators. At its peak, SMS traffic was generating revenues of \$133.9 billion¹ for mobile operators in 2013, but this figure has halved in the eight years since.

The mobile operators' quest to recoup these lost billions of messaging dollars has paved the way for the emergence of business messaging. At the end of 2020, the business messaging market was worth \$20 billion² with A2P SMS accounting for approximately 99.4% of total spend (with WhatsApp Business the rest). Although A2P SMS enjoyed strong growth in 2020, it is unlikely to ever reach the ginormous revenues generated by P2P SMS in its heyday.

That is not to say that messaging per se cannot become a hundreds-of-billions-of-dollars industry again, it will, only this time that spend will be generated by

brands and businesses wanting to reach their customers. It is more a case of identifying where in messaging those dollars will land.

SMS is by far the most effective engagement channel, and brands are only now starting to realize this. Historically, the problem with SMS has been that it is not sexy and fails to generate much excitement, which also explains why big budgets have not been thrown at the channel, in comparison to digital platforms, for example.

Mobile advertising is a prime example of a digital platform making significant revenues. In 2020, mobile advertising was a US\$200 billion³ industry. And to ensure we can do a like-for-like comparison with messaging, if we apply those mobile advertising revenues to the 3.5-billion unique smartphone users, it gives an ARPU of US\$57.14.

¹Source: Worldwide A2P SMS Market, Portio Research, published 2014

²Source: Global A2P SMS Forecast Databook, Mobilesquared, published July 2021

³Source: Zenith OptiMedia

When compared to ARPU for A2P SMS of US\$3.48 per annum, this is a fraction of that generated from mobile advertising, but hugely overshadows ARPU for RCS of US\$0.014. It is fair to say that brand spend on RBM is yet to materialize, with revenues hovering around the US\$12 million mark globally at the end of 2020.

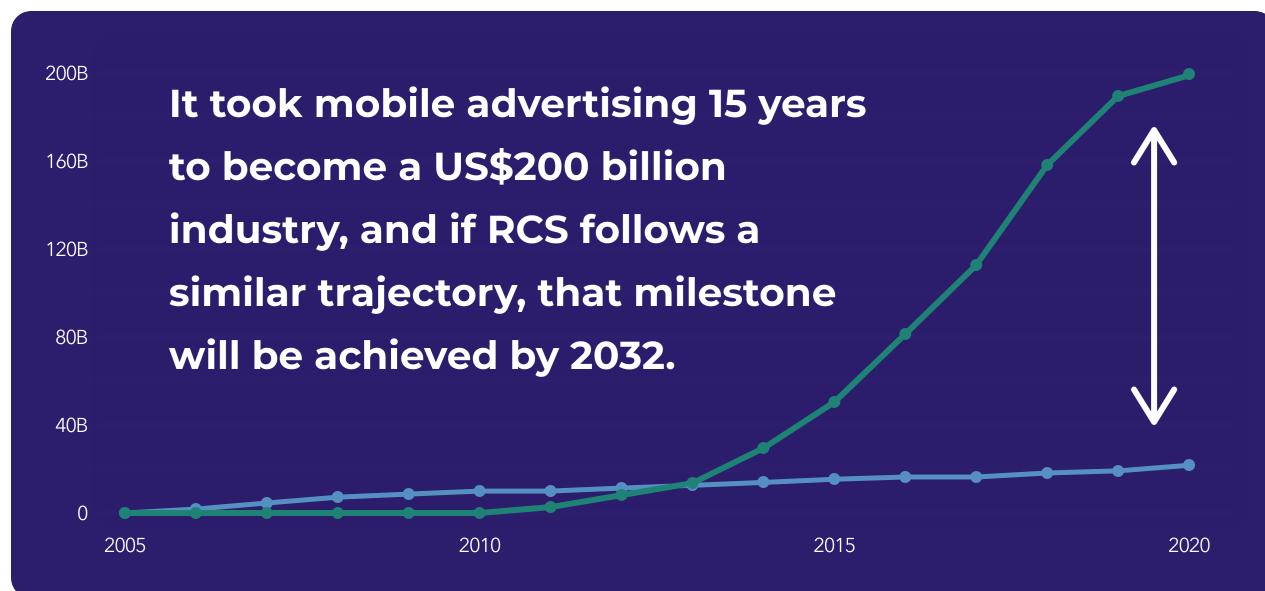
And it is not only RBM that is experiencing slow brand adoption. WhatsApp Business, despite having over 2.2 billion users, generated revenues of US\$112 million in 2020⁴. While the channel is considerably outperforming RBM, the fact remains that ARPU of US\$0.051 is a scant return given the scale of WhatsApp users.

ARPU on digital-based platforms are stratospherically higher than anything currently being generated by business messaging today or any time soon. This shows what can be done when you have scale allied with compelling propositions that brands buy into.

Messaging is no different, and the fact mobile advertising is worth 10 times that of A2P SMS highlights that business messaging is yet to get anywhere near its potential. But what is the potential for monetizing messaging as a channel? For a long time, the focus has been placed on RBM to become the “hundreds-of-billions-of-dollars” platform and take its rightful position on the throne as business messaging's long-term successor to A2P SMS.

**BUSINESS
MESSAGING
IS YET TO GET
ANYWHERE
NEAR ITS
POTENTIAL**

⁴Source: MobileSquared WhatsApp Business Databook, published Sept 2020



While MobileSquared strongly believes RCS will ultimately become a “hundreds-of-billions-of-dollars” platform, our research into RCS reveals that meaningful RBM revenues (by which we define as 10% of existing A2P SMS revenues per mobile operator) are unlikely to occur until the fourth or fifth year of commercialization, based on existing brand adoption trends and market dynamics. In truth, RCS is only at the start of its journey. It took mobile advertising 15 years to become a US\$200 billion industry, and if RCS follows a similar trajectory, that milestone will be achieved in 2032.

Have we been focusing on the wrong area when it comes to the monetization of messaging?

More pertinently, what if the actual opportunity was staring us all in the face the whole time and we overlooked it?

So, it begs the question, as an industry, have we been focusing on the wrong area when it comes to the monetization of messaging? More pertinently, what if the actual opportunity was staring us all in the face the whole time and we overlooked it?

What if it is not business messaging that will unlock the potential of messaging, but going back to basics with P2P messaging?



Messaging Contextual Shortcuts

As we have highlighted in the previous section, significant energy has gone into monetizing business messaging with little reward, compared to the monetization of digital platforms. However, there is a new, emerging line of thinking that suggests the biggest revenue opportunity actually lies in the monetization of consumer (P2P) messaging through the application of contextual-based marketing.

The insertion of relevant and contextual brand shortcut links placed within a messaging channel based on an ongoing exchange of users is viewed as “supercharging” the effectiveness of marketing⁵.

Messaging Contextual Shortcut (MCS), as it has been labelled, is when an existing reference to a product or purchase in a message is converted into a link, derived from context in the messaging conversation that gives users a shortcut. For example, if a person messages their friend suggesting. “let’s get tickets for the David Gray concert at the O2 arena”, the contextualization of the message will appear as “let’s get tickets for the David Gray concert at the O2 arena” with the underlined text providing a direct link to the relevant page at a ticketing website.

Recommendation, especially from a known source, is consistently ranked as the most powerful form of marketing. The trust element of a recommendation from a friend or family member cannot be underestimated. So much so that a consumer forum⁶ exploring the appeal of MCS, revealed that 99% of respondents said that they implicitly trust product and brand recommendations from friends and family compared to advertising. However, recommendations of products and brands when delivered contextually as a smart message was a close-run second (91%).

100% of respondents said that they trust recommendations from friends or family more than they trust advertising.



⁵Source: <https://digiday.com/media/supercharging-contextual-publishers-eye-potential-for-contextual-ad-revenue-growth/>

⁶Wildfire Smart Messaging Focus Group Report, May 2020

The consumer forum revealed on average that nine out of 10 users (89%) would find the various aspects of smart messaging appealing. The most popular feature among the consumers was tapping on a smart message link to buy something (95%). This highlights that consumers believe that the recommendation-fueled MCS will ultimately enhance the purchasing experience over the messaging channel.

What is the appeal of smart messaging?

"Inserting a smart Messaging link related to shopping is helpful" - **81%**

"I would appreciate Smart Messaging shortcuts being added to my recommendations..." - **88%**

"Smart Messaging makes recommending products and brands easier" - **91%**

"How likely are you to tap on Smart Messaging shortcuts?" - **88%**

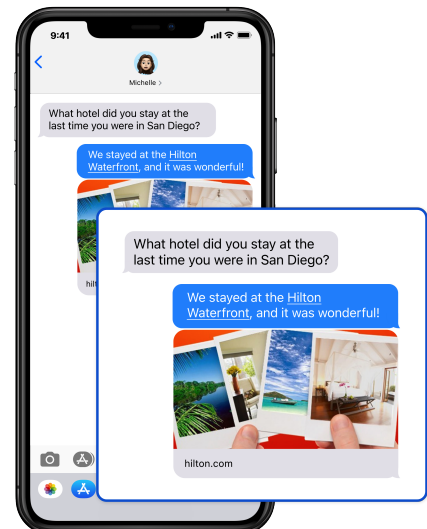
"I would tap on a Smart Messaging link to buy something" - **95%**

Source: Wildfire consumer forum, n=134

In essence, MCS enhances the experience for messaging users, while at the same time, provides digital marketers with the technology to detect and capitalize on word-of-mouth recommendations within the messaging channel. And it can be applied to any brand, product, scenario, or situation.

For example, people arranging a vacation with other families may mention a hotel they are suggesting in the conversational feed, which would be enhanced with a link to a booking service for the specified hotel, based on the context of their interaction.

Similarly, if the sender is looking to make a purchase, if the message recipient makes a personal recommendation of a product, a link to that item would appear in the message. And because that recommendation came from a friend or family member, that person is considerably more likely to make the purchase. In fact, 83.2% of consumer respondents said that it would be helpful if they were to find a smart link related to shopping in the message.



With nine out of 10 people likely to find MCS very appealing, according to the research, 99% of research participants said that they have already received recommendations specifically for a brand or product via text either from a friend or family member or from an advert. Breaking these responses out by sector reveals that 91.6% of respondents said that they have received recommendations for a restaurant via text, 79.4% for hotels and travel planning, 71% for home products and 60.3% for a suggested store, to quote a few examples.

For which of the following categories have you sent or received recommendations for a product or brand via text?

-  Clothes or Fashion - **54.2%**
-  Hotels or Travel Planning - **79.4%**
-  Restaurants - **91.6%**
-  Health & Beauty Products - **45%**
-  Home Products - **71%**
-  Movies - **41.2%**
-  Live Events - **48.9%**
-  A Suggested Store - **60.3%**
-  Other - **36.6%**
-  None - **0.8%**

Source: Wildfire consumer forum

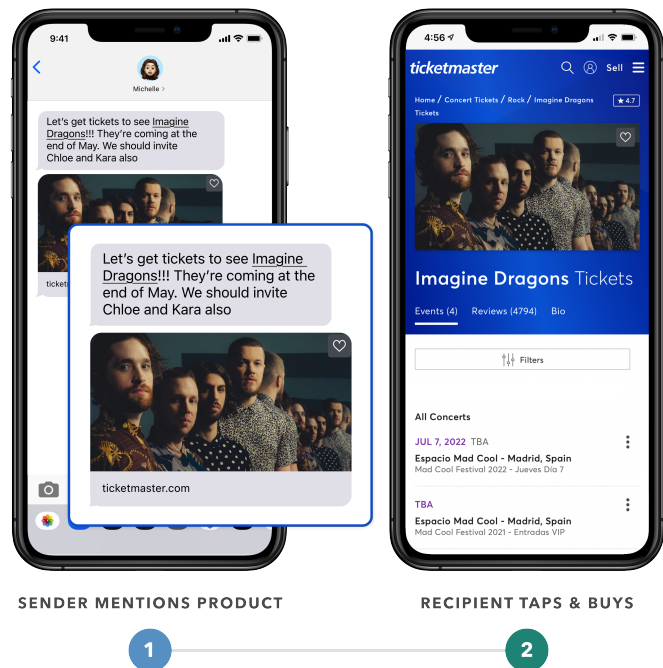
What is all the more remarkable is that 96% of respondents that received a recommendation for a brand or product via text went on to complete a transaction.

For instance, of the 91.6% that said that they have received a recommendation for a restaurant via text, 79.2% claimed to have then visited that restaurant. Based on the data provided by the consumer research, it reveals that a recommendation for a fashion brand generated transactions from 78.9% of the people receiving the recommendation. These are unprecedented levels of interaction.

This latter point merely builds on the fact that messaging has long been recognized as the most effective engagement channel. With 98% of messages read, and 90% read within 3 minutes of receiving. The addition of recommendations via MCS act as a turbo boost to that engagement and increase the likelihood of a user completing a transaction.

MCS is viewed as a smart user-experience improvement that significantly reduces friction for users. When a sender mentions a product, in this instance tickets to see a band (below), the recipient is served a link to the relevant page or a rich card containing the option to purchase the tickets to the gig. The link provides direct access to complete the transaction. With MCS all user actions are trackable.

These links to merchants are generated automatically by MCS using NLP (natural language processing) and AI (Artificial Intelligence/ machine learning) detecting product and purchase intent. The smart assistance delivered by MCS removes the historic path-to-purchase of the recipient leaving the initial message to open a browser to search for the gig.



MCS applies the power of recommendation to drive commerce, and subsequently, it also increases user satisfaction. Not surprisingly, the consumer research revealed that 88.1% of respondents would welcome the addition of smart messaging shortcuts to their messages.

Which Smart Messaging shortcuts would you find most useful?

- | | |
|---------------------------|------------------------------|
| Map - 89% | Payment Service - 55% |
| Calendar - 86% | Contacts - 54% |
| Phone - 68% | Music Service - 51% |
| Online Store - 66% | Photos - 25% |



Introducing Wildfire

One company spearheading MCS is Wildfire Systems. Its patented suite of technologies harnesses digital word-of-mouth and rewards online shopping, delivering enhanced user experiences and new revenue streams for partners.

Wildfire provides messaging platforms with a turnkey MCS platform which generates revenue efficiently through a performance-based commerce platform. The platform provides integrated & standardized tracking, end-user attribution and payment reconciliation across its Merchant Network of thousands of online retailers in 50 countries, and their respective referral and acquisition marketing channels. APIs and SDKs enable partners to integrate the Wildfire Commerce Platform within new or existing applications.

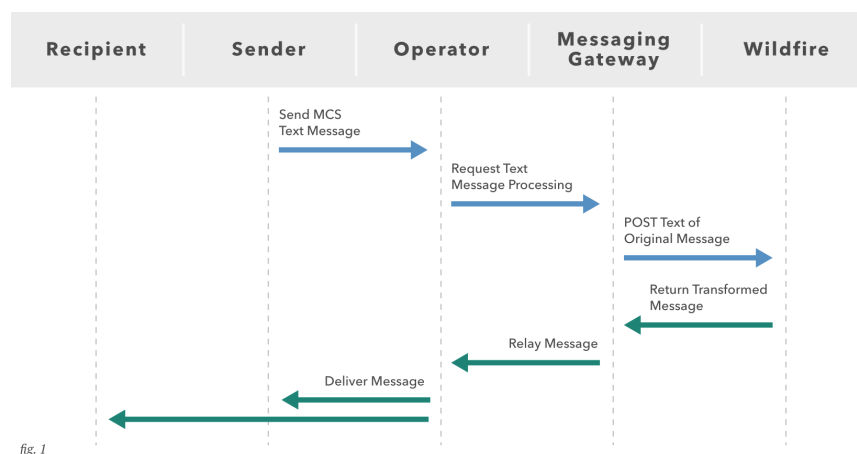
Wildfire MCS works using an algorithm that only recognizes a targeted, finite set of relevant words and phrases included within what Wildfire refer to as the Concept Database, which is similar to a dictionary that also contains brands and products, and ignores words that are not included in it, such as passwords.

The text to be analyzed is initially scanned for target concepts such as brands and products like “Marriott” or “hotels in Chicago”. When a word or phrase is detected, it passes through a normalization process to check misspellings, grammar, and sentiment to ensure there is a match in the Concept Database. This happens within the Merchant Network and has no bearing on the actual message itself.

The target can be further refined, where the algorithm detects any modifiers specific to that target. For example, if the sender includes “Marriott Del Mar the last weekend in June” in the message, this can then be used to provide a more specific link to an online travel service booking page for the Marriott Del Mar in the last weekend in June pre-selected in the booking calendar.

From a brand perspective MCS removes the major hurdle of opt-ins, as it is simply analyzing text strings with no context of who wrote the message. The Wildfire platform only receives the content of the text to be analyzed and authentication details for the request. Neither the text nor the authentication specifies any information about the sender or the receiving party. In doing so, it removes any concerns regarding data privacy and exceeds GDPR (Europe) and CCPA (North America) regulations.


Wildfire offers software as a remotely hosted, secure API that accepts anonymized text and returns transformed text that includes links to online stores which are contracted to share a portion of revenue from referred transactions. No data is sent to Wildfire as part of the API call that would identify the sender or recipient of the message. Only the content of the subject text itself is transmitted.



Links to partner online stores are attributed to the carrier only and do not identify, in any way, the specific sender or recipient of the message.



The Potential of Messaging Contextual Shortcuts



Consumers are on board with the concept of MCS, and for brands they do not have to do anything other than tap into their existing marketing spend for CPA. And perhaps this is the key component: MCS taps into existing marketing spend and simply diverts a percentage of that spend onto messaging when relevant. It does not target existing A2P SMS spend, which represents a fraction of a brand's spend when compared to their marketing budget.

So how can contextual marketing dynamically change the revenue opportunity of the messaging landscape? Products and brands are referenced 2.4 billion times every day on social platforms⁷, or 1.7 million times every minute of every day. What is more, digital word-of-mouth drives over \$2 trillion of global commerce⁸. That is a big contextual-based monetization opportunity for the messaging channels.

Digital word-of-mouth drives **over \$2 trillion** of global commerce

By tapping into consumer-to-consumer messaging MCS is utilizing a massive traffic opportunity. For example, the average RCS user in the US sends 75 messages a day⁹. Conversely, brands are restricted by how many times they communicate with a customer over messaging. Too much and they become spammers and their brand is damaged for the foreseeable future. So, the contextualization of consumer messaging presents a gargantuan opportunity for brands to reach customers.

What do we know so far? Data provided to Mobilesquared by Wildfire from a trial conducted with a major US cellco, revealed that the annualized gross earnings per user from MCS was US\$14.59. Using the data points, Mobilesquared developed a forecast model to project future earnings, and by the end of our forecast period annualized gross earnings per user had almost tripled to US\$40.80.

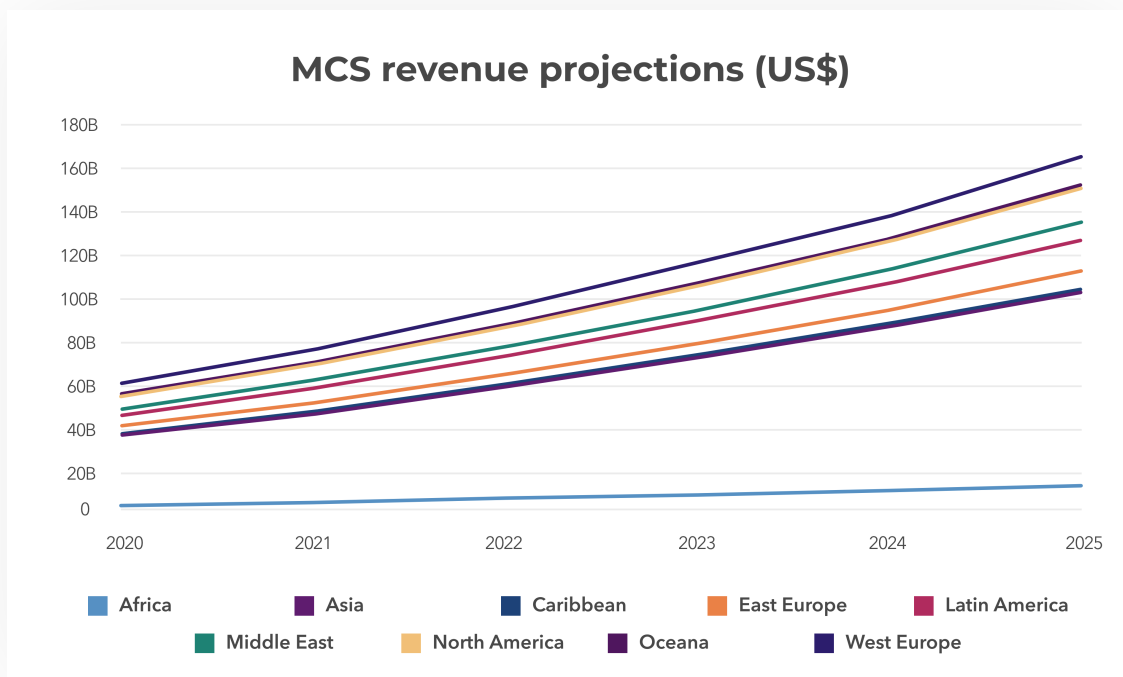
⁷According to 3rd party research

⁸Source: Nielsen; WOMMA; Keller Fay Group

⁹Source: T-Mobile US

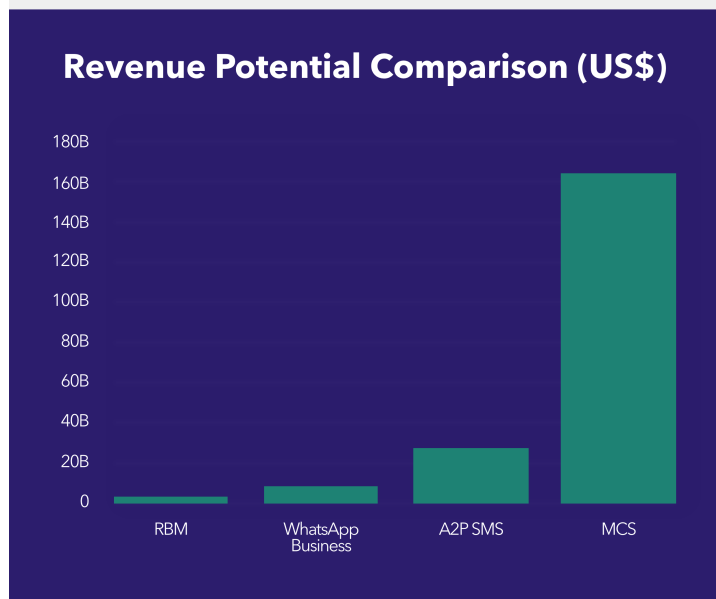
If we now go one step further and apply ubiquitously to every smartphone user in 2021 using a weighting mechanism for each region, MCS would generate revenues of US\$75.7 billion dollars – already more than three times bigger than the A2P SMS market. By 2025, Mobilesquared projects that figure to more-than double to US\$164.4 billion.

By tapping into brands' marketing spend, the MCS opportunity will be 8 times greater than what brands are projected to spend on A2P SMS by 2025. Annualized gross earnings per user will grow from US\$13.8 per annum in 2021 to US\$30.9 per annum in 2025.



Source: Mobilesquared

MCS would potentially be worth **almost 5 times** the market value of A2P SMS, RBM and WhatsApp Business.



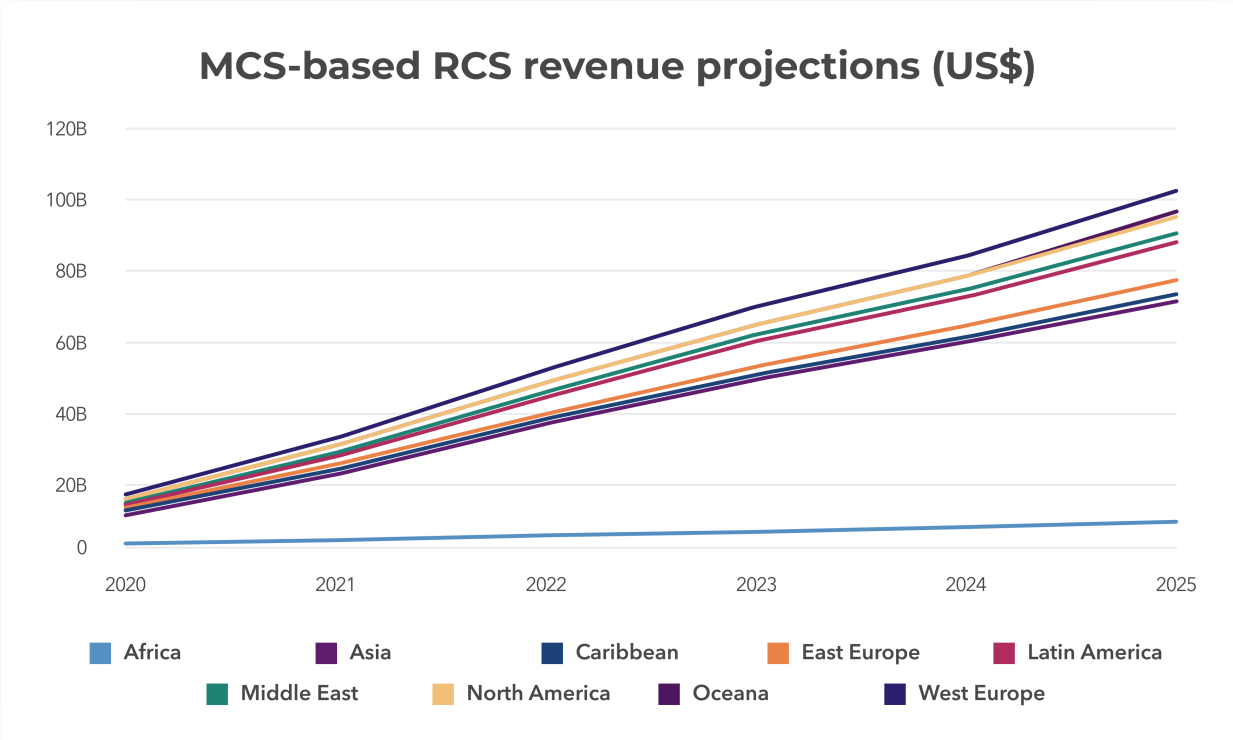
More importantly, how does this compare to the next generation of business messaging? By 2025, RBM is expected to be generating revenues of US\$1-3 billion, and WhatsApp Business US\$67 billion¹⁰. In fact, MCS would potentially be worth almost 5 times the combined market value of A2P SMS, RBM and WhatsApp Business

But this is where it could get interesting. If MCS was applied to RCS it could have a transformative impact on how mobile operators view RCS, broadening their view beyond RBM and paving the way to truly impressive revenues.

Presently, mobile operators have been slow to adopt RCS for a multitude of reasons, from fear of cannibalizing existing A2P SMS revenues, to lack of available budget, as well as lack of business model, and perceived lack of return. This is where MCS fits the bill. With MCS, not only does it alleviate the reliance to generate revenues from RBM, but it would also instantaneously allow a mobile operator to monetize its RCS users.

¹⁰Source: Mobilesquared Databooks

By applying the same principles as before, if MCS were to be rolled out in 2021 across every RCS platform, it would generate US\$31.4 billion from brand spend.



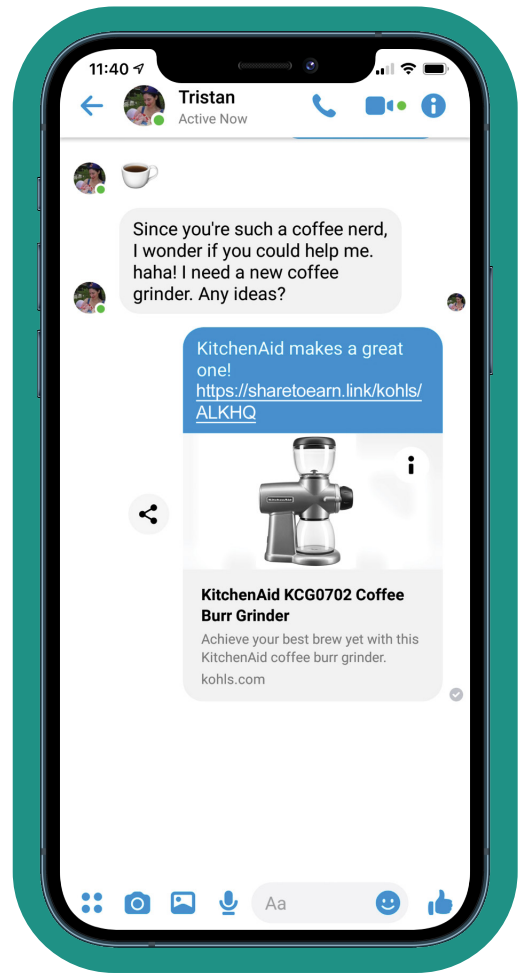
That is an ARPU of US\$16.24. By 2025, the revenue MCS generated would leap to US\$102.56 billion, with ARPU at US\$30.18.

MCS would make RCS an extremely attractive proposition.



The Wildfire Way

MobileSquared has been at this a long time and have tons of experience: Rarely does a game changing opportunity come along like this. The challenge for vendors in the ecosystem and mobile operators is going to be turning their attention to this in addition to what they've already got on their plates around RCS and A2P, but they'd be crazy not to.



Wildfire's approach to Messaging Contextual Shortcuts (MCS) is quite ingenious, simultaneously tapping into mobile users' appreciation of the utility of shortcuts while giving them a more direct path to commerce. As more people become comfortable engaging in ecommerce from their mobile devices, (indeed, mobile commerce worldwide has exceeded that on desktop) it makes perfect sense to make that activity as frictionless as possible for consumers. Probably the most important key to success here, and where Wildfire seems to get it right, is the "contextual" part of MCS.

If the technology performs at scale as demonstrated, there is no limit to how many contextual shortcuts can be inserted into the P2P messaging flow because the context is always correct and therefore appreciated by users, much the same way auto-correct is considered a helpful companion to busy mobile users.



With the technology figured out (and patented) at the mobile consumer level to make the individual user experience delightful, now it comes to the mobile network operators and their surrounding ecosystem of vendors to decide how they want to monetize the burgeoning RCS opportunity. With MCS, our industry is no longer limited to monetizing RCS via the A2P channel. Mobile operators and vendors can at least double their immediate revenue opportunity (and potentially multiply it many times over) by monetizing the P2P channel as well. MCS, and particularly the Wildfire implementation of it, is well positioned to unlock this value for the whole ecosystem while driving more value for merchants even while making their consumers happier.

MCS from Wildfire represents a rare win/win/win in an industry where maturity and competition is making new revenue streams more interesting than ever.

About Wildfire Systems, Inc.

Wildfire Systems provides an enterprise platform which enables partners to embed social commerce, rewards, and cashback offerings within their existing services. Wildfire's patented suite of technologies rewards online shopping and harnesses digital word-of-mouth, delivering enhanced user experiences, consumer loyalty, and new revenue streams for partners. By harnessing word-of-mouth recommendations, Wildfire drives incremental revenue for over 30,000 online merchants including Dell, Macy's, and Sephora. The company is based in San Diego and was founded in 2017.

For more information, visit www.wildfire-corp.com.

About MobileSquared

#1 FOR BUSINESS MESSAGING INTELLIGENCE

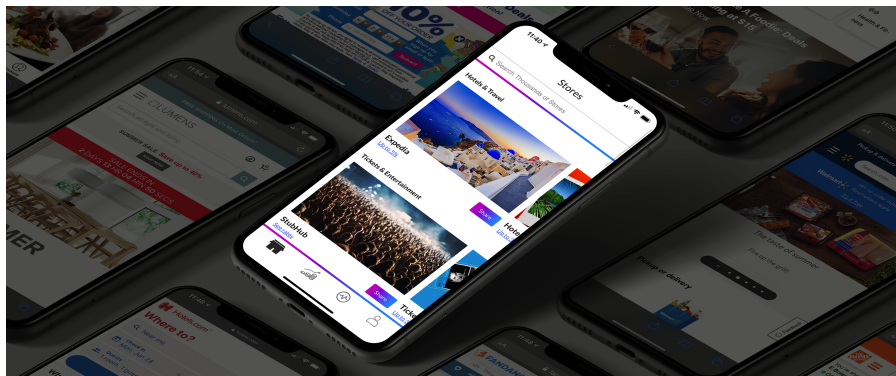
Mobilesquared is the go-to partner for definitive business messaging market intelligence. We produce the most comprehensive independent global forecasts in the industry, trusted by brands including Mastercard, Google, Vodafone, LivePerson, and PwC for accuracy. If you need targeted messaging market insight and future-proofed strategy, we can help. Find out more about which areas of the messaging market we're actively researching, including our databooks, reports, and precision intelligence tool MessageMap IQ

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