Mapping the Future of Enterprise Messaging: SMS, RCS, and Chat Bots

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Summary

In brief

Ovum's Enterprise Messaging Survey 2017, conducted in partnership with cloud communications provider CLX Communications and its subsidiary mobile solutions provider, Symsoft, canvassed 100 companies in seven countries: Brazil, China, France, Germany, India, the UK, and the US. The survey was conducted in May 2017, across multiple industry verticals, with the highest proportion of respondents' organizations coming from the business/professional services, media/internet, retail/wholesale, travel and hospitality, and manufacturing sectors. Company size ranged from fewer than 10 employees to more than 10,000, with the highest proportion of respondents' organizations having 10–100, 101–500, or 1,001–10,000 employees. Respondents were surveyed on their use of and attitudes toward SMS, enhanced SMS/advanced messaging services, and chat bots.

Ovum view

Enterprises are faced with a plethora of choices and decisions when it comes to outbound and inbound communications. From a messaging perspective, SMS remains an important engagement channel for enterprises, as evidenced by continued growth in application-to-person (A2P) SMS traffic. However, organizations recognize that their customers are using multiple and more sophisticated messaging services; consequently, enterprises must be prepared to adapt their own infrastructure so that they are ready to converse with their customers in the preferred communications context for any given interaction. For the enterprise, that means closely monitoring trends in consumer communications behaviors and assessing the viability of emerging, relevant technologies such as RCS-based enhanced SMS/advanced messaging services, and chat bots for chat apps, social networks, and SMS.

In this paper, we analyze the results of the Enterprise Messaging Survey 2017, placing the findings in the context of the rapidly evolving business-to-consumer communications market.

Key messages

- Organizational use of SMS as a customer communications channel continues to grow, and actionable SMS is becoming increasingly important to enterprises, with 23% of survey respondents stating that their use of two-way SMS had increased over the past 12 months.
- Pricing elasticity continues to play a role in the A2P SMS ecosystem, with 54% of respondents saying that they would send more A2P SMS traffic if the per-message price of an A2P SMS were reduced.
- Over a third of respondents, 36%, indicated their organizations would be interested in using an enhanced SMS/advanced messaging service, such as a service based on the GSM Association (GSMA)'s Rich Communications Services (RCS). Most of these respondents said they would be interested in the rich communications capabilities of such a service, including the ability to send images and videos; they would also be interested if such a service enabled a chat-bot-like interaction with their customers.
- Most of the survey respondents who indicated that their organizations would be interested in using an enhanced SMS service said they expect to pay a premium to use it, with their preferred pricing model being to pay for a bundle of messages (for example, 10 messages) on a variable rate based on total messaging volumes.
- A quarter of respondents said that their organizations were already using chat bots, with most having deployed chat bots via chat apps or social media.
- A high proportion of respondents who said that their organizations had already deployed chat bots, said that their companies were already measuring the benefits of doing so in terms of improved customer service, increased revenues, and reduced churn.

# Enterprise SMS traffic grows alongside familiarity with use cases

SMS continues to endure as a key mobile interaction channel between enterprises and their customers. The fact that SMS is a universally available service on mobile devices, with global reach and interoperability, makes it attractive to enterprises seeking a simple, low-cost, and reliable way to realize multiple use cases within their businesses. These use cases span the gamut of transactional and promotional objectives, with the former including appointment reminders, two-factor authentication, and text donations, and the latter including advertising and marketing, text-to-win, and mobile vouchers. As person-to-person (P2P) SMS traffic declines, application-to-person (A2P) SMS traffic is growing, buoyed by a mature ecosystem of connectivity service providers, including cloud communications companies; the growing availability and accessibility of application programming interfaces (APIs), which make it easier and less expensive for enterprises to integrate SMS into their existing customer-facing platforms; and off-the-shelf business software that also enables enterprises (including SMEs) to more easily send SMS. Ovum forecasts that A2P SMS traffic will grow from 1.16 trillion messages per annum in 2016 to 1.28 trillion in 2019.

Actionable SMS becomes more important

Organizational use of SMS has not diminished in the last 12 months, with a high proportion of respondents to Ovum's Enterprise Messaging Survey 2017 stating that their use of SMS for transactions, promotions, and one- and two-way SMS has either stayed the same or increased (see Figure 1). SMS remains a well-accepted channel by which enterprises send marketing and promotional messages, with 42% and 35% of respondents, respectively, indicating that their use of SMS for these purposes increased over the past year. However, the survey results also suggest that a higher proportion of organizations now enable their customers to send SMS replies, for example to reschedule an appointment or to have an SMS-based conversation with a contact-center agent; 23% of respondents stated that their use of two-way SMS had increased during the previous 12 months.

Figure 1: Organizational change in the use of selected SMS types over the past 12 months

Q: In the last 12 months, what has happened to your organization's use of these SMS types?
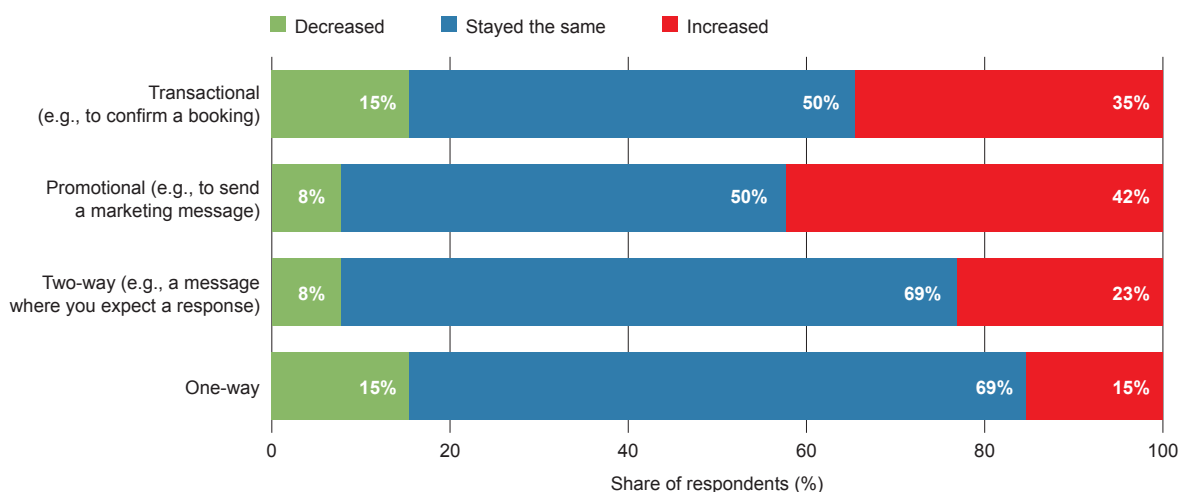
Note: 100 respondents

Source: Ovum Enterprise Messaging Survey 2017

Ease of access and integration are key new drivers for increased SMS traffic

Even though the survey suggests that most enterprises are not reducing the number of SMS they send to their customers, employees, and the public, the organizational appetite to further increase their use of SMS can be – or is being – whetted by a few key factors. Chief among these is the ability for enterprises to more easily access SMS and to integrate it into their marketing campaigns, processes, and applications, a factor cited by 48% of respondents (see Figure 2). Ease of access and integration is facilitated by multiple providers in the SMS ecosystem, including via the use of application programming interfaces (APIs) to connect enterprises' customer engagement platforms directly into those of the SMS supplier.

Figure 2: Factors that would have an impact on an organization's SMS traffic volumes

Q: What factor(s) other than unit price would lead to an increase or decrease in your organization's SMS traffic volumes?

Legend: ■ Decrease ■ There would be no change ■ Increase

Factor	Decrease	No change	Increase
The ability to reach the whole world without needing to procure numbers in each country or understand complex regulations	4%	65%	31%
Your supplier's provision of better service-level agreements (e.g., delivery rate/latency guarantees, message receipts)	6%	60%	34%
Ability to more easily access SMS and integrate it into marketing campaigns, processes, and apps	8%	44%	48%
Identification of additional use case scenarios for A2P SMS	5%	69%	26%
More sophisticated and artificially intelligent chat-bot platforms	8%	55%	37%
Increased security and end-to-end encryption	3%	64%	33%
More features such as custom branding, delivery of enriched content, and read receipts	5%	58%	37%
Better proof of the business ROI of A2P SMS	7%	63%	30%

Share of respondents (%)

Note: 100 respondents

Source: Ovum Enterprise Messaging Survey 2017

However, it is clear that survey respondents are also keen to see SMS evolve as a service, with 37% stating that new features such as custom branding, the delivery of enriched content, and read receipts would encourage them to send more SMS. This finding is significant because it lends weight to the RCS-based Messaging-as-a-Platform and RCS Business Messaging initiatives outlined by the GSMA and Google at MWC17. Via these initiatives, the GSMA, Google, and participating telcos, service providers, vendors, and enterprises themselves are establishing the foundations for deploying advanced IP-based messaging services that include capabilities such as SMS fallback. That capability is important, given that 37% of respondents also said that more sophisticated and intelligent chat-bot platforms would increase their SMS traffic, which suggests that enterprises are already acknowledging the role that SMS-based chat bots play in enabling two-way SMS, and that they would welcome increasing sophistication in SMS chat bots. In addition, enterprises are probably also realizing the benefits to using a chat bot on a chat app that enables SMS fallback, in terms of enabling uninterrupted communications with their customers regardless of device or network access.

Downward pressure on price continues

There are multiple criteria for the selection of an SMS connectivity services provider: these include quality and reliability, reach, the number and types of services offered, and monitoring and reporting. However, price is often the key decision-making factor for enterprises, some of which are willing to trade off guarantees on quality and reliability (for example), to achieve the lowest possible termination rate for their SMS traffic, and therefore the lowest possible costs. In doing so, enterprises are – knowingly or otherwise – enabling undesirable business models to flourish, including the use of grey routes. A grey route is an A2P SMS delivery path where the sender (for example, a low-cost aggregator) does not have a commercially binding termination agreement with the ultimate receiver (the network operator) and consequently does not pay the operator what it is owed for terminating the traffic. Grey routes are often conduits for spam and other types of unwelcome SMS communications; in addition, an enterprise that uses a grey route may suffer damage to its reputation because its messages are not delivered reliably or in a timely fashion because of the way in which the grey route delivery path is programmed. On the supply side, grey routes also place price pressure on the higher-quality SMS aggregators, which do have commercial agreements with network operators.

Over a fifth (22%) of respondents to Ovum's Enterprise Messaging Survey stated that their organization paid $0.02 per A2P SMS on average, with 19% indicating they paid $0.03 per message on average and 15% indicating that they paid $0.01; in total, 72% of respondents said their organizations paid $0.03 or less (including increments between whole cents). On average, respondents paid $0.035 per A2P SMS, but this is skewed by the smaller number of respondents who paid more than $0.03 per SMS, with 20% stating that they paid $0.04–0.05.

It should be noted that pricing varies significantly from country to country, meaning that the average price per SMS may depend on the mix of countries to which traffic is sent. For example, Germany remains one of the most expensive countries in the world for SMS termination, while India is one of the least expensive. Other industry trends are also at play: It's likely that downward pressure on A2P SMS prices will abate as mobile operators get better at blocking grey routes; also, the consolidation of key industry players may end a multiyear phase of irrational pricing.

## Pricing elasticity in SMS alive and well

The survey shows that pricing elasticity continues to play a role in the A2P SMS ecosystem; that is, A2P SMS traffic increases or decreases respective to the decrease or increase in A2P SMS pricing. The highest proportion of respondents, 35%, indicated that their monthly SMS traffic would increase by between two and four times if there were an unlimited SMS fixed price option; that is, if they could pay a fixed price for unlimited SMS. Using an average A2P SMS per-message price of $0.03 as the baseline, 26% of respondents said they would send more A2P SMS if the price were lower, at $0.02, and 28% said they would send more traffic if the price were even lower, at $0.01. At the other end of the scale, 36% and 34% of respondents indicated they would send less traffic if the price were higher, at $0.04 and $0.05, respectively. Regulators and telcos alike must be careful when adjusting per-message A2P SMS pricing, to prevent negative consequences such as potentially discouraging enterprise use of SMS if the price rises too steeply, or encouraging undesirable use cases such as spam if the price should fall too low.

Social media takes a leap as SMS alternative

Enterprises have typically used multiple communications channels to engage with their customers, considering factors such as their objectives for the communication, the demographics of the target audience (including demographic cohorts such as millennials), device types, and network capabilities. When survey respondents were asked which alternative communications channels to SMS they use for transactional or promotional messaging, e-mail came out as the clear leader, with 84% stating that they already use e-mail as an alternative communications channel to SMS (see Figure 3). This finding is in line with Ovum's previous Enterprise Messaging Survey, conducted in 2014, which found that 78% of respondents already used e-mail.

Figure 3: Use of alternative communications channels to SMS

Q: Do you use or expect to use any of these alternatives to SMS for transactional or promotional messaging?
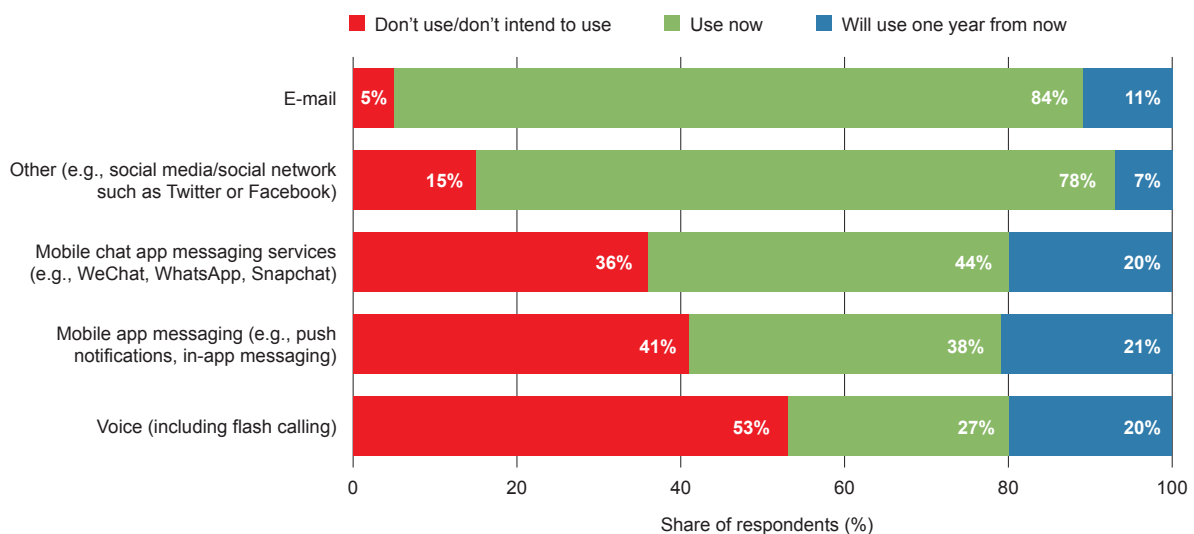
Note: 100 respondents

Source: Ovum Enterprise Messaging Survey 2017

However, social media and social networks have since become more important to enterprises as an alternative to SMS, with 78% of respondents to the 2017 survey stating that they already use social media, up from 54% in 2014. Social networking and media services such as Facebook, Twitter, and QQ have made significant investments in enabling products and services that have helped them grow their user bases and enable enterprises to engage with those of their customers who are also social-networking and media users.

There was also a significant increase in the number of respondents who use mobile chat app messaging services, from 30% in 2014 to 44% in 2017, which reflects the steady increase in the penetration and adoption of chat apps by consumers and enterprises alike. Meanwhile, voice has become significantly less important, with only 27% of respondents saying that they used it as an alternative to SMS in 2017, compared with 45% in 2014. The use of mobile app messaging (e.g., push notifications) has also seen a small decline, from 43.3% of respondents in 2014 to 38% in 2017.

Hope for RCS: Survey shows enterprise interest in enhanced SMS services

Progress on the GSMA's Rich Communication Services initiative has been achingly slow since it was first suggested in 2007. However, Google's September 2015 acquisition of Jibe Mobile, an RCS platform and hubbing provider, and its subsequent partnership with the GSMA and multiple telcos in February 2016 to create the RCS Universal Profile for Advanced Messaging and develop an Android RCS client based on the Universal Profile, appears to have had the effect of rejuvenating the initiative. Since the launch of the RCS Universal Profile for Advanced Messaging in November 2016, and the relaunch of Google's Android Messages (formerly Messenger for Android) as the Android RCS client, seven telcos have either gone live with or have committed to launching RCS services based on the Universal Profile and Android Messages, including Vodafone, Sprint, Rogers Communications, and Telenor.

As of end-1Q17, 48 operators globally offered commercial RCS services, according to Ovum's *Enhanced Telco Communication Services Tracker: 1Q17*. At MWC17 in Barcelona, the GSMA announced that there were 110 million monthly active users of RCS-based services, including 25 million weekly active users of Indian operator Reliance Jio's JioVoice. And at MWC Shanghai in June 2017, the GSMA revealed that the number of RCS monthly active users (MAUs) had grown to 137 million.

Richer communications, chat bots, and clearer branding are the main lures

Ovum's Enterprise Messaging Survey 2017 found that 36% of respondents would be interested in using an enhanced SMS or advanced messaging service to enable interactions with their customers, employees, and the public (see Figure 4). This finding suggests that enterprises would value capabilities such as those enabled by RCS, and this is borne out by the finding that 94% of respondents would use an enhanced SMS service because it would enable richer communications, including images and videos (see Figure 5).

Figure 4: Organizational interest in using an enhanced SMS/advanced messaging service

Q: Would your organization be interested in using an enhanced SMS/advanced messaging service to enable interactions with your customers, employees, or the general public?

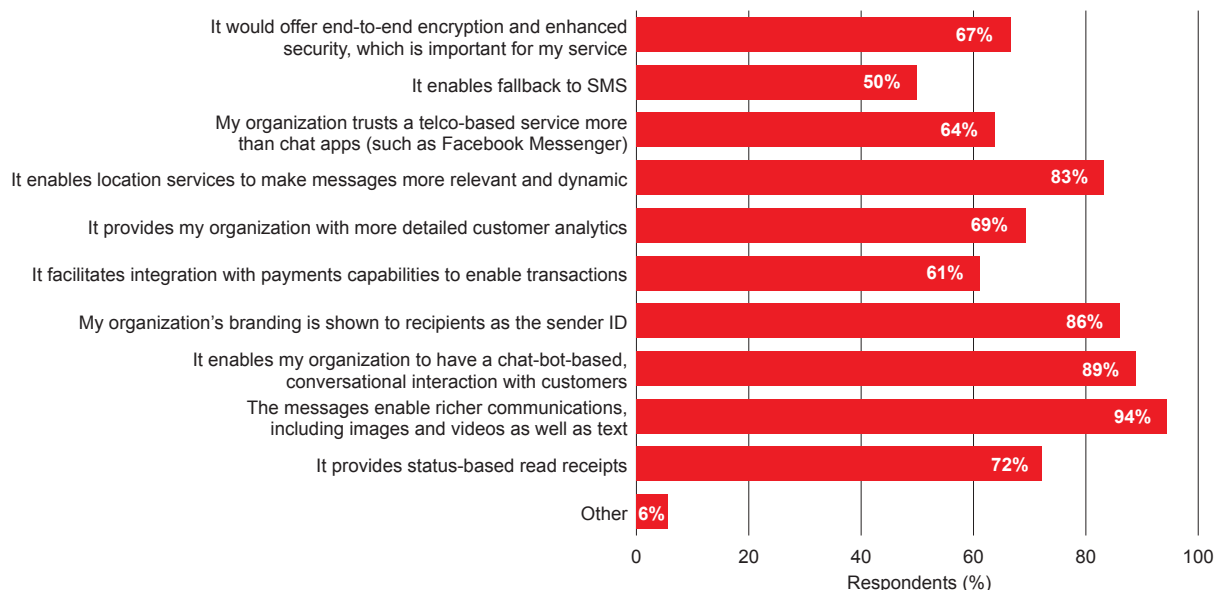No 57% Yes 36% Not sure 7%
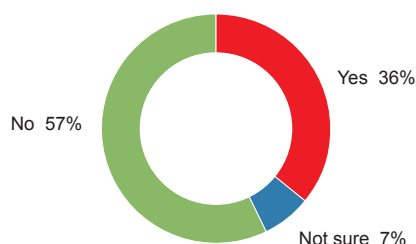
Note: 100 respondents

Source: Ovum Enterprise Messaging Survey 2017

Figure 5: Reasons for organizational interest in using an enhanced SMS/advanced messaging service

Q: Why would your organization be interested in using an enhanced SMS/advanced messaging service?

Reason	Respondents (%)
It would offer end-to-end encryption and enhanced security, which is important for my service	67%
It enables fallback to SMS	50%
My organization trusts a telco-based service more than chat apps (such as Facebook Messenger)	64%
It enables location services to make messages more relevant and dynamic	83%
It provides my organization with more detailed customer analytics	69%
It facilitates integration with payments capabilities to enable transactions	61%
My organization's branding is shown to recipients as the sender ID	86%
It enables my organization to have a chat-bot-based, conversational interaction with customers	89%
The messages enable richer communications, including images and videos as well as text	94%
It provides status-based read receipts	72%
Other	6%

Note: 36 respondents
Source: Ovum Enterprise Messaging Survey 2017

The next-highest proportion of respondents, 89%, stated that they would be interested in such a service if it enabled their organizations to have a chat-bot-based, conversational interaction with their customers. This means their companies would welcome the extension of the existing SMS-based chat-bot experience for two-way SMS into a more graphical capability that would resemble that provided by chat-app-based chat bots, but with the added advantage of falling back to SMS on devices that do not support RCS.

Meanwhile, 86% of respondents said they would like to use such a service if it enabled them to display their organization's brand as the sender ID. SMS-based sender IDs are limited in terms of character length, meaning that branding is often abbreviated and may be regarded with a degree of suspicion by the message recipient.

In addition, 72% of respondents indicated that they would use RCS if it could provide status-based read receipts; read receipts are especially important for marketers, since they enable marketers to track customer reach and engagement, and to carry out A/B testing to compare the relative effectiveness of different types of outbound marketing campaigns or communications.

Another benefit of RCS is the potential for it to solve fraud-related issues such as message spoofing; message spoofing becomes a problem when it involves the manipulation of sender IDs by unauthorized third parties to impersonate legitimate organizations or individuals. The survey found that 67% of respondents would use RCS if it enabled end-to-end encryption (E2EE) or enhanced security features; enabling these features would go some way toward driving adoption of RCS-based enhanced SMS capability within the government and financial-services sectors. In fact, 80% of respondents from the financial and public sector industry verticals said that they would be interested in using enhanced SMS if it provided E2EE and enhanced security features.

Enterprises are also willing to pay more for advanced messaging…

Of course, providing an enhanced SMS/advanced messaging service raises questions around business models in general, and particularly pricing. It is already clear that telcos will be unable to charge customers an additional fee for the use of their RCS-based services, since chat apps are already offering similar services essentially for free. It will be a similar scenario for business-to-consumer/business-to-employee communications – enterprises cannot expect their customers or employees to bear the cost of receiving richer communications services, even though they themselves will likely have to pay their messaging providers a higher price for enhanced SMS/advanced messages. However, the benefits of being able to use enhanced SMS/advanced messages (as outlined in Figure 5) will probably help enterprises justify the additional costs.

Ovum asked survey respondents to indicate how much they would expect to pay for an enhanced SMS, relative to the price of an ordinary per-message SMS. The results indicate that enterprises expect to pay a premium for enhanced SMS, with over half of respondents, 56%, saying they would expect to pay between 1.5 and three times the price of an ordinary per-message SMS (see Figure 6). Just under a third of respondents, 31%, said they would expect the price of an enhanced SMS to be the same as an ordinary SMS.

Figure 6: Expected price of an enhanced SMS relative to ordinary per-message SMS

Q: How would your organization expect the pricing of an enhanced SMS/advanced message to be set, relative to the pricing of an ordinary per-message SMS?
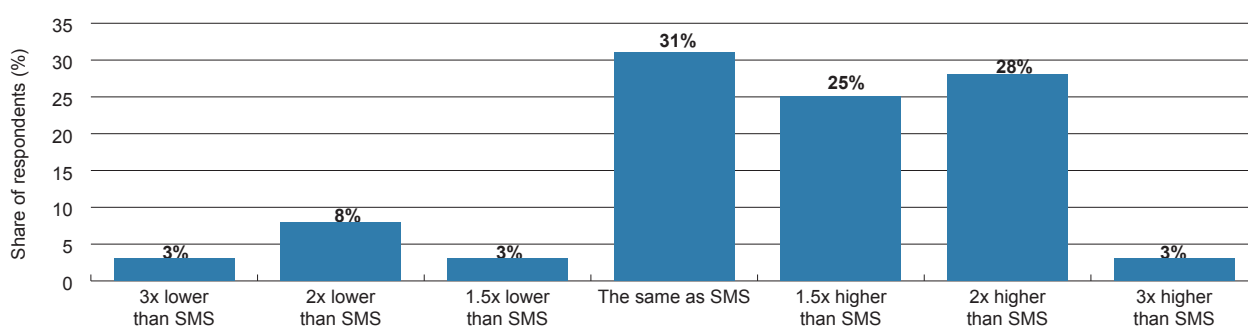
Note: 36 respondents

Source: Ovum Enterprise Messaging Survey 2017

Respondents were also asked to indicate their organization's preferred pricing model for enhanced SMS, with the highest proportion of survey participants, 39%, indicating that their organization would like to pay per message bundle (for example, a bundle of 10 messages), with the price varying depending on total messaging volumes. The next-highest proportion of respondents, 17%, said their organizations would prefer to pay a flat rate fee per message, while 11% said their organizations would prefer to pay a monthly fee for unlimited messages, and 11% preferred a per-message fee with the price varying depending on total messaging volumes.

… But perceived lack of benefits and higher costs are deterrents

The adoption of RCS-based services by consumers has been slow, for a combination of reasons, including the following: Telcos were reluctant to launch a service for which there was no clear business model, RCS-based apps were not available natively on devices, and, in the minds of consumers, RCS-based apps compared unfavorably with chat apps. In addition, RCS-based services did not deliver on the promise of enabling an upgraded SMS service that would also be interoperable between operator networks, with early implementations typically ring-fenced to the subscribers of the launch operator, meaning that operators could not benefit from the network effect, as they had previously with SMS.

Similarly, Ovum's Enterprise Messaging Survey has revealed organizational concerns around using enhanced SMS/advanced messaging, with 64% of respondents stating that they don't see any benefit in using such a service, and 50% indicating that they were concerned about the potentially higher costs of using enhanced SMS/advanced messaging.

However, it is possible that respondents' concerns over the perceived lack of features for enhanced SMS could be partly related to a general lack of awareness of what RCS-based services can offer. For instance, visitors to the GSM Association's booth at Mobile World Congress 2017 in Barcelona in February, where RCS-based enhanced messaging services for business were demonstrated, reportedly appreciated the capabilities shown. Marketers in particular were attracted to the way in which RCS-based services could meet their requirements for achieving strong brand recognition and generating more-comprehensive analytics.

In addition, 45% of respondents said they were already using enhanced messaging via chat apps, and the same proportion of respondents stated that they didn't have the resources to integrate enhanced SMS/advanced messaging into their existing customer-facing platforms. If RCS for Business is to be successful, the GSMA, Google, Samsung, participating telcos, and members of Google's Early Access Program need to demonstrate the benefits of enhanced SMS/advanced messaging, establish viable business models that balance the increased costs associated with providing the service against the benefits it will provide, and make it easier for enterprises to access and integrate enhanced SMS/advanced messaging into their existing customer service frameworks and infrastructure.

This objective takes on greater urgency as Apple prepares to roll out iMessage Business Chat later this year, which is aimed at enabling enterprises to use iMessage to communicate with their customers. Further, iMessage Business Chat will be integrated with iPhone features – Siri, Spotlight, Safari, and Maps – which will make it easier for consumers to search for service providers on their devices. Apple has also secured partnerships with four key providers of customer service platforms – Genesys, LivePerson, Nuance, and Salesforce – which means it is already taking steps toward integrating iMessage into the business systems that brands are using.

Chat bots are taking their place in customer service, across multiple channels

Chat bots on chat apps have rapidly become a part of the customer engagement mix, with most chat apps providing enterprises with access to their chat bot platforms, to enable fully or partly automated interactions with customers. However, it must be pointed out that chat bots are not limited to chat apps; indeed, most two-way SMS services are also powered by chat bots, for example, SMS-based services that allow a banking customer to select a transaction or to retrieve their account balance. Used effectively, chat bots can reduce the load on human agents, enabling them to focus on higher-value transactions or more complex interactions (for example, technical support), using channels that are appropriate to the interaction.

The target market for two-way SMS, or SMS-based chat bots, is substantial, since its reach encompasses any consumer with a mobile device connected to a cellular network, as well as those devices on which consumers are using a multi-device communications service but that are connected to a data network rather than a mobile network. To provide an idea of the scale of the chat app market, Ovum forecasts that there will be 3.18 billion unique global mobile monthly active users of chat apps by 2020, many of whom will use two or more chat apps. The bulk of global MAUs are in Oceania and Eastern and Southeastern Asia, where the China-based WeChat is very popular, with 938 million MAUs as of 2Q17. Elsewhere, both Facebook Messenger and WhatsApp exceeded 1.2 billion MAUs in 1Q17, while Instagram (also owned by Facebook) reached 700 million MAUs. India is WhatsApp's largest market, with 200 million MAUs as of February 2017.

Chat apps are no longer primarily communications apps: Most very quickly became platforms for sharing and consuming content and experiences, before moving into payments and commerce. Asia-based chat apps WeChat, KakaoTalk, and Line led the way in enabling transactional interactions between consumers and service providers, such that both KakaoTalk and Line each reported around $1.2bn in revenues in 2016. Global chat apps such as Facebook Messenger, WhatsApp, iMessage, and Viber Media have been slower to monetize their substantial user bases, but are increasingly used by service providers to engage with their customers for purposes such as providing information about new products and services, answering customer queries, and facilitating transactions.

A quarter of enterprises are already using chat bots

Ovum's Enterprise Messaging Survey 2017 found that 25% of respondents' organizations are already using chat bots to engage with their customers (see Figure 7). Even though chat bots on chat apps have been around for only a relatively short time – several chat apps, including Facebook Messenger, Kik, Line, Telegram, and Skype launched them only in 2016 – most respondents, 84%, said they have deployed chat bots across chat apps. Chat bot capabilities on some social network and social media sites are even newer – for example, Twitter launched new chat-bot-powered features in its Direct Messages function in November 2016 – but the survey suggests that these have also quickly gained traction, with 76% of respondents indicating that their organizations have deployed chat bots on social networks and social media. By contrast, just 48% of respondents indicated that they used chat bots on SMS.

Figure 7: Share of organizations offering chat bots as a customer engagement channel

Q: Does your organization offer its customers, employees, or the general public the ability to interact using a chat bot?

Yes 25%

No 68%

Not sure 7%
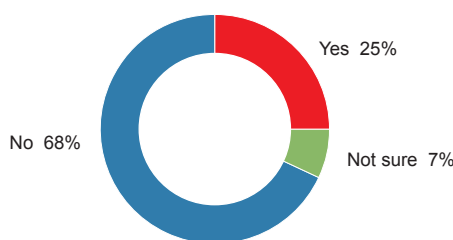
Note: 100 respondents

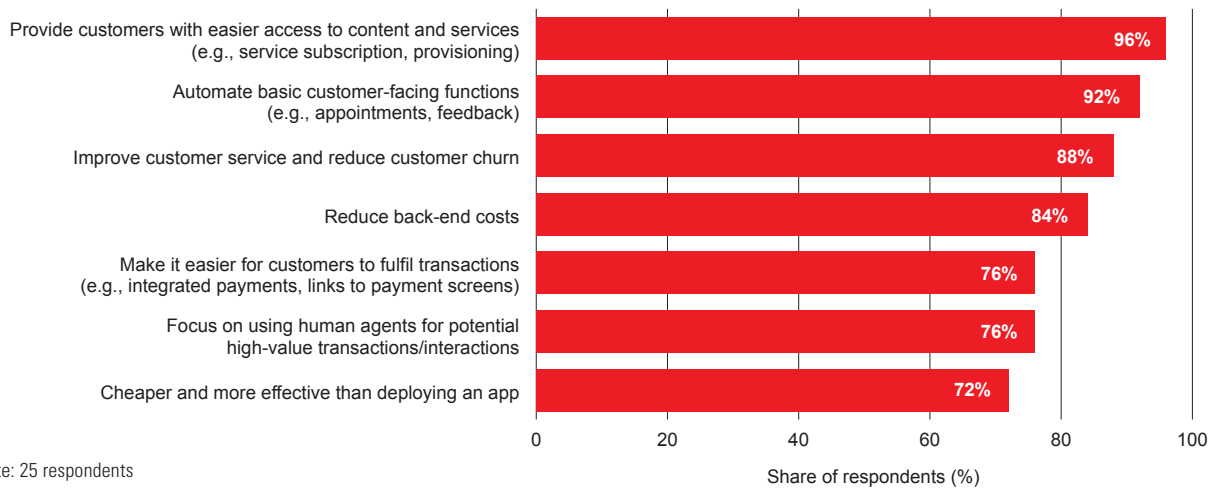Source: Ovum Enterprise Messaging Survey 2017

Improving the customer experience drives use of chat bots

When respondents were asked why their organization had deployed chat bots, most indicated that their key objectives were to improve customer service, including customer self-service. For instance, 96% of respondents said that they used chat bots to provide their customers with easier access to content and services, 92% said they used them to automate customer-facing functions, and 88% indicated that they used them to help improve customer service and reduce churn (see Figure 8).

As mentioned previously, enterprises can create chat bots that can automate the way in which consumers can access information (for example, by subscribing to a content channel), receive alerts about specific events (such as a promotion), confirm or reschedule an appointment, or provide feedback, among other functions. This means that consumers' interactions with their service providers can be quicker, more efficient, and more personalized, assuming that the automation is effective, relevant to the consumer, and hassle-free. Cost reduction was also on the minds of respondents, with 84% stating that their organization used chat bots to reduce back-end costs, and 72% indicated that they felt chat bots were cheaper and more effective than developing and distributing an app.

Figure 8: Organizational reasons for deploying chat bots

Q: Why did your organization deploy a chat bot or chat bots?

Note: 25 respondents
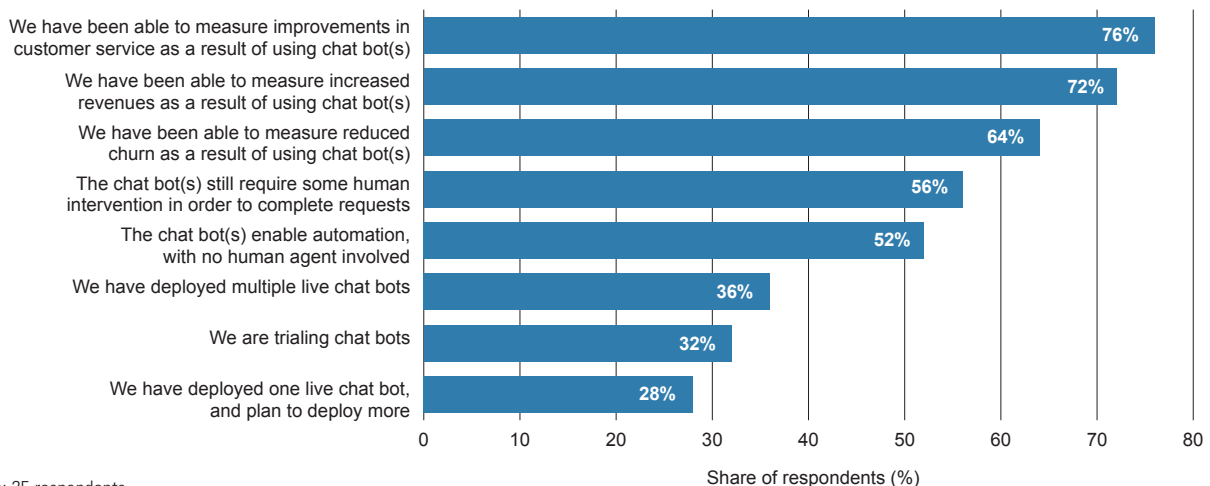Source: Ovum Enterprise Messaging Survey 2017

For those respondents whose organizations hadn't deployed chat bots, the highest proportion, 67%, said that there was no clear use case for chat bots within their companies, and 56% said that they didn't believe that their organization's business would benefit from automation via chat bots. The availability of technical expertise and financial resources within their organizations seemed to be less of an issue.

Enterprises already measuring improvements in customer service, revenues, and churn

The deployment of chat bots appears to have returned positive results for those organizations that are using them, the survey suggests. A high proportion of respondents, 76%, indicated that their organization had measured improvements in customer service, while 72% said that they had seen increased revenues, and 64% experienced reduced churn (see Figure 9). These results are extremely significant, not only in justifying continued investment in chat bots by the organizations that have already deployed them, but also in proving to those organizations that haven't deployed chat bots that there are specific and measurable business benefits to be had from doing so.

Figure 9: Organizations' experience of using chat bots

Q: What has been your organization's experience of using chat bots?

Note: 25 respondents
Source: Ovum Enterprise Messaging Survey 2017

Given that the deployment of chat bots across multiple communications channels remains relatively nascent, as is the development of chat bots in general, it is not surprising that there is a relatively even split between those respondents whose organizations' chat bots required some level of human intervention, and those respondents whose organizations' chat bots are fully automated. It is entirely possible that, even as chat bot capabilities continue to evolve and as the level of automation within the customer service function progresses, some degree of human intervention will still be required to complete what is likely to become increasingly complex requests, even as the fulfilment of what would be regarded as complex requests today become increasingly automated in the future.

Finally, the survey results suggest that among those respondents whose organizations have deployed chat bots, there is an appetite to deploy more than one chat bot. Clearly the fact that these enterprises have measured significant business benefits from their deployment of chat bots in at least one area of their business has encouraged them to attempt to replicate that success either with other products and services in the same business unit, or in other business units. There is precedent for this in the A2P communications market, in that a similar scenario has typically played out with respect to the spread of use cases for A2P SMS within organizational departments.

However, enterprises deploying chat bots do face some challenges. Like apps, chat bots are inherently user-initiated, which places the onus on the organization to make customers aware that they are offering a chat bot, and to educate consumers about how they can access and use it. This means that SMEs especially may find it initially more difficult to develop, deploy, and support chat bots, owing to the investment and expertise that is required. In this context, it's likely that A2P SMS will remain the primary mobile messaging communications channel for enterprises, since the mobile phone number is one of the key customer identifiers that enterprises routinely collect and store in their databases. As time goes on, however, enterprises (including SMEs) could use SMS to deliver a link to their chat bot, whether on a chat app or on an RCS-based service, for use cases such as providing customer feedback, subscribing to a free or paid-for content feed or channel, making a purchase, or tracking an order.

It should also be noted that chat bots have been in the market for some time – for example, two-way SMS services could be regarded as a form of chat bot. However, the combination of chat bots with artificial intelligence in the form of machine learning and deep learning, which is delivered to the consumer as a chat-app-like experience, creates an environment for the development of innovative services. In turn, innovative and useful chat bot experiences should drive user adoption, ultimately resulting in increased value for the enterprise, according to the survey results.

Conclusions

Ovum's Enterprise Messaging Survey 2017 confirms that A2P SMS remains an important, proven messaging communications channel for enterprises, with traffic continuing to increase as new use cases emerge and as existing use cases (for example, two-way SMS) evolve and mature, supported by an established A2P SMS industry ecosystem.

However, the survey also reveals that there is growing interest from enterprises in using an enhanced SMS offering to provide a richer, more interactive, and more secure messaging experience to their customers. The survey findings should help industry players, including telcos, build a more robust business case for enabling RCS-based enhanced SMS for both the enterprise and consumer market.

In addition, the survey found that a significant proportion of respondents had not only deployed chat bots, but had already measured improvements in customer service and revenues, and reduced churn. Again, these results help validate the nascent chat bot market, which nevertheless still has challenges to overcome in terms of ensuring an optimal user experience, and overcoming enterprises' concerns about the relevance of using chat bots as a customer engagement channel.

From a pricing perspective, the survey's confirmation of a continuation in pricing elasticity in A2P SMS means that it is still important for regulators and telcos to factor pricing elasticity into any moves to adjust per-message A2P SMS pricing. But the survey also provides insight into what enterprises would be willing to pay for enhanced SMS, finding that over half of the respondents would be willing to pay between 1.5 and three times the price of an ordinary per-message SMS; again, this would be an important inclusion in any business case discussion concerning the deployment of RCS-based enhanced SMS.

For the foreseeable future, A2P SMS will remain a constant in terms of the messaging channels that enterprises use to engage with their customers, employees, and the public. However, the survey shows that enterprises clearly have an appetite for exploring new messaging channels such as enhanced SMS or chat apps, which, if enhanced by chat bots, will help them provide a richer communications interaction or a more automated experience. And, as with A2P SMS, enterprises will benefit from the support of an established industry ecosystem for enhanced SMS and for chat bots, the foundations of which are slowly settling into place.

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