Operators target USD$26bn business messaging market

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• Independent research accurately sizes market and operator readiness
• Action taken to stop revenue leaking to grey market
• Aggregators under pressure – market consolidation inevitable
• Consumer security protection remains a market risk

London, February 20, 2018: New, independently produced research from specialist analysts at Mobilesquared reveals that the mobile operator community has acted to protect its messaging revenues from the unauthorised, so-called, grey market companies that previously dominated the market.

Mobilesquared found that operators now carry more than half of Application to Person (A2P) traffic on official routes and successfully captured some 75 per cent of the total market revenue in 2017, but those revenues still fell a long way short of the predictions that many analyst houses made just two years ago.

Earlier forecasts had predicted a close to USD$60bn A2P market in 2017 but based on market information tracked across more than 600 operators in 200 territories - combined with its own in-depth data gathered from interviews with nearly 50 operators - Mobilesquared is able to accurately calculate global A2P market revenues in 2017 at just USD$11.86bn.

Mobilesquared was able to analyse A2P SMS messaging by market sector and could also determine the extent to which operators had deployed firewall technology to protect and secure A2P messaging traffic and guard against consumer fraud on the operator's SS7 signalling channel.

The report (http://mobilesquared.co.uk/global-a2p-sms-messaging-forecast-data/) shows that A2P traffic consisted mostly of promotional alerts, customer service updates, and reminders of appointments and deliveries. However, the 'two-factor authentication' (2FA) messages sent by banks and other organisations to authorise online transactions accounted for almost 20 per cent of traffic – nearly 300bn messages in 2017.

Key A2P statistics in the report include:

• Globally, some 1.67 trillion A2P SMS messages were sent in 2017
• Mobilesquared predicts traffic will rise to 2.8 trillion by 2022 creating a market worth more than $26bn
• At the end of 2017, 48 per cent of operators had installed an A2P Firewall to prevent unauthorised, grey-route A2P messaging
• As a result, for the first time, authorised traffic outnumbered grey-route messaging and white route revenues totalled more than USD$10bn
• By 2022, 83 per cent of operators will have deployed A2P Firewalls and white route revenues of USD$25.86bn will represent 97 per cent of the market value
• Grey route market value will fall by almost 50 per cent from USD$1.4bn in 2017 to just USD$750m by 2022 leading to further consolidation within the aggregator market

"We have been saying for some time that other forecasts were way off the mark," said Mobilesquared founder and Chief Analyst Nick Lane. "Now after more than a full year of data discovery we are able to publish the most comprehensive and accurate picture of the market as it is today, forecast its potential size and highlight the threats to its growth."

Mobilesquared's report highlights two potential threats to the continued growth of the A2P SMS Market. One is the launch of so-called Rich Communications Services (RCS) scheduled for later this year which could see up to ten per cent of A2P message traffic switch from SMS to RCS.

The other threat to growth is the continued security weakness in the SS7 signalling system used by all operators to interconnect mobiles. Fraudsters and hackers are known to be able to access the SS7 network to track, hack or divert calls and messages. In Germany last year, criminals successfully used an overnight SS7 attack to successfully hijack 2FA messages and drain consumer bank accounts.

"The threat of an SS7 attack is well known, but at the end of 2017 only 6 per cent of operators had installed a specialist firewall to protect their consumers from those fraudulent diverts," said Gavin Patterson, Chief Data Analyst at Mobilesquared. "While we expect that number to double during 2018, the absence of stronger security represents a significant risk to operator income from 2FA messaging."

"While we think RCS will take about 8-10 percent of traffic away from the A2P market, and have factored that into our forecasts," Lane added, "if enterprises fully adopt RCS and banks and others lose faith in 2FA SMS, then as much as a further 20 per cent of A2P SMS revenues – worth some USD$5bn in 2022 – could be lost to RCS."

However, the sooner the remaining operators implement a next generation firewall the sooner grey-route traffic can be converted into white-route revenue. Mobilesquared pinpointed that close to USD$8bn of potential revenue was lost to the grey market in 2017 and that – over the period covered by the forecast – the total operator revenue leakage would amount to more than USD$30bn.

Ends

Note:
The Global A2P SMS messaging forecasts by country, 2017-2022 (http://mobilesquared.co.uk/global-a2p-sms-messaging-forecast-data/), is published and available only from Mobilesquared. The detailed data report includes a breakdown of messaging and forecasts of growth by sector as well as comprehensive regional, mobile operator and country-based data, and the impact of RCS.

Information on the report can be found here (http://mobilesquared.co.uk/global-a2p-sms-messaging-forecast-data/)

Further information contact Jo Hall on:
jo@mobilesquared.co.uk
+44 (0) 1344 747 113

+44 (0) 7976 057 052