

2021 Trends to Watch: Communications Apps and Services in a 5G World

Pamela Clark-Dickson

**Principal Analyst, Advanced Messaging and
Communications**

askananalyst@omdia.com

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“The intersection of COVID-19 and 5G irrevocably changes the comms landscape.”

Pamela Clark-Dickson
Principal Analyst,
Advanced Messaging and
Communications

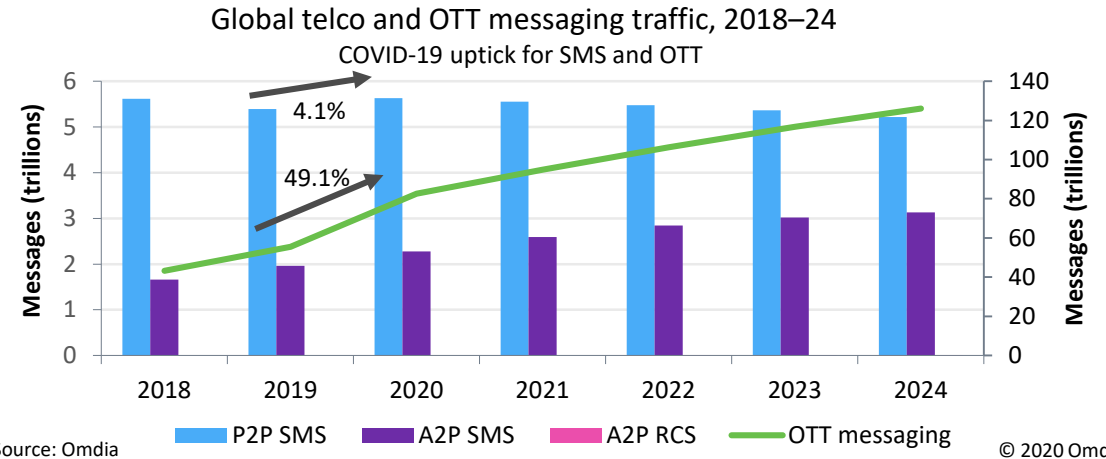
Contents

- Omdia view
- Key messages
- Key recommendations
 - Recommendations for service providers
 - Recommendations for vendors
- Post-COVID-19, video calling will become a habitual behavior for many
- Catalyzed by COVID-19, Facebook apps like WhatsApp will diversify revenue
- As 5G networks proliferate, clarity emerges on 5G messaging
- Appendix

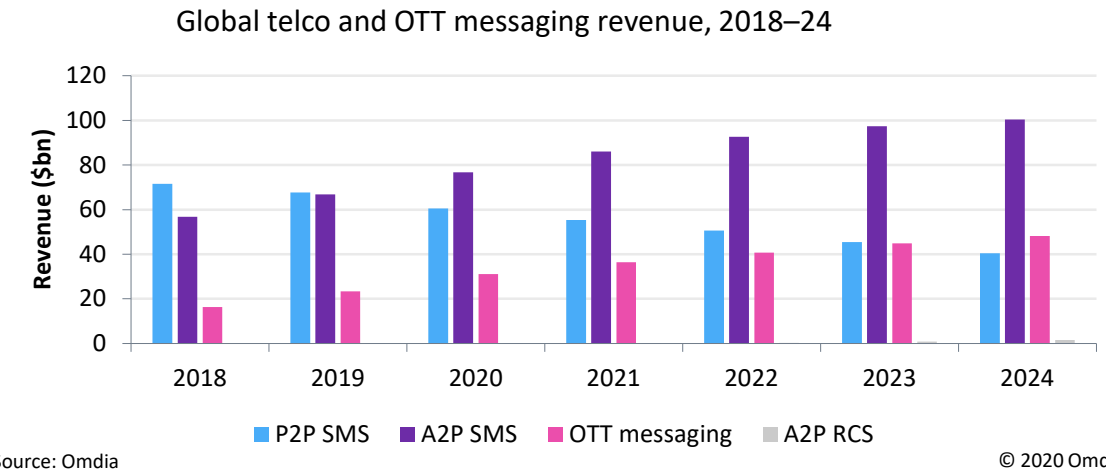
Omdia view: COVID-19 boost for messaging apps and video calling sustained into 2021 and beyond

- Video calling and messaging apps emerged as key tools for productivity, connectivity, and commerce during COVID-19. They will remain so for most locked-down and quarantined consumers, certainly well into 2021.
- Person-to-person (P2P) SMS and app-based messaging services both saw a COVID-19 spike in traffic. Messaging apps will likely continue that growth in 2021 while P2P SMS traffic resumes its gradual pre-COVID-19 decline.
- The bulk of global messaging revenue remains with telco messaging, representing an estimated 79.5% of total global revenue in 2021. But as more enterprises engage with application-to-person (A2P) SMS, it becomes the more important revenue source, outpacing shrinking P2P revenue in 2020 and growing to 1.55x P2P SMS revenue in 2021.
- In response to increased use of its apps during COVID-19, Facebook introduced more monetization capabilities to its suite. These will provide a solid foundation for Facebook to grow its commerce revenue in 2021, setting the company on the path toward a more diverse revenue base.
- 5G networks provide an opportunity for telcos to upgrade their messaging services and introduce free video calling. Whether and to what extent telcos take up this opportunity will become clearer in 2021.

Messaging apps generate significant traffic globally



But they still lag behind SMS for revenue



Key messages

1

Post-COVID-19, video calling will be a communications habit for many.

Locked-down consumers are using personal or group video calling to stay in touch with family and friends and for work and school. Workplaces, educational institutions, and providers of online schooling have invested in platforms and services that enable ongoing virtual participation.

2

Catalyzed by COVID-19, Facebook apps like WhatsApp will diversify revenue.

Consumers have increasingly used messaging apps during COVID-19 to engage with businesses and service providers. Facebook has used this increased engagement to roll out services across its platforms that will help it generate more revenue from commerce.

3

As 5G networks proliferate, clarity emerges on 5G messaging.

Telcos will need to support SMS on their 5G networks, given that SMS has remained resilient as a consumer service and robust as an enterprise messaging service. What telco messaging looks like for 5G networks will become clearer in 2021.

Key recommendations



Service providers

- **As telcos roll out their 5G networks, they should consider whether the impending ubiquity of video calling means they should offer it themselves.** Natively available, free, universal video calling could be a selling point for telcos seeking to entice subscribers to upgrade to 5G, especially if they also integrate features such as augmented reality (AR) and more advanced high definition (HD), as South Korea's SKT has done with its Caller 2.0 service.
- **5G can be more than just a “housekeeping” opportunity for telco messaging and communications services in 2021.** Telcos will need to upgrade their messaging platforms to ensure backward compatibility for SMS through the “Gs,” because SMS is proving resilient against messaging apps and will need to remain supported in telco networks. But telcos could also look at 5G as an opportunity for enhancing their core voice and messaging services, or even adding video calling.
- **Service providers will not directly benefit from Facebook’s increased focus on commerce, but there is still upside.** Messaging apps as a customer engagement channel are becoming increasingly important for all vertical industries, including telecoms. Telcos will need to add messaging apps to their own omnichannel customer engagement platforms to make sure they reach their subscribers on the channels they are using.



Vendors

- **With video calling becoming widely penetrated due to COVID-19, vendors should make it easier for enterprises to add it to their customer care platforms.** It will not be as simple for enterprises to integrate video calling into their customer care platforms, as for SMS and voice. Communications platform as a service (CPaaS) providers and mobile engagement platform vendors will play a key role in propagating video calling through the enterprise market. But they will need to take a targeted approach, which means identifying the most likely use cases for video calling in the B2C segment.
- **Messaging equipment vendors should work with telcos, aggregators, and CPaaS providers to roll out the infrastructure upgrades necessary for SMS over 5G.** They should also be prepared to innovate if there is an opportunity to develop a new 5G messaging or communications service.
- **While SMS is currently the main source of revenue for CPaaS providers and SMS aggregators, revenue from messaging apps is poised to grow.** CPaaS providers need to engage with their enterprise customers to gauge demand and seed the market. SMS aggregators need to make sure that the service they provide to enterprises remains attractive and start planning for a future in which enterprise messaging traffic moves to messaging apps.

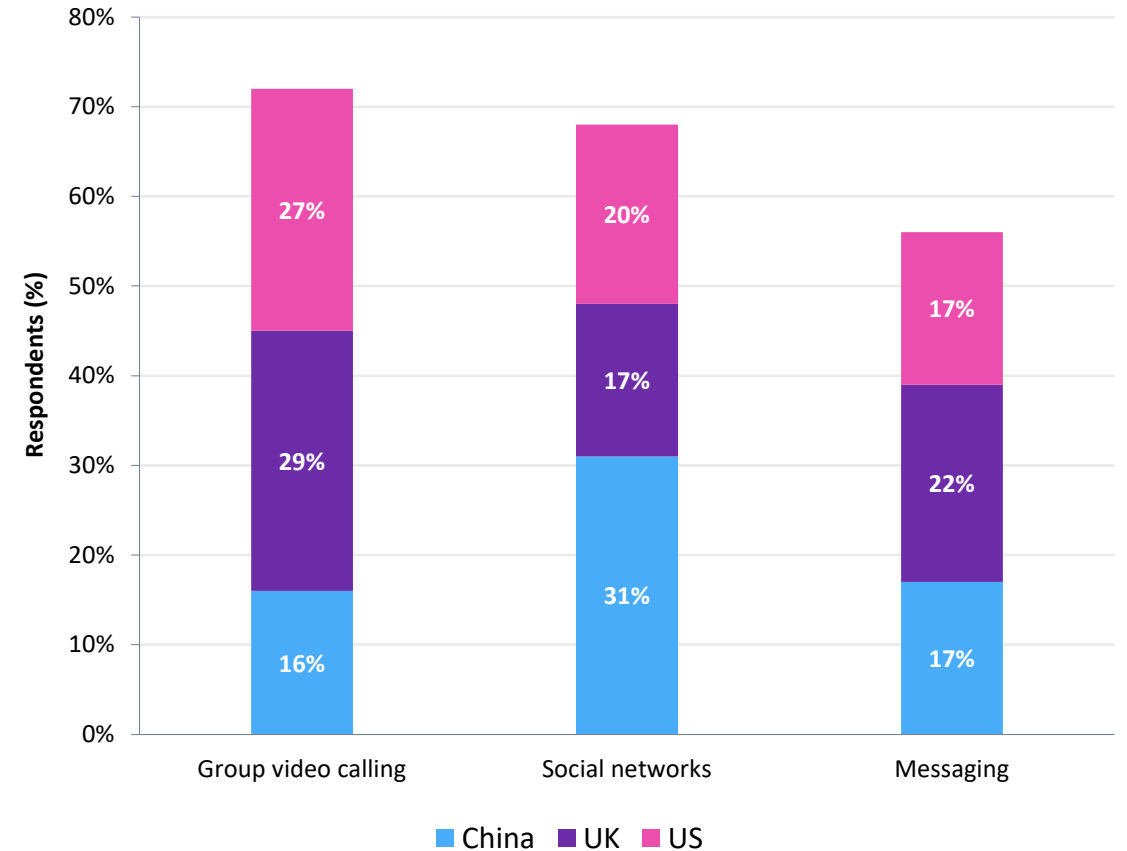
Post–COVID-19,
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Working and learning from the home make consumers virtual participants

- COVID-19 lockdowns and travel restrictions turned millions of employees and students into home workers and learners, using group video calling.
- Personal video calling was already on the rise before COVID-19, on communications apps such as WhatsApp, WeChat, and FaceTime. During COVID-19 lockdowns, consumers use these apps (and others) to stay in touch with family and friends, as communications tools for work and study, to participate in online learning and classes, and to attend virtual events.
- Omdia expects that virtual participation via personal and group video calling will remain a key consumer behavior into 2021 and beyond.
- This is because even after COVID-19 vaccines become more widely available (expected in 2021), the resumption of normal life will be slow.
- Also, employers and educational institutions have deployed or adapted their technology platforms and working practices to support video calling, and will likely retain its use in some form post-pandemic.
- Consumers will, therefore, continue using personal or group video calling to some extent in their work and personal lives for the foreseeable future, to the point that it becomes as habitual as other forms of communication.

More first-time or increased use consumers in the US and the UK will maintain group video calling use after COVID-19

You indicated that you are either a first-time user or have increased your activity in the following areas. Which are you likely to maintain at the new usage level once the COVID-19 threat diminishes?



Source: Omdia

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Service providers and vendors need to prepare for the impending ubiquity of video calling post-COVID-19

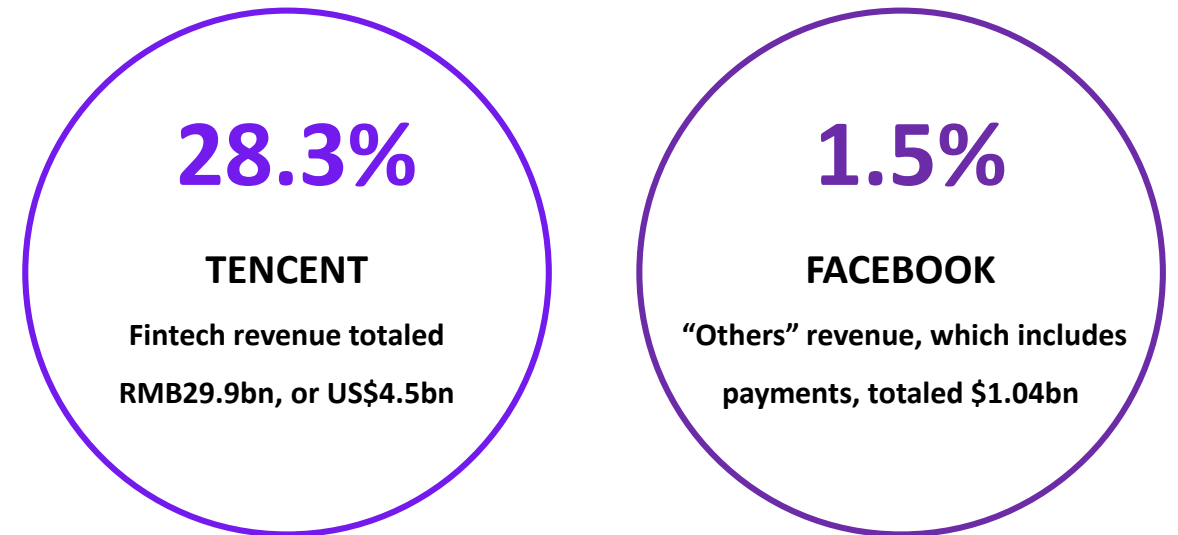
Player type	What will the impact be?	Impact rating	How should players respond?
Service providers	Increased use of video calling for personal and work communications will place an increased data load on telcos' fixed and mobile networks, especially at peak hours for school and work during lockdowns.		Telcos should ensure that their networks can scale to meet increased demand for third-party video calling services, so that they can enable a high quality, highly reliable service for their consumer (and enterprise) customers.
Service providers	Post-COVID-19, video calling will become a more habitual communications behavior for consumers (who are also students and employees). Telcos are in a position to do more in the video calling ecosystem, beyond simply providing the data network that enables its use.		Telcos need to evaluate whether the impending ubiquity of video calling means they should themselves offer it at a network level. Many telcos are rolling out 5G networks. Offering a native, free, and universally available video calling service could be a helpful selling point.
Vendors	As consumers become more comfortable using video calling, they will expect it to be available as a customer care option. CPaaS and mobile engagement platform providers will see increasing interest from enterprises in adding video calling to their customer interaction platforms.		CPaaS providers and mobile engagement platform vendors should be ready to add video calling to their offerings—if they have not already—whether through internal development or partnership. They should identify the most likely use cases for video calling, and make it as easy as possible for enterprises to add video calling to their customer care function.

Catalyzed by
COVID-19,
Facebook apps like
WhatsApp will
diversify revenue

COVID-19 spurs Facebook's payments ambitions for 2021

- During COVID-19, global messaging apps became an even more important conduit to consumers for enterprises, especially small and medium-sized enterprises (SMEs), as locked-down consumers spent more time online.
- Facebook stated in October 2020 that more than 175 million people message a WhatsApp Business account daily. In 2021, the company will leverage that to make it easier for consumers to purchase from businesses by adding shopping capabilities and hosting services. These efforts will help Facebook monetize WhatsApp and, alongside similar services for Facebook and Instagram, diversify Facebook's revenue beyond ads.
- The new WhatsApp features follow Facebook's 2020 launch of Facebook Shops and Instagram Shops, and Checkout on Instagram (US only). In 2019, the company launched Facebook Pay for Facebook (numerous countries), Instagram (selected European markets), and Messenger (US), but has so far been stymied with its payments efforts for WhatsApp in India and Brazil.
- Facebook's apps had a combined 2.54 billion daily active people globally in 3Q20, compared to WeChat's 1.2 billion monthly active users (MAUs), mostly in China. This represents a huge addressable market from which Facebook is poised to quickly generate meaningful revenue in 2021.

Tencent's revenue is far more diversified than Facebook's



Facebook's huge user base across its four apps gives it vast untapped monetization potential in payments and commerce.

Source: Omdia

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There are opportunities for telcos and CPaaS providers as Facebook moves deeper into commerce and customer care

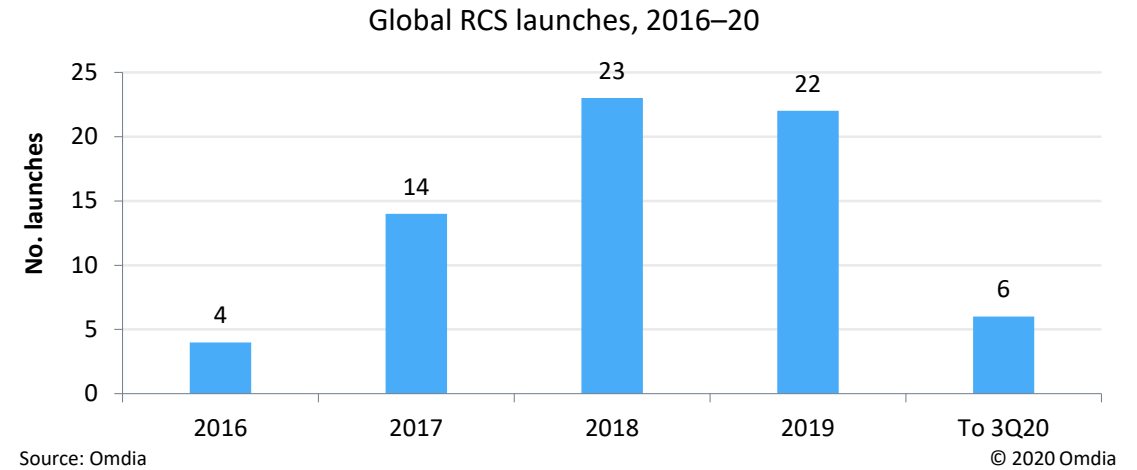
Player type	What will the impact be?	Impact rating	How should players respond?
Service providers	Facebook's suite of apps becomes an alternative, desirable customer care channel for consumers across a range of vertical industries, including telcos. There is an opportunity for telcos to improve their customer service by using the Facebook apps.		Telcos should assess whether their customers want to engage with them via Facebook Messenger, WhatsApp, or Instagram. Then, telcos will need to add these apps to their customer engagement platforms.
CPaaS providers	Facebook's decision to provide hosting services for its SME customers means that they will be expanding their existing partnerships with CPaaS providers, and potentially sourcing new partnerships. The role of CPaaS providers as Facebook partners is likely to grow.		Regardless of whether a CPaaS provider already has a partnership with Facebook, they should proactively reach out to the social giant to express interest and request information. CPaaS providers should engage with their enterprise customers to gauge demand and seed the market.
SMS aggregators	SMS aggregators may find that there is some negative impact on their SMS traffic as consumers move toward using messaging apps. The substitution is unlikely to be significant in 2021 but will build in the coming years.		SMS aggregators need to ensure that the service they provide to enterprises remains an attractive alternative by comparison to messaging apps. This means focusing on characteristics such as pricing, quality, reliability, and geographic coverage. They should also start planning for a future in which enterprise messaging traffic moves from SMS to messaging apps.

As 5G networks
proliferate, clarity
emerges on 5G
messaging

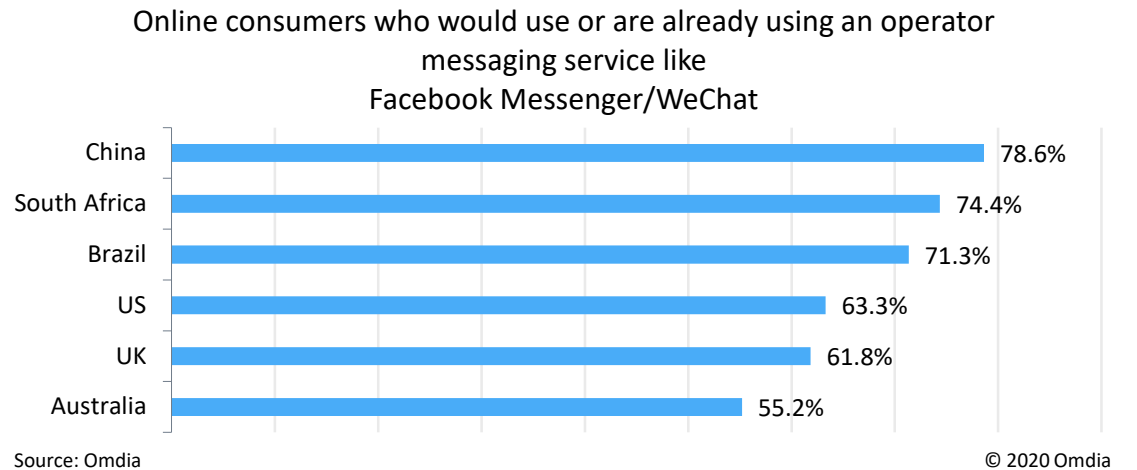
Telcos begin their move to 5G messaging

- More than 100 telcos had deployed 5G networks and services by the end of 3Q20. Subscriptions are expected to reach around 200 million by 4Q20.
- Much focus has been placed on the enhanced consumer and enterprise services 5G networks enable. But telcos still need to support legacy services such as SMS over 5G, not only for consumers, but also for machine-to-machine (M2M).
- As more 5G networks roll out in 2021 and subscriber numbers grow, Omdia expects telcos will pay more attention to how they enable SMS over 5G, and what 5G messaging looks like, including rich communication services (RCS).
- 2020 has been a quiet year for RCS, the telcos' upgrade path for SMS, with only six mobile operator launches in 3Q20, bringing the total to 87.
- 2021 could see more activity. The GSMA has mandated 5G handsets must include RCS, and Google will continue its seeding of Guest RCS, available in seven markets. However, Apple still does not support RCS in its 5G iPhones.
- There is also support among consumers for RCS-like services. Brands that are using RCS for campaigns are seeing higher consumer engagement than with SMS campaigns, which should help drive demand for using RCS as a business messaging service.

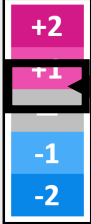
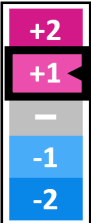
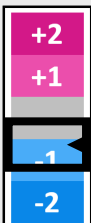
Operator launches of RCS have slowed



But over half of online consumers would use or are already using such a service



5G can be more than just a “housekeeping” opportunity for telco messaging and communications services in 2021

Player type	What will the impact be?	Impact rating	How should players respond?
Service providers	P2P SMS traffic and revenue are declining, but have remained somewhat resilient against the almost saturated penetration of messaging apps. This means that as telcos deploy 5G networks, they will need to ensure that their 5G subscribers can still use SMS.		Telcos’ 5G platforms must have SMS interoperability with 2G/3G/4G networks. Most telcos already offer unlimited/bundled SMS, so their 5G price plans should offer commensurate pricing for SMS.
Service providers	5G offers telcos the opportunity to deploy new or enhanced services that can take advantage of higher speeds and lower latency.		Telcos should explore whether and how they can offer more advanced messaging and communications over 5G, including assessing whether RCS is a viable service for the consumer and the enterprise (B2C) messaging market. Work with partners where necessary.
Vendors	The rollout of 5G networks means that vendors will need to upgrade their messaging platforms. It also provides an opportunity for vendors to develop new services tailored to the capabilities of 5G networks.		Work with telcos, aggregators, and CPaaS companies to provide the equipment/infrastructure upgrades necessary to ensure SMS compatibility with 5G networks. Be prepared to innovate if there is an opportunity to develop a new 5G messaging/communications service.

Appendix

Appendix

Methodology

This report draws data and insights from Omdia's telco and over-the-top (OTT) messaging forecasts, Digital Consumer Insights surveys, market trackers, and reports.

Further reading

[Mobile Messaging Traffic and Revenue Forecast: 2020–25](#) (December 2020)

[Enhanced Telco Communications Tracker – 3Q20](#) (December 2020)

[OTT Communications Tracker – 1H20 Database](#) (October 2020)

[OTT Messaging Revenue Forecast: 2019–24](#) (September 2020)

[COVID-19 Consumer Survey Analysis](#) (September 2020)

[COVID-19 Consumer Survey](#) (July 2020)

[COVID-19: Messaging apps' traffic spikes in 2020 as they become a lifeline for the locked down](#) (July 2020)

[OTT Messaging Forecast: 2019–24](#) (June 2020)

[COVID-19: Zoom takes an early lead in video comms, but pie is big enough for all, including Facebook](#) (May 2020)

[Digital Consumer Insights 2019: Communications Apps and Services](#) (February 2020)

Author

Pamela Clark-Dickson, Principal Analyst, Advanced Messaging and Communications, Service Provider Consumer
askanalyst@omdia.com

Appendix

Omdia Consulting

We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Omdia's consulting team may be able to help you. For more information about Omdia's consulting capabilities, please contact us directly at consulting@omdia.com.

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Americas

E: customersuccess@omdia.com

08:00 – 18:00 GMT -5

Europe, Middle East & Africa

E: customersuccess@omdia.com

8:00 – 18:00 GMT

Asia Pacific

E: customersuccess@omdia.com

08:00 – 18:00 GMT + 8