

ARE YOUR CPAAS REVENUES UNDER THREAT?

Report by Mobilesquared sponsored by XConnect
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WHAT IS CPAAS?

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Communications Platform as a Service (CPaaS) is one of the hottest topics in telecoms right now as brands look to use the omnichannel to engage with their customers and potential customers.

Mobilesquared defines CPaaS as “the capability to provide real-time, cloud-based omnichannel communications via an API to connect brands with consumers.” Under this definition, companies not providing access to more than one channel are not classified as a CPaaS provider. Similarly, from a business perspective, a business can be using one or multiple channels to communicate via an API, but it has to have access to multiple channels if required.



EXECUTIVE SUMMARY



1. CPaaS is defined by Mobilesquared as “the capability to provide real-time, cloud-based omnichannel communications via an API to connect brands with consumers.”



2. Business spend over the omnichannel is expected to increase dramatically in the coming years. A significant percentage of this growth can be attributed to convergence and consolidation.



3. Mobilesquared forecasts CPaaS to generate revenues of \$29.7 billion in 2022, rising to \$52.8 billion in 2026.

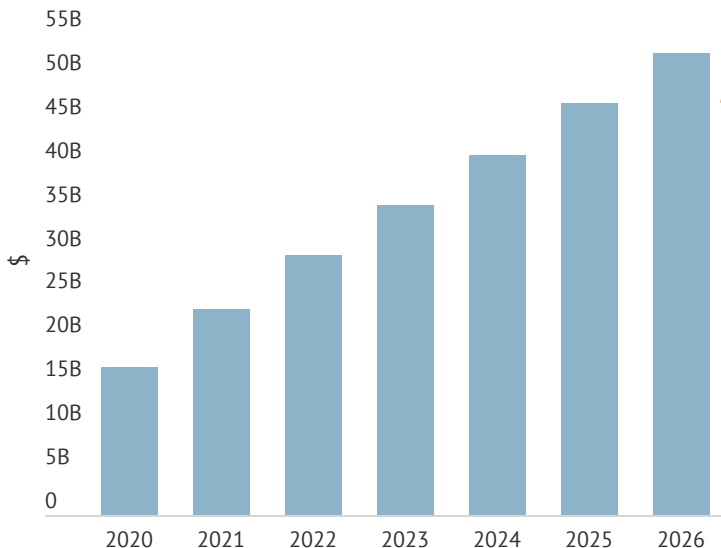


4. Revenue leakage from fraud and platform inefficiencies will cost CPaaS \$974.3 million in 2022, rising to \$1.4 billion in 2026 - accounting for 3.3% of total CPaaS revenues in 2022, and 2.6% by 2026.



5. Voice is the channel expected to experience the greatest threat from fraudulent practices and platform inefficiencies, accounting for 34% of total fraud in 2022, and 39% by 2026.

CPAAS SPEND FORECASTS (\$)



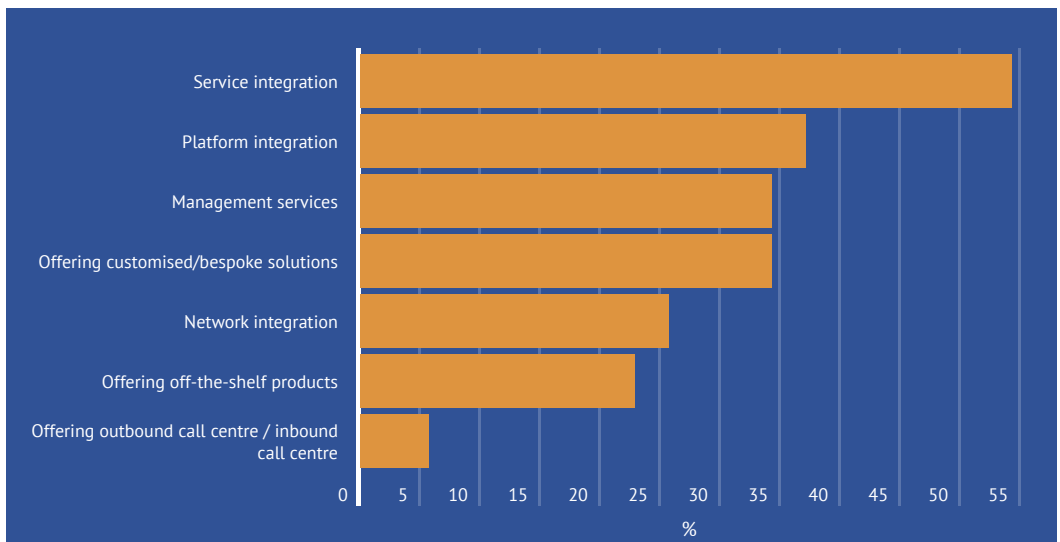
THE TWO "C"s DRIVING CPaaS

Business spend over the omnichannel is expected to increase dramatically in the coming years. A significant percentage of the CPaaS growth can be attributed to convergence and consolidation. From a convergence standpoint customer care will become increasingly engulfed by CPaaS. In doing so, it will undergo its own transformation by becoming Customer Care as a Service (CCaaS), driving voice spend within CPaaS.

Consolidation is driven by the need for companies to expand their CPaaS channel offering. Mobilesquared research reveals that over three-quarters of CPaaS providers have a heritage in messaging, namely A2P SMS. A natural progression for these companies is to support rich messaging, such as RCS, WhatsApp, and Viber. However, as CPaaS incorporates the omnichannel, these companies have to either invest in developing their own platform to support channels like email, video, and in-app push notifications, or they can acquire specialists in each channel. The same expansion strategy can be applied to a major voice specialist looking to acquire a messaging specialist.

Consolidation will play a key role in the growth of CPaaS in the coming years, and this was borne out by the research. The biggest business challenge facing CPaaS providers was service integration followed by platform integration, highlighting that consolidation is playing a key role.

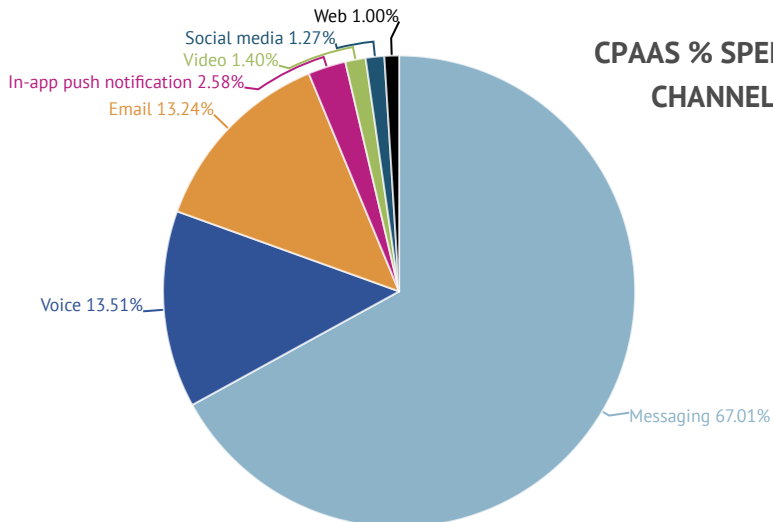
AS YOU ENTER THE WORLD OF CPAAS WHAT ARE THE BUSINESS CHALLENGES YOU'RE FACING?



UNDERSTANDING THE CPaaS LANDSCAPE

Two forces are combining to drive the convergence and consolidation in CPaaS. The need for businesses to communicate with their customer base over the omnichannel, allied with strong market growth.

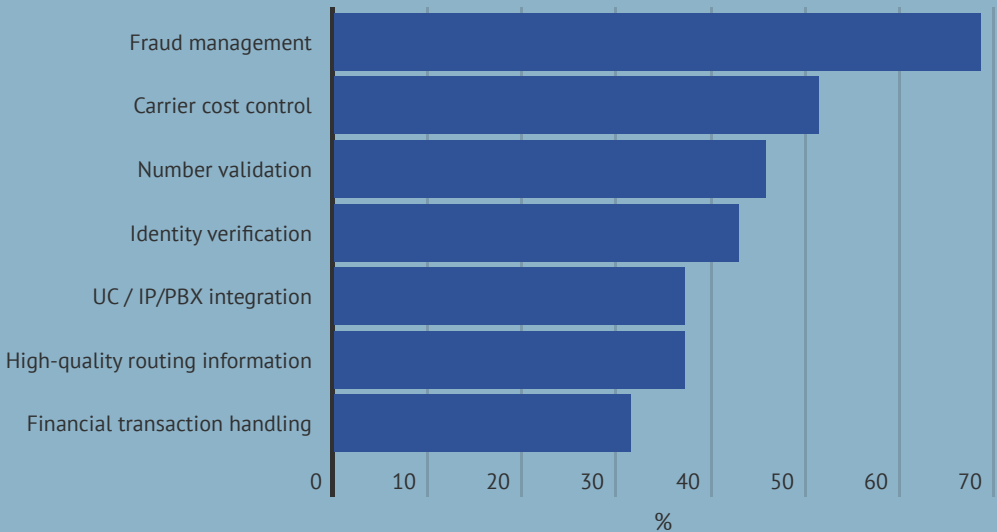
Mobilesquared forecasts CPaaS to generate revenues of \$29.7 billion in 2022, rising to \$52.8 billion in 2026. Over the forecast period, businesses will increase their spend on CPaaS by an average of \$5.8 billion per year.



With the understanding that messaging providers make up a significant percentage of the CPaaS foundation, it is not surprising that messaging dominates CPaaS spend in 2022, accounting for 67% of total spend, followed by voice and email, with the likes of in-app push notifications, video, social media, and web significantly behind. This market share can be attributed to messaging companies adding major channels like voice and email to their portfolio via acquisitions.

The research has already highlighted that consolidation is shaping business challenges, but from an operational perspective, fraud management is the standout issue for CPaaS companies, followed by carrier cost control, quality control, and identity verification.

AS YOU ENTER THE WORLD OF CPAAS WHAT ARE THE OPERATIONAL ISSUES YOU'RE FACING?

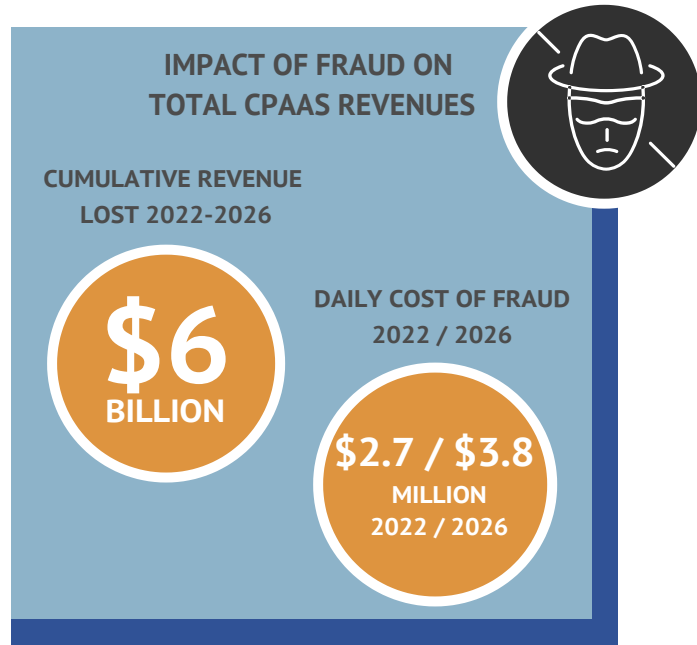


Just as A2P SMS is now experiencing, as spend increases so too does the threat from fraud, and CPaaS will be no exception. Especially when considering the role that convergence and consolidation is playing in CPaaS, potentially destabilising platform security during any period of service or network integration. Three-quarters of respondents (76.9%) believe that their CPaaS offering is susceptible to revenue leakage, although this will drop to around 56% by the end of the forecast period.

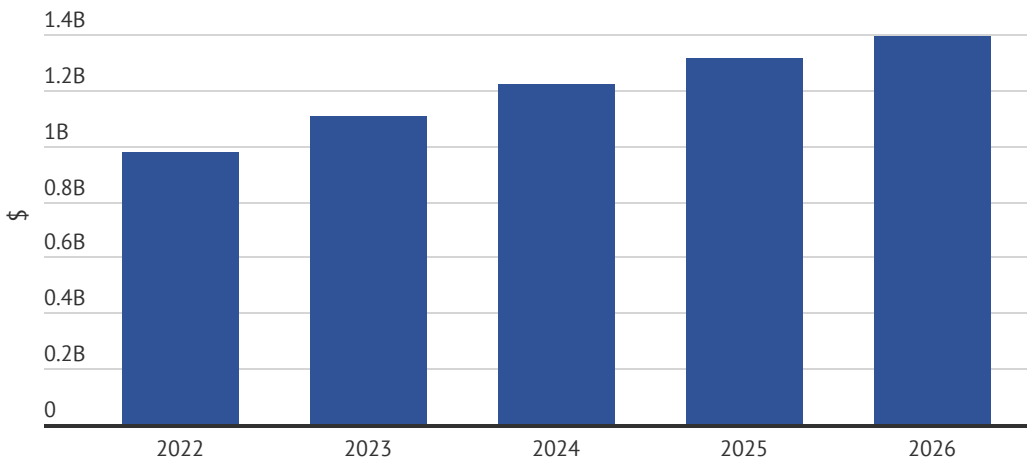
CPAAS FRAUD

The research indicates that revenue leakage from fraud and platform inefficiencies will account for 3.3% of total CPaaS revenues in 2022, dropping to 2.6% by 2026. Or, in actual financial terms, revenue leakage will cost CPaaS \$974.3 million in 2022, rising to \$1.4 billion in 2026.

A deeper dive of the research highlights that voice is the channel that is expected to experience the greatest threat from fraudulent practices and platform inefficiencies, accounting for 34% of total fraud in 2022, and 39% by 2026. Mobilesquared predicts it will be one of the fastest growing CPaaS channels, as companies expand their voice offering and drive convergence between CCaaS and CPaaS, with the channel attributing \$4 billion to CPaaS revenues in 2022, and \$9.5 billion by 2026.

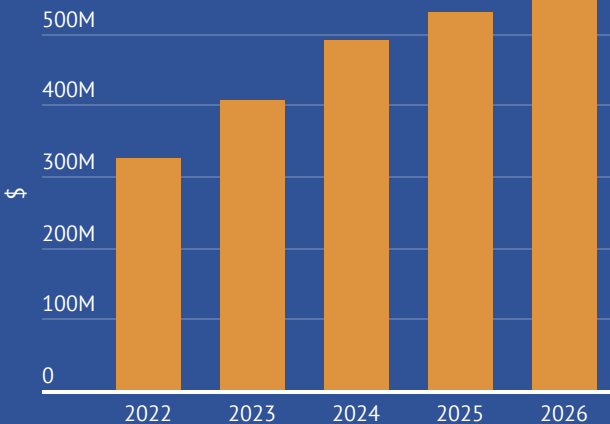


EXPECTED CPAAS FRAUD 2022-2026



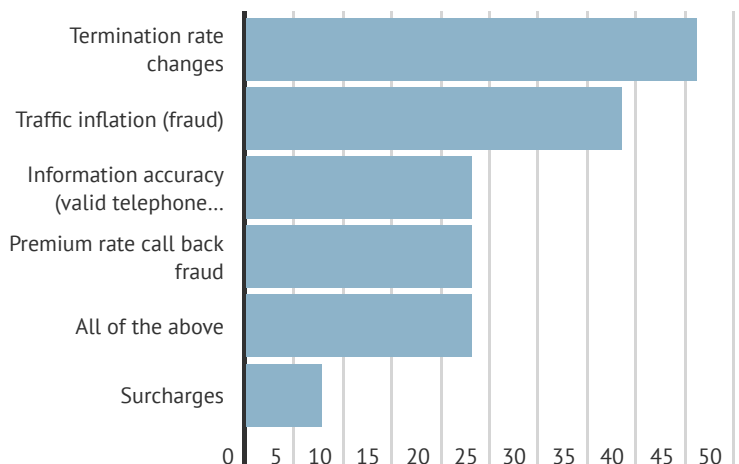
Voice is expected to experience revenue leakage of 8.1% of total voice spend in 2022, but that is projected to drop to 5.8% by the end of our forecast period. In terms of total CPaaS revenues, voice fraud will account for 1.1% in 2022, and 1% in 2026.

EXPECTED CPAAS FRAUD - VOICE ONLY



FRAUDULENT THREATS TO VOICE TRAFFIC

Termination rate charges were identified as the biggest threat to voice traffic, followed by traffic inflation. Around one-quarter of respondents also identified the supplementary threats of information accuracy and premium rate call back.



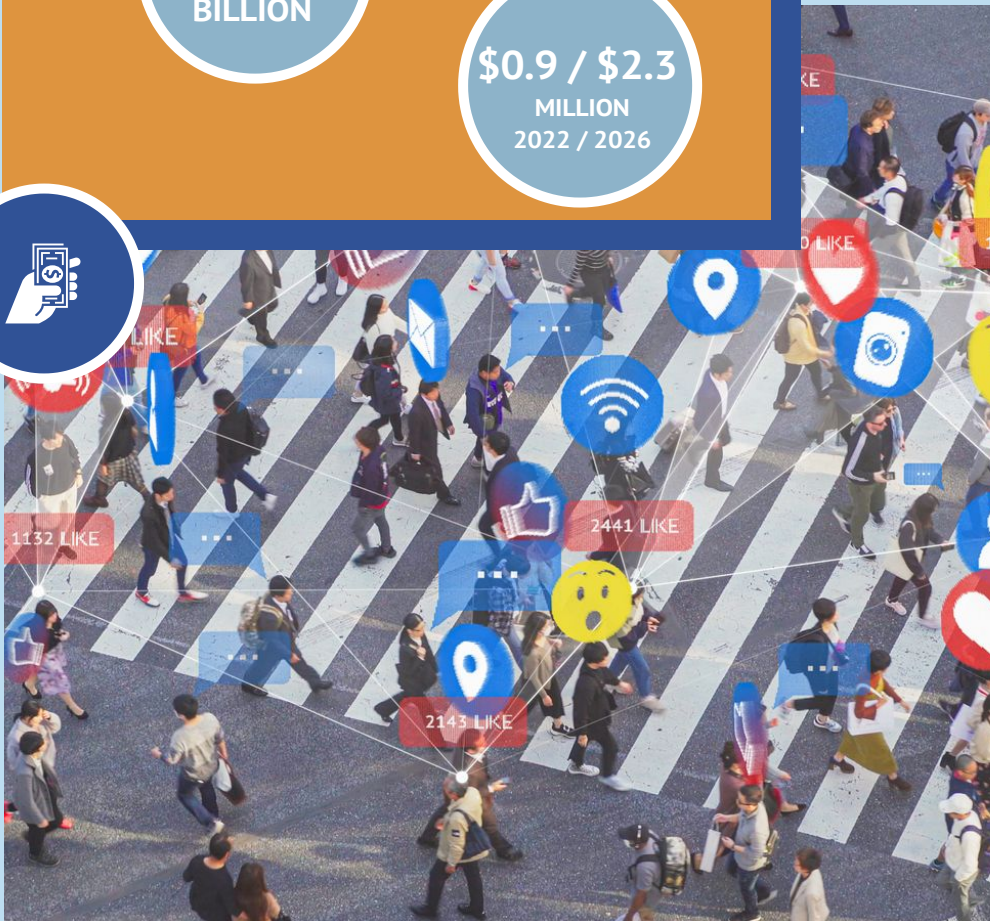
IMPACT OF FRAUD ON TOTAL VOICE-ONLY CPAAS REVENUES

CUMULATIVE VOICE CPAAS
REVENUE LOST 2022-2026

\$2.3
BILLION

DAILY COST OF FRAUD ON
VOICE REVENUES
2022 / 2026

\$0.9 / \$2.3
MILLION
2022 / 2026



“

The Mobilesquared statistics show the tremendous growth potential in the CPaaS market. Companies are moving from their very specialized messaging, voice or call centre platform spaces and entering this market to take advantage of the huge opportunity. However, we can also see the high levels of fraud that they expect to encounter and the large losses they expect to incur as a result.

Enabling these providers to be able to manage termination rates, manage traffic delivery accurately and handle fraud is critical to maximising revenues and profits. That's where XConnect can step in to provide part of the solution with our number intelligence..

”

- Tim Ward, VP Number Information Services, at XConnect.

METHODOLOGY

Mobilesquared created a survey covering CPaaS and potential threats from fraud in conjunction with XConnect, and posted on SurveyMonkey between June and September 2022. The survey generated 75 responses from mobile operators, CPaaS service providers, voice providers, messaging companies and software companies.

The Survey

5. How do you define CPaaS (Communications Platform-as-a-Service)? Please select from the following elements to help us construct a true definition of CPaaS.
6. How long have you been operating as a CPaaS provider?
7. Before offering a CPaaS proposition, what was your company's area of specialty
8. Is your CPaaS platform your own, or have you partnered with another company?
9. Which CPaaS services do you / will you offer?
10. As you enter the world of CPaaS what are the business challenges you're facing?
11. What are the operational issues that must be addressed?
12. In an average market, how many businesses are using your CPaaS platform?
13. What percentage of your CPaaS customer base is made up of medium and large enterprises?
14. In 2021, what was your average monthly revenue from CPaaS?
15. What does an average business spend using your CPaaS platform per month?
16. As part of your CPaaS offering, what % of your total annual revenue is susceptible to revenue leakage?
17. Do you expect the % of your total annual revenue susceptible to revenue leakage to increase or decrease in 3 years' time?
18. From the following CPaaS channels, please rate how secure each channel is as part of your CPaaS offering?
19. What threats do you believe your voice traffic is susceptible to?
20. What % of your overall CPaaS revenues would you say you lose to fraud and platform inefficiencies?
21. What % of your lost CPaaS revenues would you account to voice only?

Mobilesquared, where applicable, overlaid the survey findings (percentages) to its CPaaS revenue forecasts to create the values used in this report.

For Mobilesquared's full CPaaS methodology, please visit:

<https://mobilesquared.co.uk/cpaas-research/>

ABOUT



XConnect, a wholly owned subsidiary of Somos Inc, consolidates, maintains and delivers trusted telephone number intelligence to world leading telecommunication service providers. It processes information from hundreds of different global datasets and ensures that customers solve routing, validation and fraud challenges in real time.

XConnect's Number Information Services are used for voice and messaging routing, fraud protection and to identify and validate insights. They also support the deployment and evolution of next-generation communications, such as VoLTE and RCS.

Its service is accessed through its global distributed hybrid cloud platform using simple, secure, scalable real-time protocols and APIs.

xconnect.net/



GLOBAL #1 FOR BUSINESS MESSAGING MARKET DATA AND CUSTOMER INSIGHT

Mobilesquared's vision since our launch in 2007 has been to deliver the very best independent mobile market intelligence to our clients.

We are now the established #1 global authority on business messaging and CPaaS, with our data shaping business plans, strategy, and customer engagement modeling, for some of the world's leading brands, mobile operators, and messaging providers.

mobilesquared.co.uk