The application-to-person messaging market is evolving rapidly, increasing barriers to entry

October 2023

Ben Taylor

In our recent report, Analysys Mason profiled 12 application-to-person (A2P) messaging market leaders, many of which have communications platform-as-a-service (CPaaS) capabilities. Each company generated more than USD100 million in 2022, and most have a worldwide presence.

Big vendors are moving towards CPaaS (and beyond into other as-a-service products) with developer and co-creator models. These players have access to more funding, reach and have more advanced products than smaller players. To survive, smaller players need to select a niche and have a clear argument for why they are better than the big players. Bandwidth is a good example of a company adopting this strategy. If smaller firms do not have this approach, they are more likely to become prospects for mergers and acquisitions (M&As).

Different A2P messaging vendors use many successful strategies, but two primary business models prevail

A2P messaging and CPaaS vendors typically adopt one of two business models, though some of the larger players use both.

The two models are:

- **The developer model.** Vendors provide APIs and tools to their customers, but do not create tailored solutions for customers.
- **The co-creator model.** Vendors create solutions for their customers (potentially using internal APIs).

The developer model allows more autonomy to the customer and is generally cheaper but requires the customer to expend additional resources to build solutions. The co-creator model provides complete messaging solutions to its customers. It may be more costly (that is, the cost per message may be higher) but does not require additional resources to implement. Additionally, any updates the vendors make to their APIs will be automatically updated in the co-creator model but may require developer resource in the developer model.

One area of growth, which some of the largest players have focused on, is offering products for developers and no/low code co-creator solutions, no longer restricting their appeal. Some of the largest players have focused on growth by offering both models. Infobip offers both the co-creator and developer model depending on customer needs. Infobip's acquisitions of Shift Conference (2021) and Netokracija (2022) aided its shift from solely offering the co-creator model towards offering both models.

Figure 1: A2P messaging providers and their strategy

Company	Strategy overview	Developer model	Co-creator model
Bandwidth	Bandwidth's strategy focuses on ubiquitous services like SMS, targeting emergency services as customers.	✓	×

Company	Strategy overview	Developer model	Co-creator model
BICS	BICS' CPaaS offer supports its portfolio of comms services.	✓	✗
Commify	Commify's strategy centres around multi-channel A2P messaging to local small and medium-sized enterprises (SMEs) across Europe and the USA.	✗	✓
Webex CPaaS Solutions	Cisco is leveraging its Webex platform to deliver solutions in the CPaaS space, prioritising customer experience.	✓	✓
Infobip	Infobip aspires to be viewed as the go-to business messaging provider with a strong reputation for innovation.	✓	✓
Kaleyra	Kaleyra specialises in serving large clients with complex A2P/CPaaS requirements.	✗	✓
KPN	KPN's A2P strategy is embedded in its broader offerings, including network APIs and contact centres.	✓	✗
MessageBird	MessageBird's strategy has been to diversify its product offering to include email alongside its CPaaS solutions.	✓	✗
Sinch	Sinch offers digital tools over many messaging platforms. It has diversified its product offering away from purely messaging.	✓	✗
Syniverse	Syniverse's strategy focuses on improving customer experience by developing a single-platform solution.	✗	✓
Twilio	Twilio offers a range of products supported by its APIs.	✓	✗
Vonage	Vonage's strategy is to continue adding extra capabilities.	✓	✗

Source: Analysys Mason

The A2P messaging market is moving towards CPaaS, but players must clearly show their unique selling points

The industry is moving towards a CPaaS model, where vendors offer various products. When messaging aggregating businesses emerged, A2P SMS, MMS and email were the primary delivery channels, and vendors only needed a relatively narrow offer (for example, only SMS). The industry has evolved with the popularity of third-party apps, e-commerce and other developments. This has resulted in most large A2P vendors offering a CPaaS product, with the largest offering a host of as-a-service products (for example, contact centres as-a-service, software-as-a-service, unified communication as-a-service). Including other as-a-service products adds value as aggregators are a single source for several business solutions.

Differentiation is challenging in the A2P/CPaaS messaging market as most players offer similar services. Several large players are offering both the developer and co-creator models. Aggregators must be clear on how their business can add unique value to the customer instead of a competitor to avoid primarily competing on price, for example, by:

- offering multiple apps (WhatsApp, Instagram, Telegram, WeChat)
- providing different services (customer engagement, RCS, CPaaS)
- functioning as a one-stop shop for X-as-a-service business needs
- expanding into network APIs (such as those being developed in the Camara Project)
- specialising in a particular market (emergency services, SMEs, security)
- offering superior customer support.

Additionally, the aggregators must communicate this clearly to their potential customers.

Network APIs provide a significant opportunity for larger aggregators to differentiate since different implementations of these powerful APIs may produce unique products from the various aggregators. Smaller aggregators should focus on being specialised in a particular market, such as Bandwidth targeting emergency services or Commify targeting SMEs.

The challenges facing messaging aggregators may result in a less fragmented market in the next 10 years

The industry continues to mature. Larger players are blurring the lines between the co-creator and developer model. There is a movement towards CPaaS and beyond into comprehensive as-a-service solutions for businesses. APIs must continue to become more sophisticated for third-party apps to differentiate from the services offered through the app or the services offered through the app’s parent company.

In 2023, A2P messaging market is very fragmented. Network-as-a-service (NaaS) APIs offer new advantages for aggregators to provide more sophisticated APIs, especially for SMS. The barriers to entry into the messaging aggregation market continue to be raised, increasing the difficulty for smaller or newer players to compete.