

Mobile messaging in 2009 - SMS still the driver

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With SMS such a mature technology, and prices driving ever-lower, mobile europe asks if there is still growth potential in this most traditional of revenue earners for mobile operators. Can SMS still hack it, or has the focus moved on to social networking and instant messaging?

Despite the mature state of the SMS market in Western markets, worldwide messaging revenues are set to almost double by 2013 according to a new report from Portio Research. Portio's research suggests that SMS will continue to be the cash cow of mobile data revenues for some time to come.

Portio says that traffic volumes and revenues continue to confound predictions and are expected to keep growing throughout the global economic downturn. Indeed the whole mobile messaging industry, worth \$130 billion in 2008, is predicted to be worth \$224 billion by 2013, 60% of non-voice service revenues. The report, 'Mobile Messaging Futures 2008 - 2013' ventures that there is nothing likely to stop continued growth of mobile messaging in the short term, driven by a cocktail of ubiquitous SMS, media rich MMS, enterprise based mobile email and youth conscious mobile IM.

Portio says that SMS remains 'King' because there is no cheap, easy to use alternative that will work with all phones and across all networks, it is loved the world over. Indeed in the US market, where SMS was a comparative slow starter, use per subscriber per month is now almost double the European average. In China average users send over 100 messages each month whereas the Filipinos continue to be the leading exponents with 755 messages each month.

Worldwide SMS volumes are expected to grow from 2.6 trillion in 2007 to 5.5 trillion during 2013, although of interest to Mobile Europe is the finding that Europe's contribution is expected to decrease to 14.5% by 2013, from 16.2 percent in 2007.

Mobile Email

Portio also predicts a bright future for mobile email even though Japan is the only market where consumer mobile e-mail has surpassed the use of SMS. Email is still the most popular form of business communication and the report suggests that with greater availability of smartphones and high speed networks, mobile e-mail users worldwide will quadruple from approximately a quarter of a billion users in 2008 to over a billion users by the end of 2013.

Instant Messaging

The rising star in the mobile messaging constellation is mobile instant messaging (MIM), which is still beset by the technical problems of interoperability. Portio however predicts exponential growth in mobile IM users, surging from a worldwide total of 111 million users in 2008 to hit a massive 867 million users by the close of 2013. This massive growth in users will be accompanied by an equally impressive 5-fold increase in revenues from approximately USD 2.5 billion in 2008 to approximately USD 12.4 billion in 2013.

MMS still with a future

Since MMS hit the mainstream in 2004 the press and analysts have been critical about its level of success. Back then, they wanted to MMS reach the same value as SMS, USD \$30bn, for it be considered a success; finally in 2009 this will be a reality. MMS is growing fast and certain countries, such as China and the United States, are becoming very big markets. Worldwide MMS traffic of 75 billion messages in 2008 is impressive, and the future growth looks very good in Asia, as affordable camera-equipped handsets flood the market with China leading the way.

A recent Airwide survey of 140 mobile operators worldwide on the use of mobile messaging across the UK, France, Germany, Italy and Spa agrees with the general thrust of Portio's - that the growth in mobile messaging shows no signs of slowing. The study shows that the number of people sending text messages (SMS) across the EU is growing 3.3% year on year, a figure only beaten by MMS which is growing by 9.2%.

The UK is faring particularly well with over 25 million text messages sent each day. Growth is driven in particular by people who earn over £30,000 with the number of these people sending SMS messages every day increasing 16.9% year on year. However, the growth in mobile messaging by those earning less than £30,000 is also doing well with almost 4% annual growth of those sending SMS everyday. France is seeing the second biggest increase with 8.% more people sending text messages this year than the same period last year. Interestingly the French have also been the most keen to embrace picture messaging with 15.2% more people sending MMS than in 2007 (the biggest increase across Europe).

In the Western World growth will be fuelled by a combination of mobile operators introducing a greater number of personalised services such as out-of-office, auto-forward and storage/back-up capabilities along with a continued uptake in mobile marketing and advertising - a development which in 2009 will see the introduction of location based mobile advertising, Airwide thinks.

Jay Seaton, Chief Marketing Office at Airwide Solutions says, "Whilst an increase in mobile messaging traffic is certainly good news for the industry, it also underlines the need to ensure that an operator's underlying infrastructure is efficient and equipped to support the increase in traffic volumes over the years ahead. With most people now relying on their text and picture messages being delivered instantaneously, mobile operators cannot afford for their infrastructure to become congested. As the volume of messaging increases, they also need to be able to protect their networks and subscribers from potential security threats such as mobile fraud, spam and viruses."

One company that has stepped up its efforts to meet this service creation requirement is Telsis. Telsis has unveiled what it claims is the world's first and only complete solution for the rapid creation, roll-out and management of custom advanced SMS services throughout their entire life cycle. Surveys carried out for Telsis in three major European cities are said to have shown up to half of phone users want to do more with SMS and would use and pay for advanced services. Telsis says that its new era SMS solution offers mobile operators a low-risk, low impact way to meet and grow this demand, exploiting a complete technology and services model to build, roll out and manage advanced SMS services that create differentiation and generate new revenues - and do it in days, rather than months or years.

The Telsis model has four-tiers, first of which is the foundation of Telsis' SMS Router. Tier two, which Telsis debuted at Mobile World Congress in Barcelona last year, is Telsis Advanced Services, an application-hosting platform pre-loaded with a suite of core SMS services and able to run many more. The two new final tiers of the Telsis solution are ServiceCentral, a service creation platform, and FrontRunner, a complete consultancy and technical assistance programme.

ServiceCentral uses the same Intelligent Network service creation technology that Telsis has widely deployed in voice networks. It enables Telsis or its partners to rapidly build the most complex of fully custom service flows, then edit them to smoothly transition applications from live service trials to full roll-outs.

The FrontRunner programme lets operators supplement on an as-needed basis in-house marketing, engineering and operations teams with Telsis specialists. Together, they conceive, market-test, build,

roll out and manage any number of advanced SMS services, exploiting to maximum advantage, lowest risk and lowest cost the power of the model's technology layers.

"For some time operators have been telling us that they see the revenue growth and churn reduction opportunities offered by advanced SMS, but are fearful of the perceived risk to the stability of their networks and frustrated by the competing demands on in-house resource," says Telsis CEO Simon Brown. "With our new era solution we're showing a practical, affordable and low-risk route to achieving major competitive and bottom line pay-backs through advanced SMS."

So if mobile instant messaging, email, and even MMS offer the chance for additional revenue streams, why is it still worth innovating in SMS?

Declan Lonergan, VP of Yankee Group's consumer research group, says, "SMS is a core element in what subscribers look for when choosing a mobile service, but until now operators have only had one lever to pull to make their offer more attractive, and that's price. This is a sure sign of a commoditising product. The net result is that in some markets SMS revenues are flattening off despite volumes continuing to climb. The emergence of more advanced SMS schemes gives operators the opportunity to compete on service, utility and innovation."

Steven van Zanen, VP of product marketing at Acision, says, "By offering value added enhancements to messaging that are already proving to be effective in the online community, such as automated replies and out-of-office, service providers can offer more convenience and productivity to end users, while increasing revenue streams.

"Additionally, messaging will increasingly be a key way to interact with personal blogs and online services. This approach was very successful in the US where the operators have marketed MMS as a channel in their social networking offerings. As a result, MMS traffic per user is twice the global average."

But although you'd expect the vendors to be positive about the market that feeds them, it seems the numbers don't lie. There's life in the old SMS dog yet.