Long Live SMS

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The following is a sample article from SAP Mobile Services' first-ever "Mobile Operator Guide 2013: The Evolution of Mobile Services: Challenges, Strategies, Opportunities". The inaugural edition features perspectives from more than 40 global industry authorities and innovators including experts from SAP, CTIA, GSMA, Yankee Group, Telefónica, MetroPCS, UrbanAirship, Cloudmark, textPlus, and more. The complete publicaiton can be found here ***[1]***.

Mobile industry watchers have been predicting the death of the humble text message for over a decade, but a raft of recent research confirms that SMS is very much alive and kicking.

Marking the 20th anniversary of SMS, U.K. analyst firm Portio Research points out that SMS has been very successful, generating approximately $821 billion for operators worldwide since it was invented in 1992.

Overall, worldwide mobile messaging was the highest earner in the industry, raking in $179.2 billion in 2010 alone. Portio Research forecasts that this total will increase to more than $280 billion in 2014, and exceed $300 billion by 2016. Of this total, SMS alone will generate $155 billion worldwide in 2014, and "it promises to continue to play a significant role in revenue terms in the coming years," the report said.

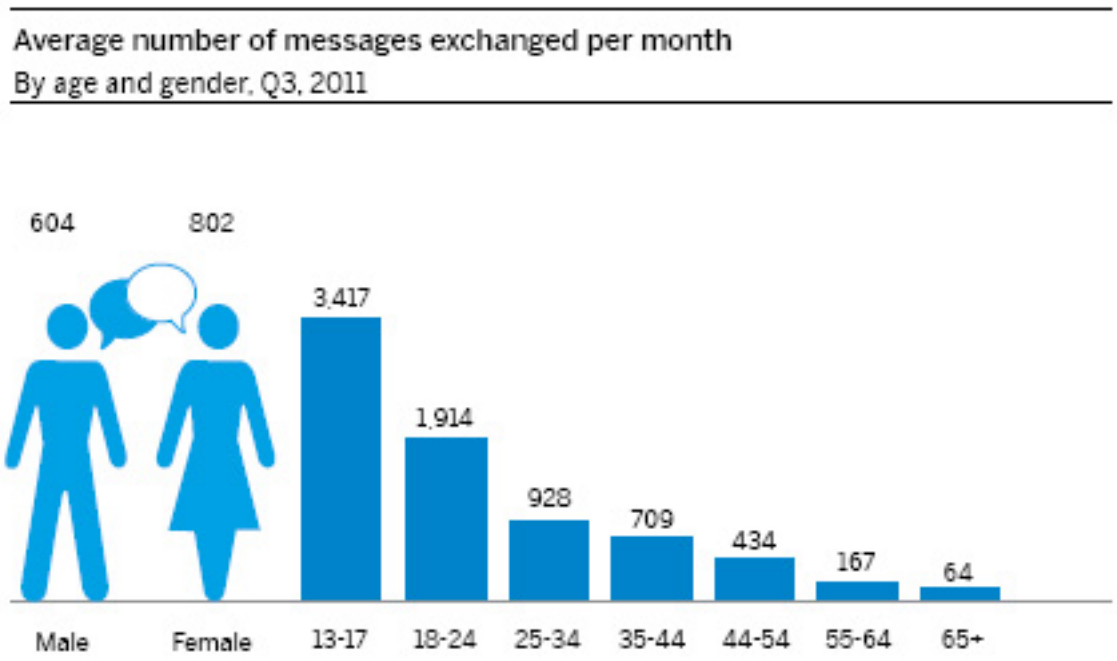

Figure 1: Based on data from Nielsen.

Pervasive and personal

It’s the simplicity, pervasiveness and sheer dominance of text messaging that has made it the world’s leading data communication tool. People everywhere on the planet can (and do) use their mobile phones to send and receive text messages.

Veteran mobile author and analyst Tomi Ahonen estimates people sent a whopping 6.1 trillion text messages in 2011, up from 1.8 trillion in 2007. Meanwhile Informa Telecoms & Media state that total SMS traffic will reach 8.7 trillion by 2015, up from over 5 trillion messages in 2010. In its newest forecast analyst firm Portio Research calculates that total traffic will reach nearly 10 trillion messages by 2015.

Clearly, SMS is THE most ubiquitous, non-verbal communications medium in the history of mankind. Today, SMS can reach over 5.4 billion people around the world — over 77 percent of the world’s population. In developing countries SMS plays a special role, transforming lives and economies at an amazing scale. Innovation in these regions also allows companies, organizations and governments to harness simple text messaging and achieve extraordinary results.

From life-simplifying reminders to life-saving medical advice, text message services are changing the nature of commerce, banking, education, healthcare, news reporting and political participation.

In developed markets SMS is by far the most effective way for people to communicate with each other — and connect with companies. Whether chatting with friends, or receiving alerts from banks and favourite brands, text is the primary communications tool.

Continuing tide of text

Significantly, even the advance of smartphones — chock-full of features, functionality and a wide variety of mobile applications — hasn’t changed consumers’ dependence on text messaging to connect with the world around them. In fact, a recent consumer study from Deloitte shows that SMS holds the lead. More consumers than ever preferring texting, and the vast majority (90 percent) of smartphone users sending at least one text message per day.

Another trend that shows no signs of slowing is text use among teenagers. In the U.S. this demographic relies on text more than any other customer segment. Research firm Nielsen, which bases its finding on a variety of data including monthly survey results from 300,000 consumers, reports that texting has tripled, with teenage girls sending 40 percent more text messages than boys. That’s an average

of 3,952 text messages per month. It’s a continuing tide of communication Nielsen calls a “mobile data tsunami.”

In other countries text messaging continues to dominate. In Canada The Wireless Telecommunications Association reports the number of personal text messages sent every year has nearly quadrupled since 2008 and hit a whopping 78 billion messages in 2011. In the U.K. the OfcomTelecommunications Market Data Update Q1 2011 reports the total number of SMS and MMS messages sent in Q1 2011 was 36.9 billion, up 22.7 percent over Q1 2010.

The impact of OTT

Amid this stellar growth, some analysts wonder if the text messaging trend could flip from growth to decline. New messaging capabilities bundled with iPhones and Android phones, as well as the advance of OTT messaging services and applications are among the root causes for the recent dip in SMS volumes in mature markets such as Philippines and Taiwan. News that OTT player WhatsApp reported hitting the milestone of ten billion messages a day further suggests operators could be vulnerable to this new competition.

However, Analysts point out the race is far from run. It estimates that companies like WhatsApp and BlackBerry will generate 35 percent of the total messaging traffic in 2016, but only 8 percent of the revenues.

Moreover, SMS will continue to dominate messaging and revenues, generating 42 percent of the traffic and some 65 percent of total income.

Indeed, Informa is not convinced that OTT apps and services might undermine established text messaging habits. It argues that many factors — including mobile operator pricing strategies, the penetration of mobile broadband and customer requirements to more open communications — will “determine how quickly and to what extent substitution occurs.”

Open rules

People are empowered by SMS to communicate with anyone who has a mobile phone. However, alternative messaging apps are limiting, not liberating. Unlike text messaging, these OTT services operate in a vacuum. Instead of overarching communities that span the planet, they create isolated islands of users who are completely cut off from friends and family members on the basisof the handsets and software they use.

A Facebook user and a person using iMessage may be good friends in real-life, but

the fact they use different services prevents them sending and receiving messages.

This flies in the face of what communications is all about, and presents opportunities for mobile operators to bridge the gap.

There are exciting and lucrative options to consider. Some mobile operators will choose to work with OTT players, enabling them to achieve the integration of messaging communications. Others will follow the lead of operators like Telefónica, which recently launched a free mobile application that combines free text chat, voice calls, picture and location sharing between users.

Interoperability will also be delivered by the GSM Association standard called Rich Communications Suite (RCS), which includes a next-gen, real-time, presence enabled messaging component that also interworks with the existing SMS ecosystem.

Indeed, many of the operators featured throughout this first edition of the Mobile Operator Guide are betting on RCS to drive an interoperable, backward compatible messaging medium for subscribers and — ultimately — pave the way for new and innovative services.

No limits

Technology advances like RCS will allow messaging — including text messaging — to evolve and continue to account for a significant share of operator revenues. The future for OTT providers, however, is not quite so positive. Spoiled by choice and delighted by the freedom to communicate with anyone (and not just people that use that the same application), consumers will no doubt vote with their feet. It’s clear that many of the OTT players will simply fade away.

In the meantime, SMS-compatible services from companies including textPlus will continue to flourish, offering customers more features and greater reach. But it’s not just person-to-person messaging that will increase. Growth will be also be driven by a desire from companies, businesses and brands to connect with their customers (and potential customers) via SMS.

Research underlines the pivotal role of mobile in campaigns to engage with customers, encourage interaction and boost loyalty.

From consumer facing brands that use text messaging to deliver brand messages and links to downloadable content and perks, to large retailers that cleverly use text messaging to deliver product vouchers and drive customer loyalty, the central role of SMS is clear. Perhaps the best confirmation comes from Coca-Cola, that declared

that SMS is the “number one priority” in its comprehensive strategy to reach a global audience and increase customer engagement. Analysts termed it a “bombshell announcement” because other marketers quickly followed suit, launching strategies with mobile messaging at the center.

Ironically, the rise of mobile apps, initially hailed as a new channel to the customer that could potentially dethrone SMS, has actually pushed text messaging growth to a new level.

Global revenue from A2P SMS split by eight key regions 2016

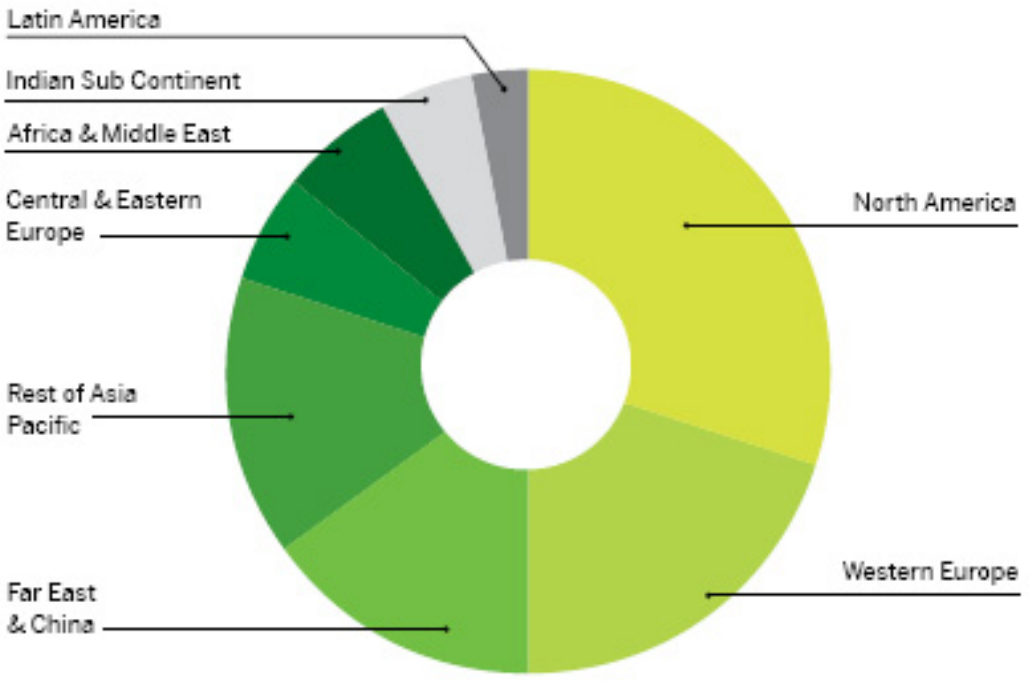

Figure 2: Source: Juniper Research. [3]

Brands and marketers, as well as application developers, are harnessing SMS to extend the life of their apps, keeping their users posted on updates, breaking news, location-based opportunities, campaign perks and other important information. More importantly, text messaging allows brands and marketers to re-connect withcustomers who haven’t used their apps recently — or even deleted it altogether. The result is a booming Application-to-Person (A2P) market Jupiter Research estimates will be worth $70.1 billion by 2016.

Positive outlook

Clearly, the next five years will see operators in many parts of the world leverage their all-IP networks, but even this progress will not shut the door to SMS. To the contrary, LTE networks using IMS infrastructure will lay the groundwork for messaging servicesthat will remain interoperable with today’s text messaging. In

other words, there will be no interruption in service, or even reach.

The humble text message that just celebrated its 20th anniversary has seen a lot of changes since the first SMS was sent in 1992 between Neil Papworth (of Sema Group Telecoms) and Richard Jarvis of Vodafone – the message read “Merry Christmas”.

Today, SMS is the most widely used mobile data service, with two-thirds of the world’s population using the channel to connect and communicate. From a businessperspective, SMS is expected to remain a significant source of revenues and traffic for mobile operators on a global basis for years to come. The bottom line: the advance of an all-IP world will transform SMS, but text messaging will also continue to be alive and well.

Source URL (retrieved on *12/20/2014 - 6:43am*):
http://www.wirelessweek.com/articles/2013/02/long-live-sms

Links:
[1] http://www.sap.com/mobile/operatorguide