

Report: Operators Lose Big on Social Messaging

Andrew Berg

New estimates from research firm Ovum indicate that consumers' increasing use of IP-based social messaging services on their smartphones cost telecom operators \$8.7 billion globally in lost SMS revenues in 2010 and \$13.9 billion in 2011.

Ovum expects the decline, which represents 6 percent total messaging revenue in 2010 and 9 percent in 2011, to continue as the popularity of messaging apps continues to grow.

Ovum is warning operators to rework their legacy services if they want to secure their future position in the messaging market.

"Social messaging has disrupted traditional services, and operators' revenues in this area will come under increasing pressure," says Neha Dharia, consumer analyst at Ovum and author of the report, in a statement. "Tapping into the creativity of app developers, forming industry-wide collaborations, and leveraging their usage data and strong relationships with subscribers are the key ways for operators to ensure that they hold their ground in the messaging market."

However, despite the threat to messaging revenues, Ovum believes that the strong presence of social messaging should be looked upon as an opportunity. "This threat will drive telcos to consider alternative sources of revenue, such as mobile broadband," said Dharia. "And now the market has been tested, operators know what types of messaging services work."

The report goes on to suggest that operators actually have the upper hand in the battle against declining messaging revenues because they control not only billing mechanisms but also those services to which users are initially exposed through the use of pre-installed apps.

The concerns raised in the Ovum report are similar to those that surfaced when VoIP calling was introduced through apps, such as Google Voice and Skype, on the iPhone. Ovum's study did not take into account the effects that Apple's iMessage, released as part of iOS 5, had on carrier SMS traffic.

Dharia says that operators must remain open to partnering with app developers, sharing end-user data with them and allowing integration with the user's social connections. Working closely with handset vendors also will be important, she says, noting that OEMs control some of the most popular social messaging apps and also can provide preloaded applications.

The most important factor, however, will be cooperation between telcos. "They are no longer competing merely among themselves, but must work together to face the challenge from the major Internet players," concludes Dharia.

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