

Global mobile messaging revenues to double to \$70 billion

Mobile messaging services will continue to grow strongly in Western Europe and the rest of the world, according to a new report published this week by Analysys. This will be driven by further growth of SMS text messaging in new market segments and new applications, as well as the take-up of advanced messaging services, such as MMS and mobile instant messaging.

The report forecasts revenues growing from US\$31 billion in 2002 (US\$13 billion in Western Europe) to US\$69 billion by 2007 (US\$25 billion in Western Europe), provided that operators take immediate action to drive service growth and control cannibalisation of existing revenues. Total messaging volumes, comprising SMS, MMS and mobile instant messaging/email, are forecast to quadruple from 670 billion in 2002 (131 billion in Western Europe) to 2600 billion in 2007 (607 billion in Western Europe).

The report shows that messaging services are particularly attractive to network operators, as they can achieve substantially higher revenue per Mbyte and profitability per user than voice telephony, and consume very little network resource. "At typical prices, one minute of voice telephony generates less than US\$1 per Mbyte of network resource consumed," says Mark Heath, co-author of the report. "This compares with over US\$1000 per Mbyte for an SMS message." The report advocates that operators should be exploiting every opportunity to drive growth in messaging services rather than adopting cut-throat pricing of voice telephony, which would increasingly dilute profitability and stretch the limited capacity of existing networks.

The report shows that there are ample opportunities to increase usage and revenue from simple text messaging, such as SMS, by targeting new users and providing compelling content services. It also identifies critical actions needed to stimulate growth of new messaging services, such as MMS, and to avoid cannibalisation of existing revenues by new services such as mobile instant messaging and email. "By taking these actions, GSM operators can achieve a 'hat-trick' of revenue growth with SMS, MMS and alternative mobile messaging, such as mobile instant messaging and/or email", says Heath.

"Simple text messaging must not be overlooked," says co-author Alastair Brydon. "There is a big opportunity to grow usage by older people, along with a host of developing applications, such as mobile marketing and integration with TV and radio content." The report uses numerous case studies to illustrate twelve areas with major growth potential.

"MMS is still in its infancy in most markets," says Brydon. "Excessive price premiums, lack of interworking and the lack of a critical mass of users will limit its growth in the short term. Network operators must follow Japan's lead by setting affordable prices and packaging MMS with a range of other services, as attempted with Vodafone live!"

"Buddy lists, presence information and integration with fixed network services make mobile instant messaging a potentially attractive service for many. Some mobile instant messaging and email services are being priced at a substantially lower level than SMS. There is a real risk of these services cannibalising existing revenues, and an even greater threat from third-party competitive services."

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