

SMS use declining after 20 years

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The short message service (SMS) or text message has been around for 20 years and has paved the way for a wide range of value added services.

Billions of text messages are transmitted via mobile networks every day, and until recently, the SMS has been the bedrock of revenue and profit for telecommunications companies across the globe.

The convenience of the SMS is that it does not need an Internet connection to transmit a message and is accessible through any cellphone device. The SMS has enabled other services such as mobile banking, payments and airtime transfer.

Companies and service providers are using the SMS to communicate with clients or enable customers to enter competitions but its usage is much wider than that.

The first SMS was reportedly sent in 1992 by Brit Neil Papworth who texted 'Happy Christmas' to Vodafone director Richard Jarvis at a staff Christmas party.

Arthur Goldstuck, the managing director of World Wide Worx, said in its early days, the SMS was a revolution for the mobile networks because it provided a universal service with a potential for high revenues at almost no cost. Because it was in effect an unused channel built into the network infrastructure, it was the communications equivalent of "turning lead into gold", he said.

"It was nothing less than enabling them to materialise money out of thin air", says Goldstuck.

Spiwe Chireka, programme manager for telecoms at global firm International Data Corporation, says the SMS has been an enabler of revolutionary services such as mobile payments and mobile money.

Although the SMS has hardly changed over the past two decades, it is being threatened by other forms of instant messaging such as Mxit, WhatsApp and BlackBerry Messenger (BBM).

"For the very reason that networks have tried to maintain the pricing structure of the SMS, it is now in danger of being killed off by data services that allow instant messaging at negligible cost," says Goldstuck.

Research by global firm Ovum predicts that by 2016 mobile operators will have lost US\$54bn in revenues from the SMS

because of the increasing popularity of social messaging services on smartphones. They are expected to have lost US\$23bn by the end of this year alone, Ovum said.

Ovum highlights the rapid increase in the number of over-the-top (OTT) providers and services like WhatsApp which underlines the fact that social messaging is not a short-term trend, but a shift in communication patterns. "Operators in Europe and Asia-Pacific will be affected the most, and should be vigilant with respect to OTT messaging activity," Ovum consumer telecoms analyst, Neha Dharia said.

OTT refers to Internet based services such as Skype and WhatsApp.

"OTT players are changing consumers' messaging preferences, and the pressure they are exerting on operators' messaging services is forcing them to offer increased SMS bundles and to experiment with messaging pricing models, further dampening revenue growth," says Dharia.

Chireka says there is still room for the SMS. While data connectivity has grown sharply there still remains a very large proportion of people that cannot access these connections or afford them.

"It is likely that the SMS will move to a value-added free service to drive other money making mobile services such as mobile money," she says.

Steven Ambrose, chief executive of Strategy Worx, says the SMS will still remain relevant for most users, as it is still the only text messaging system that works on all mobile phones, across all platforms and is supported by all operators globally.

"The fall in SMS revenues will not be driven by decline in the number of SMSs sent but by competitive forces led by alternative platforms such as BBM and WhatsApp," he says

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