The SMS industry in 2013

By Dr Pieter Streicher

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Improvements in the way SMS is billed for, efficient spam deterrents, evolving technology capabilities and better handling of subscriptions services lay the foundation for another exciting year for SMS as a business communication channel.

It will be a pivotal year for the South African SMS industry, as the issue of interconnect fees is resolved and mobile networks charge each other for terminating application-to-person (A2P) SMS messages, doing away with the vagaries of the gentlemen's agreement between the operators that maintain the status quo.

Technically, we are going to see SMS become a more dynamic communications medium incorporating rich media interactivity. Consumers using paid for mobile content subscription services are going to be better protected with double opt-in capabilities introduced by all the mobile operators.

Interconnect fees

The enforcement of interconnect fees had a false start in 2011 when the incumbent mobile networks simply stopped Neotel and Telfree from terminating A2P SMS traffic on the bigger networks without paying a cent. Last year a more formidable opponent, Cell C, broke ranks and started allowing WASPs to terminate messages on other networks, which could prove to be the deciding factor, when it comes to the issue of interconnect fees. To date, a gentlemen's agreement existed between the operators that they would not terminate A2P traffic on each other's networks so that interconnect fees would not be implemented.

The mobile networks have been loath to have interconnect fees enforced by the Independent Communications Authority of South Africa (ICASA), as this would involve them revealing just how much SMS cost them (not a lot) and what their margins are (a lot). However, although Vodacom specifically, as the largest operator, stands to lose money if interconnect fees are introduced, on balance it will be the winner as it has the most traffic terminating on its own network, for which no interconnect fees will be payable. Cell C, ironically as it is the one forcing the issue, has the most to lose as it is the smaller of the networks and so terminates a large percentage of SMS on other networks for which it will have to pay interconnect fees.

I strongly support the introduction of a small interconnect fee provided it is related to the actual cost of carrying SMS messages and is approved by ICASA. In my view, the bulk pricing of SMS messages for WASPs or emergent operators should be the same, regulated by ICASA and governed by the Electronic Communications Act, to allowing healthy competition and a level playing field.

Spam

If an interconnect fee is introduced, mobile operators are likely to start reducing A2P SMS prices in order to grab as much SMS traffic as they can. This will put pressure on the local WASP industry to reduce their pricing in seeking lower wholesale A2P SMS costs from the networks. This is good news for businesses that use SMS to communicate with their customers and who, up until now, have been paying artificially high rates for A2P SMS, irrespective of purchasing from the mobile networks or from a WASP. On the flipside, however, high SMS rates keep spam levels down, as the return on investment simply is not there for spammers. So falling SMS rates could lead to an increase in unwanted marketing SMS for consumers.

Fortunately, this could be mitigated by the fact that things are hotting up significantly for spammers in South Africa, thanks to the work that the Wireless Application Service Providers' Association (WASPA) is doing to bring spammers to task. The fines WASPA levies against transgressors ramp up very quickly for repeat offenders. Of course, the spam complaints that WASPA receives are merely the tip of the iceberg, and consumers are reminded to formalise and escalate their complaints about unwanted commercial SMS messages they receive.

SMS gets more interactive

SMS' supposed death knell has been tolled for years, yet the technology continues to go from strength to strength in the face of new internet-based messaging platforms stealing the limelight. This year we will see SMS evolve to incorporate some of the interactivity of IP-based services while retaining its robustness as a targeted communication channel to send timeous alerts.

For example, we will see event notifications sent by SMS including the ability to RSVP for an event via a link instead of a reply SMS. In this way, rich content, such as maps, multimedia, and feedback capabilities can be delivered via SMS but accessed over a mobile data connection at a very low cost for the consumer. This rich messaging capability will enhance the basic information provided by the SMS as well as reduce the costs of mobile communications for consumers.

Networks get more control over subscription services

When Vodacom launched its double opt-in check on subscription services, Vodacom related unsubscribe requests to WASPA reduced by 70%. Previously customers could subscribe to a repeat-billed service with the click of a button and the network would have no way of confirming this or tracing the transaction. The lack of sufficient controls made it difficult for WASPA to determine which mobile subscription sign-ups were the result of accidental or forgotten subscriptions, and which were genuine cases of fraud.

Now, Vodacom consumers are given a chance to confirm or decline a subscription at network level before they are billed. The other mobile operators are developing similar opt-in systems and it is hoped they will come to the party in the course of 2013. This will be good news for consumers and will go far in further reducing the number of subscription billing complaints received by the networks and WASPA.

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