

# The rise of OTT applications and the threat to SMS

It has been said on more than one occasion that SMS has had its day. Wrong!

By Louise O'Sullivan 22 Jul 2013

According to Informa, the volume of OTT messaging traffic is set to be twice that of Person-to-Person (P2P) SMS messaging by the end of 2013, and with over 19.1bn OTT messages sent last year, OTT applications are beginning to have a substantial impact on SMS traffic and revenue.

The overall trend is certainly significant, and it would be very easy to say there is little to no life left in SMS but that's just not the case. From our experiences with operators, the feedback they have given us simply doesn't support the argument that SMS is dying, which is backed up by Informa who highlight that SMS revenues will continue to increase until at least 2016. One of the main reasons that the "SMS is dying" message is still being proliferated is, in part, due to the hype surrounding OTT applications and their increasing popularity.

Even with the growing popularity of OTT services, in the short term the market will still rely on SMS, but operators do need to start thinking about how long they can tolerate losing revenue to OTT players. Ovum has said OTT messaging applications will cost operators US\$32.6bn in lost revenue in 2013. Operators need to start thinking about what they can do to provide additional services that rival the likes of Whatsapp and from what we have seen so far, it looks as though they're on the back foot.

## SMS goes above and beyond messaging

One of the major benefits of SMS over OTT is that it is device agnostic. OTT messaging apps are closed user groups that rely on users having the same application installed to communicate with each other. Furthermore, they entirely rely on the user having access to a smartphone capable of running the application along with a data connection that is provided by network operators. Text messages on the other hand can be delivered in areas where there is little or no data signal and can be used far beyond just simple P2P messaging. Individuals, organisations and M2M applications are all able to deliver SMS messages to anyone on any network, in any country, and at any time. This really shows the diversity, strength and opportunities that SMS can provide.

Opportunities exist in Machine-to-Machine communications where SMS can be used in a device triggering role that could be used in fleet management, as an example, or using SMS to trigger data connections. There is a plethora of opportunities within the M2M space, and this will grow massively within the next two to three years, because there are so many different applications for it. M2M is becoming an industry buzzword and once you realise the scope of opportunities it's easy to understand why. The technology already exists but for M2M to really catch on within telecoms it needs to be driven by the big systems integrators and operators.

Certainly within the enterprise mobile messaging market, SMS is fast becoming one of the best ways to communicate with customers. Text messaging in particular is valuable to enterprises who know that SMS is a secure and reliable method of communication that is virtually guaranteed to be delivered and received.

## SMS is *de facto* choice in emerging markets

What is most interesting about the battle between OTT messaging applications and SMS is that it simply does not exist within developing markets yet. Relatively low smartphone penetration, alongside the lack of affordable data bundle plans, means that SMS is still the de facto choice in emerging markets. In our experience, we have actually seen that some of the most progressive services that are deployed via SMS have come from emerging markets, compared to the European market.

The rise of OTT messaging applications has been swift and is changing the behaviours of mobile subscribers, but we see a great longevity in SMS due to the ways and concepts of providing new services. There is a place for OTT apps alongside SMS; they are not necessarily in competition. OTT apps have limited functionality beyond simple P2P communication, whereas there is still a lot of potential yet to be unlocked through SMS, and with an estimated 3.3 billion users globally, the reach of text messaging will drive increased use by enterprises.

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