# Advanced SMS Services

## The new revenue battleground

By the end of this year a number of major operators will have deployed advanced SMS services platforms as the mobile world wakes up to a pressing reality: relentless competitive pressure and a service offer unchanged for 15 years are beginning to undermine overall revenue growth. Volumes continue to rise strongly, but the unit price of SMS is falling.

In a bold move, the early adopters are stepping back from the abyss of price bundling, positioning themselves instead to compete on the basis of the differentiation and new end-user value that advanced services – some with broad appeal and other highly segmented and personalised – will bring. In doing so, they will set SMS off on a new and steeper upward trajectory as take-up drives traffic volume and new revenues. Churn rates will fall as subscribers are attracted and retained by compelling new SMS services that make their business and social lives easier to extend and simpler to manage.

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In time, the industry may scratch its collective head in wonder at how it could once have been so cavalier about SMS revenue growth. SMS is a huge element in network service value, has minimal delivery costs and, at around 20% of overall revenue, makes a disproportionate contribution to ROI. For some, SMS generates as much as $1 billion a year in pure profit and yet has been starved of development and marketing cash as operators focussed on fashionable services like IM, mobile TV and other technologies that offer no immediate prospect of such strong returns. The result of this neglect is that many operators are running a profit-critical service on network architecture little changed since the launch of GSM more than 15 years ago. They will find it harder to deploy advanced SMS than those operators that have already moved to next-generation messaging infrastructure in the shape of SMS Routing.

SMS Routing technology allows the handling of massive traffic volumes, gives a far superior user experience, and costs markedly less to buy and run. It makes real-time decisions about the optimal path for every message, ensuring that existing network assets run far more efficiently than before, and it supports instant direct delivery of the approximately 90% of SMS traffic that can reach target phones or systems at first try, making SMS storage a fraction of the issue it once was.

Crucially, SMS Routing dovetails with emerging advanced services platforms, providing high speed, high reliability transport for a rich layer of new SMS applications. For already-routed networks, it's a small step with powerful business logic: add advanced services to extend revenue from an established proposition and subscriber usage patterns while sweating existing infrastructure.

First generation advanced services platforms equip SMS with voice and email type functionality; a menu of pre-loaded services such as message copy, archive, out-of-office and divert functions. Second generation advanced services solutions use an Intelligent Networking (IN) based service creation environment to flexibly enable the complete life-cycle management of completely custom SMS services. Vendors and their partners can build, deploy and dynamically modify live SMS service flows in response to subscriber feedback and other market inputs – and do it in days, rather than the months it takes today – giving an unprecedented opportunity to unlock hidden value in the subscriber base.

An operator with $1bn a year of SMS revenue shrinking at 4% takes a direct hit on the bottom line of $40 million. A second-generation advanced services platform that re-establishes volume or maintains SMS prices against downward pressure generates a clear net return.

Phone users want clever SMS. A survey in three European cities during mid 2008 showed positive "I would use it" responses of up to 50% from people offered a range of available-now advanced services. Currently, few operators identify SMS segments beyond usage bands. But overall volumes have grown so much that there are many untapped micro-markets defined by consumer hunger for better social and business oriented SMS extensions. These segments may be larger than the entire user base was five years ago – business archival, advertising, child-protection and social networking sites with their appetites for user-generated content are among many examples.

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Advanced SMS will increasingly become mainstream. A growing number of operators will offer basic services that put SMS on a par with voice and email functionality. Others will be going further still, using data mining tools to identify new segments and then leveraging second generation advanced services solutions to rapidly create, launch and tune compelling and highly personalised services. These early adopters will not just underpin their SMS revenues, but grow them, re-stitching the torn linkage between volume and prices while at the same time creating compelling differentiation and bearing down on churn.

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