

Text messaging could make U.S. gains

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The United States has lagged behind Europe and Japan when it comes to text-messaging from cell phones, but that gap is closing rapidly, according to a recent report.

In its study on U.S. mobile market trends, the Cambridge-based private British research group Analysys, which focuses on telecommunications issues, found that mobile messaging in the United States rose by 106 percent in 2004 and will continue to grow steadily over the next five years.

Granted, the U.S. text-messaging market accounted for only 4.8 percent of mobile carriers' revenue, compared to nearly 16 percent in Western Europe and a whopping 22 percent in Japan.

That, however, should change as mobile data revenue will make up about 10 percent, or over \$16 billion, of operators' total mobile-service revenue, especially as providers are putting more effort into marketing text-messaging products that are attractive to users, according to Analysys.

"U.S. operators have introduced large bundles of various types of messaging services, which can be very attractive to customers," said Alex Zadvorny, a principal author of the report. "For a flat monthly fee, a subscriber can now sign up for a messaging bundle and send any combination of text, instant, picture, and video messages. ... Such bundles have the potential to significantly increase usage and revenue from messaging, and could be implemented by operators in other

markets," he added.

At the same time, Zadvorny, who is a senior analyst with the group specializing in European mobile markets, acknowledged that U.S. subscribers have been slower to take up text messaging given that e-mail plays a more prominent role in the United States. In addition, the cheap cost of making cell-phone calls has given less incentive for U.S. mobile-phone users to use text messaging, given that there is little money saved from text messaging a person as opposed to actually calling him on his mobile phone. Nevertheless, operators are beginning to step up efforts to bolster services and devices that would cater more to the mobile e-mail market, he said.

Still, it is not simply in text messaging and other mobile data functions that the United States lags behind other industrialized countries.

Analysys pointed out that with 61 percent of the population having cell phones in the United States, the country is lagging compared to other nations. The group continued to state that market penetration would saturate at around 80 percent, in light of the fact that U.S. subscribers tend not to own more than one handset or one prepaid mobile phones.

As for the prepaid cellular market, the group said that U.S. operators are beginning to put more emphasis on that particular service, especially as prepaid subscribers accounted for 36 percent of accounts in the first quarter of 2005, compared to 16 percent a year ago.

In order to encourage users to take up mobile data transfer more, Analysys recommended that providers offer more flat-rate messaging packages and boost prepaid phone services that included text messaging in that service.

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