

Telecoms groups fight back against free messaging

March 1 2012, By ALAN CLENDENNING , AP Business Writer



Corporate Vice President of Windows Web Services, Antoine Leblond attends the Windows 8 Consumer Preview presentation during a press conference at the Mobile World Congress in Barcelona, Spain, Wednesday, Feb. 29, 2012. A test, or beta, version of the revamped operating system has been unveiled Wednesday in Barcelona, nudging it a step closer to its anticipated release next fall. (AP Photo/Emilio Morenatti)

Just past the security gate for the world's largest cell phone trade show in Barcelona, executives of big mobile carriers can't avoid walking past a booth they would probably rather not see: It's for "Pinger," a small California company that offers free texting in the United States and Germany and has global expansion plans.

Pinger - along with an explosion of smartphone messaging services like iMessage, BlackBerry Messenger, WhatsApp, Viber Media, Facebook

Messenger and KakaoTalk - have managed in just a few years to slash away at the important revenue that cell phone companies get from text messaging, and analysts say there's no end in sight to the financial blood letting.

They do it by offering messaging applications that let [phone users](#) chat for free on the carriers' data networks or Wi-Fi. Some, like Pinger, make money from advertisements and work on computers as well.

The London-based Ovum research firm estimates telecommunications companies lost nearly \$14 billion last year in text-messaging revenue as consumers migrated to applications allowing them to send messages over cell phone [data networks](#).

Ovum said the companies still took in an estimated \$153 billion, but that was down 9 percent from a year earlier, and Pinger co-founder Joe Stipher wants to reduce the amount even more.

"Text messaging is free, and calling is going to be free," said Stipher, wearing jeans in contrast to the dark suits favored by thousands of cell phone [company executives](#) attending the 2012 Mobile World Congress that ends Thursday. "Data is going to be like electricity or water, not totally free, but do you worry about giving someone a glass of water at your home or letting them plug in? No."

Needless to say, mobile companies are not happy at the flood of free messaging services piggybacking their networks. Telecom Italia SpA chief executive Franco Bernabe told MWC that free messaging services are undercutting the ability of phone companies to invest in their networks. Paid texting, or SMS, has been a cash cow for phone companies that uses minimal network capacity.

The new "players have based their innovation in the mobile domain,

without a deep understanding of the complex technical environment of our industry. This is increasingly creating significant problems to the overall service offered to the end user and driving additional investments for mobile operators," Bernabe said.

After years of study, the big telecommunications operators announced this week that they will try to fight back by introducing software this year embedded in new cellphones that will allow users to do the same sort of Internet-based messaging and voice calls that consumers want without paying separate fees.

The new messaging method introduced by the industry group GSMA, or Groupe Speciale Mobile Association, is dubbed "Joyn" and will be launched this year by operators in France, Germany, Italy and South Korea. A test "beta" version was released this week to Spanish clients of Vodaphone Group PLC who have smartphones running on Google's Android software.

In industry parlance, the application is known as "Rich Communications Suite," or RCS.

Joyn tries to deal with one major shortcoming of the messaging apps - both the sender and the recipient have to have the same app. But it's not clear if RCS will work on every phone. Apple Inc., for example, has a long history of not playing by mobile company rules.

"Since Rich Communications (Suite) will be fully integrated in devices, there is no need for our customers to download or install anything," said Rene Obermann, chief executive of Germany's Deutsche Telekom AG. "Ease of use is thus ensured and it will just work. We are looking forward to offer new services like text chat, file and live video sharing during a call to our customers soon."

But analysts say there's no way of knowing whether consumers will migrate to Joyn until after it is released and consumers try it out, and note that the last major technological advance by mobile operators came in the 1990s, when text messaging was launched. And cell phones issued by mobile carriers often come loaded with software that many people rarely or never use because they don't like them.

"It is possible this will be their last chance to see if they can play more of a role," said Pamela Clark-Dickson, an analyst at London's Informa Telecoms & Media research group. "The user experience is key, and if they don't get it right people won't use it."

The GSMA didn't say how operators will charge for Joyn - and how much. The carriers face an uphill battle denting the popularity of the free [messaging services](#). WhatsApp chief executive officer Jan Koum told the mobile congress that its users are now sending more than 2 billion messages per day, up from 1 billion in October. The much smaller Pinger saw its users send 2 billion messages in January, up from 1.7 billion in December, Sipher said.

And he says the mobile operators should stay away from free messaging because "they aren't good at it and haven't done applications."

"The carriers should be smart, reliable pipes" providing Internet data access like utilities give reliable water and electricity, he said. "They need to focus on being good network operators."

Obermann said carriers are at a crucial point at which they must "develop our own, innovative product suites" through cooperation with the smaller messaging companies.

"The smart pipe will be one of the areas where ([telecommunications companies](#)) will show their innovation," he said.

His company's venture capital division, T-Venture, took a stake in Pinger last week just before MWC started, announcing it would provide \$7.5 million in venture capital to help Pinger grow internationally, especially in Europe.

For Sipher, it's a sign that some operators realize they need to work with [messaging](#) startups instead of against them.

"We're saying to the telecoms that we're here, we're big, and we're playing," Sipher said. "When's the last time a carrier introduced a successful application? That would be SMS and that's almost 15 years ago."

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