

Free message apps 'to cost telecom firms \$23 bn this year'

October 11 2012



This file photo shows a man transmitting SMS messages on two mobile phones. Global telecom operators are expected to have lost \$23 billion in SMS revenues by the end of 2012 as smartphone users shift to free messaging applications, according to an industry report.

Global telecom operators are expected to have lost \$23 billion in SMS revenues by the end of 2012 as smartphone users shift to free messaging applications, an industry report said Thursday.

Technology research company Ovum forecast the losses would more than double to \$54 billion by 2016 as the traditional Short Messaging Service (SMS) gives way to Internet-based platforms such as WhatsApp.

This compares with estimated losses of \$8.7 billion in 2010 and \$13.9 billion in 2011.

"Social messaging is becoming more pervasive and operators are coming under increased pressure to drive revenues from the messaging component of their communications business," said Neha Dharia, consumer telecoms analyst at Ovum.

"Operators need to understand the impact of social messaging apps on consumer behaviour, both in terms of changing communication patterns and the impact on SMS revenue, and offer services to suit."

Ovum cited the increasing popularity of WhatsApp, which allows smartphone owners to exchange messages for free using wireless Internet links, bypassing SMS gateways that charge users per message or for a monthly quota.

"Ovum believes this level of growth will continue as smartphone and mobile broadband penetration increases and expects smaller players such as 'textPlus', 'Pinterest' and 'fring' to cause further disruption in the messaging space," the report said.

Urging telecom operators to innovate, Ovum said the increase in the number of players offering social messaging services is not a short-term trend but a sign of a "shift in communication patterns".

Text messaging started as a way to use spare telecoms capacity but became a key cash generator for operators while offering users a cheap way to keep in touch with friends and family without having to spend on phone calls.

Dharia told AFP on Thursday that SMS contributed 49 percent of non-voice revenues for telecom companies globally last year, but is expected to fall to 45 percent this year and to 35 percent by 2016.

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Citation: Free message apps 'to cost telecom firms \$23 bn this year' (2012, October 11) retrieved 20 April 2024 from <https://phys.org/news/2012-10-free-message-apps-telecoms-bln.html>

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