

SMS: a killer application for mobile services in Developing Countries?

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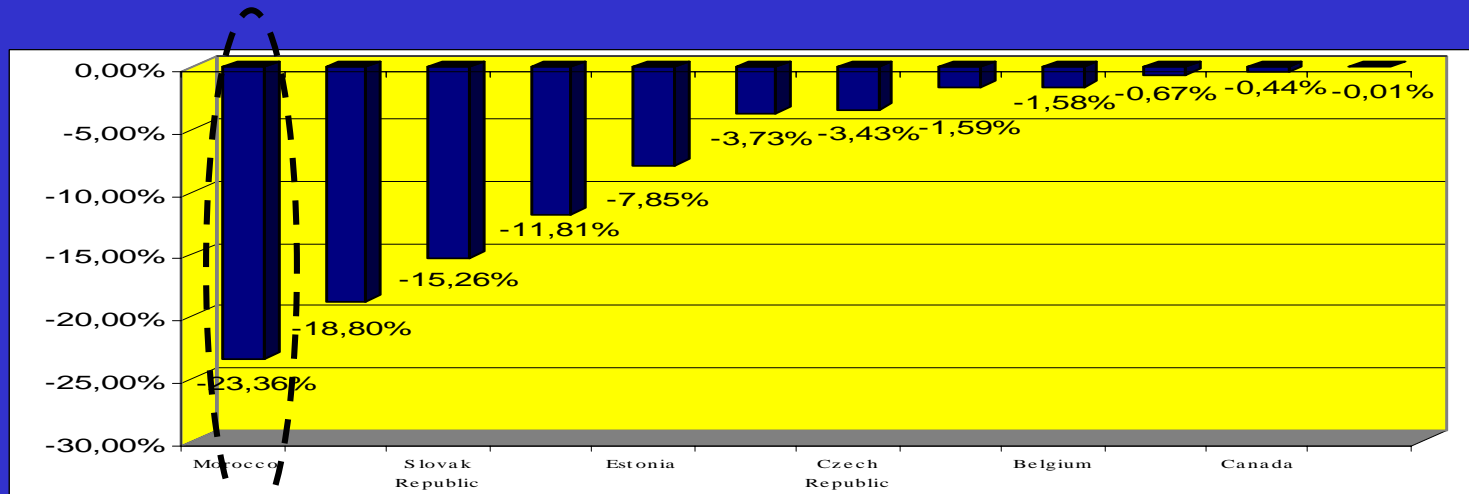
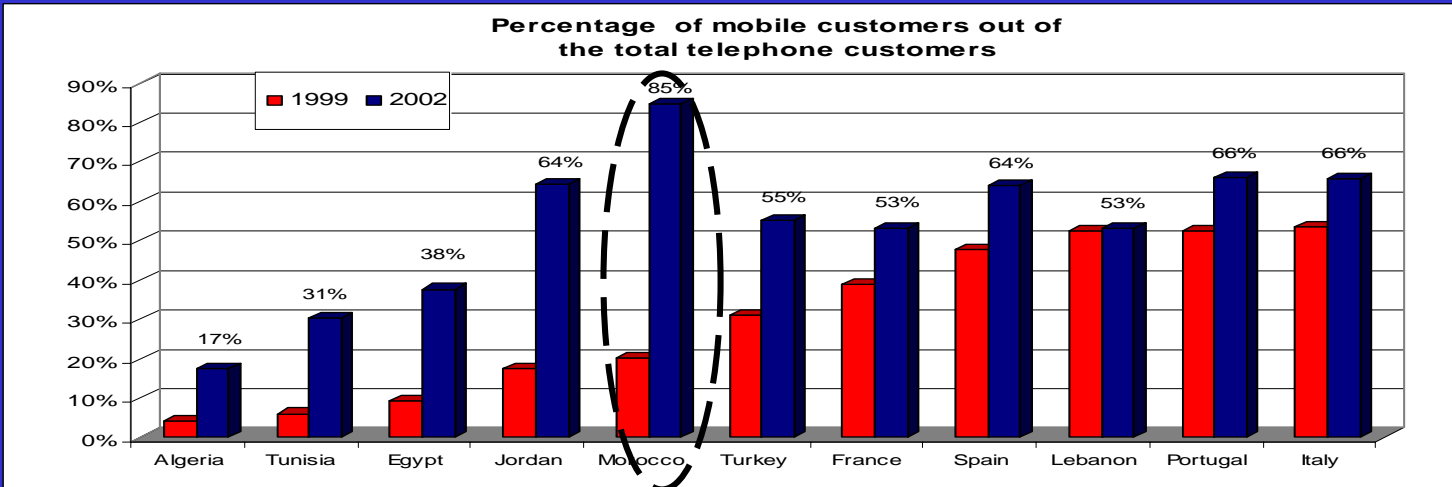
Moroccan Telecom Regulatory Agency (ANRT)

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content

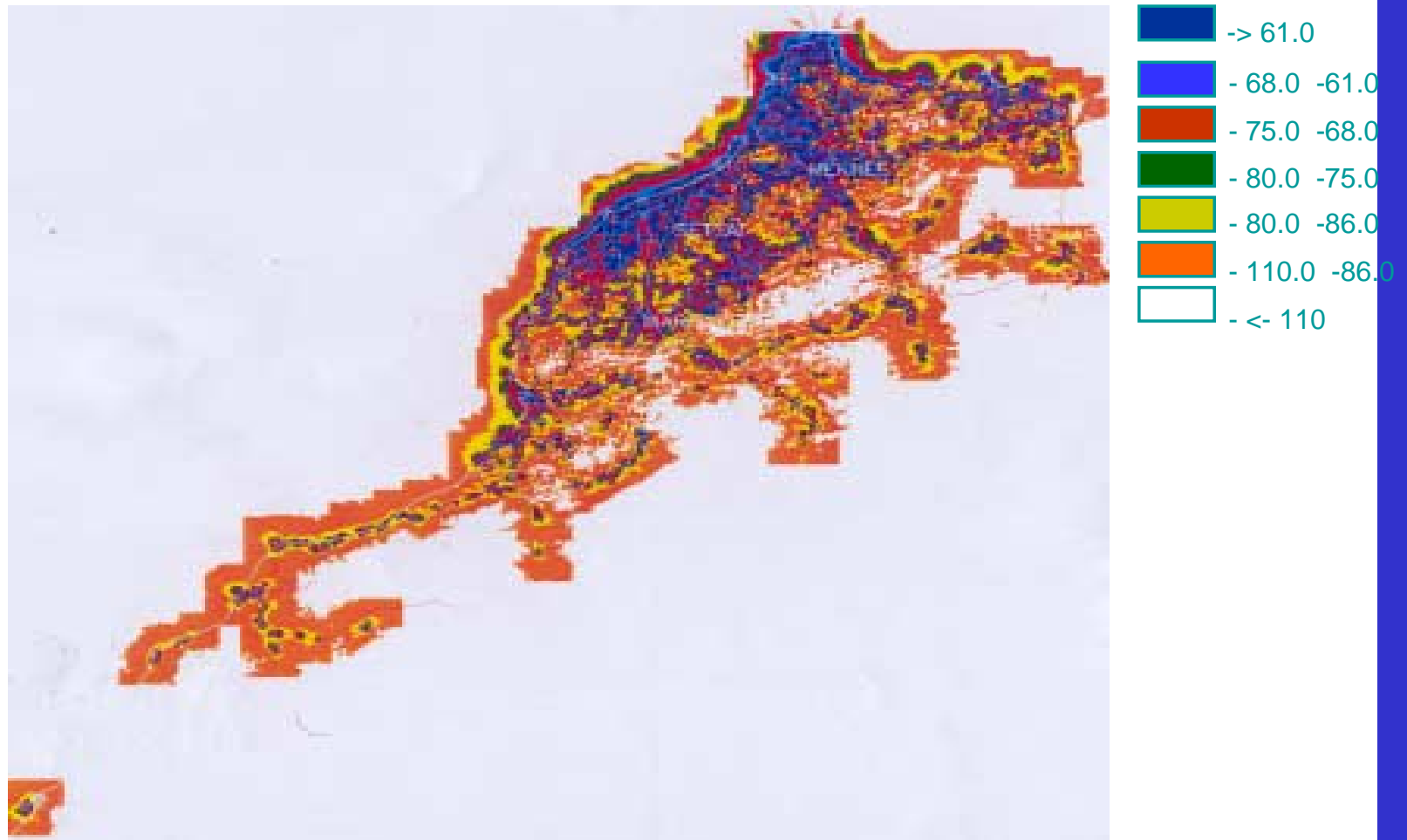
- Success story of Mobile Telephony
- SMS usage growth
- SMS benefits for users
- SMS benefits for Operators
- Concluding remarks



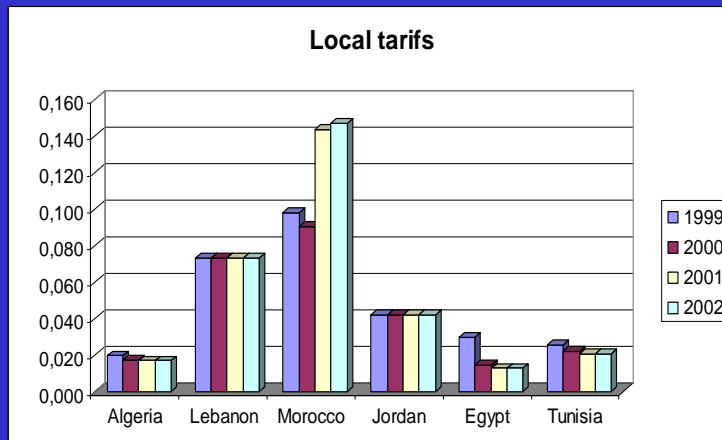
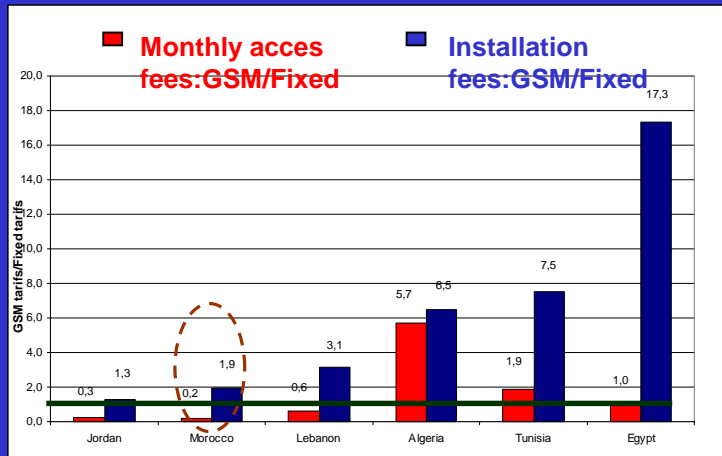
Acces: 97% of the population is covered

Tariffs

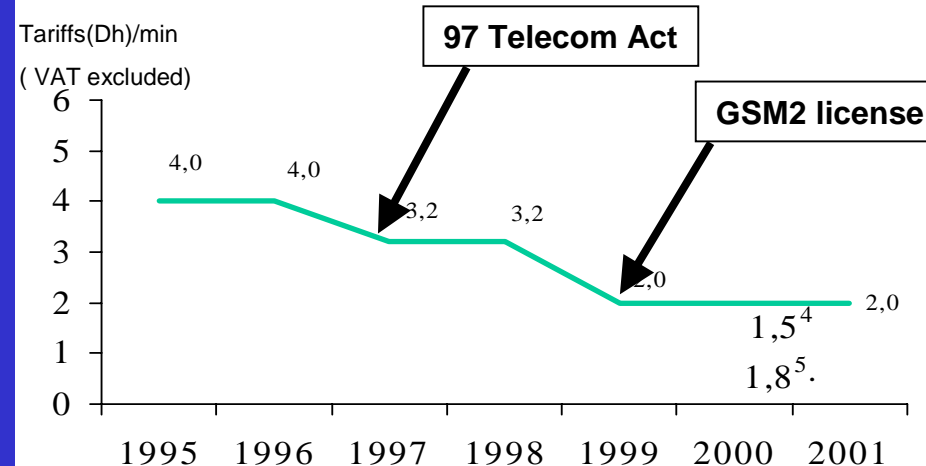
Flexibility and adptation to way of live



GSM Tariffs/fixed tariffs



Evolution of Mobile Communication tariffs (Incumbent post paid tariffs)



Moroccan case:

- Competition
- The GSM tariffs are challenging the fixed tariffs
- QoS of Fixed Services (billing, commercial..)

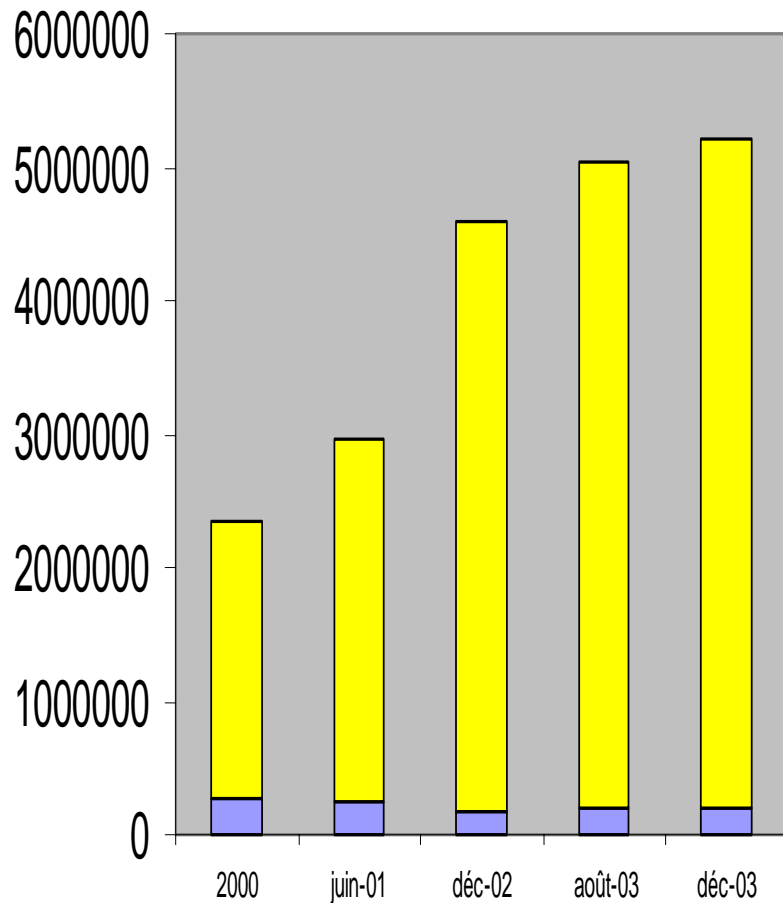


Prepaid domination of the mobile market

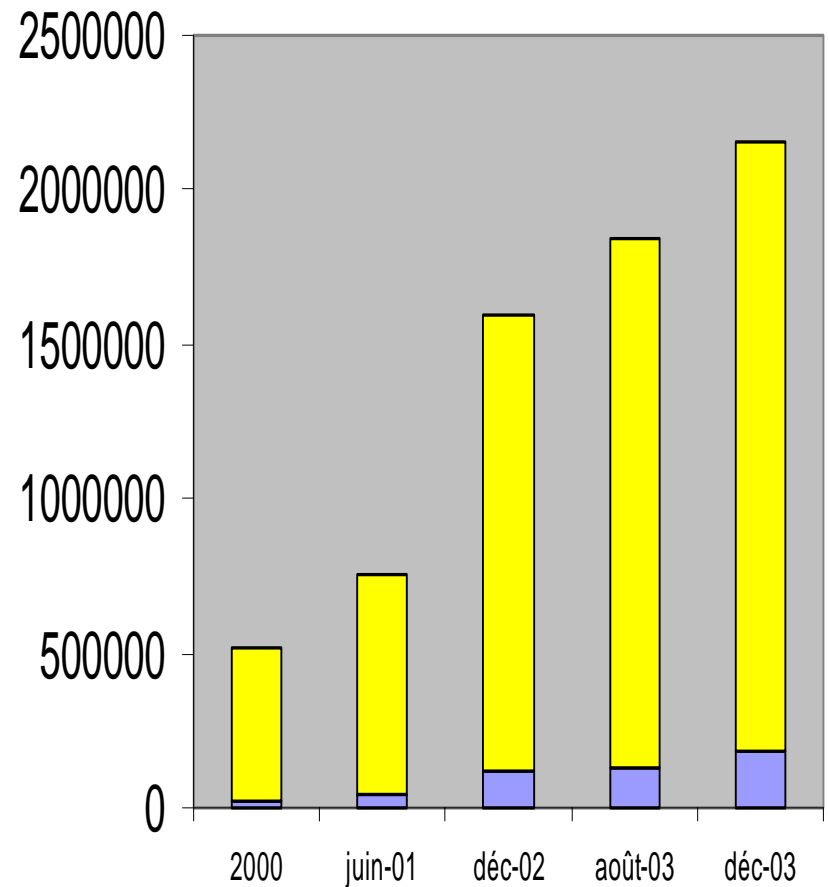
Prepayed

Post payed

Incumbent: Itissalat Al Maghrib

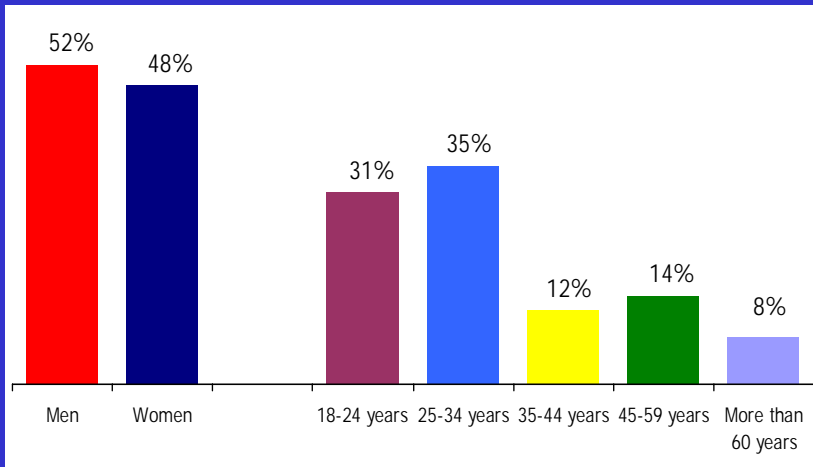


New entrant MediTelecom

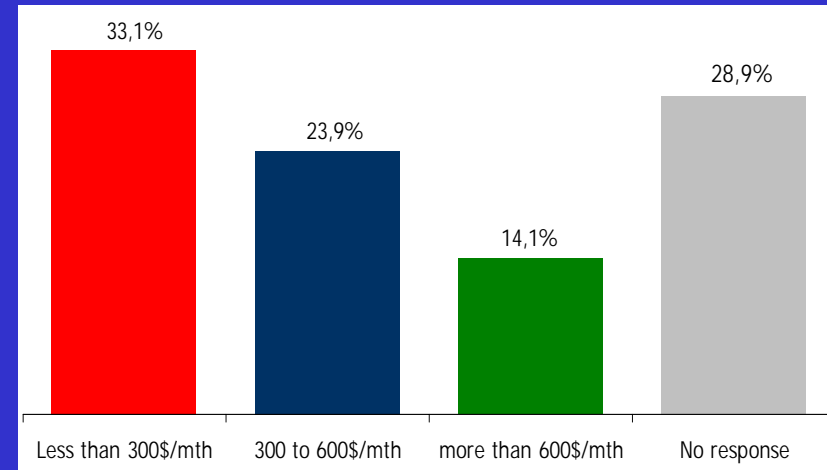




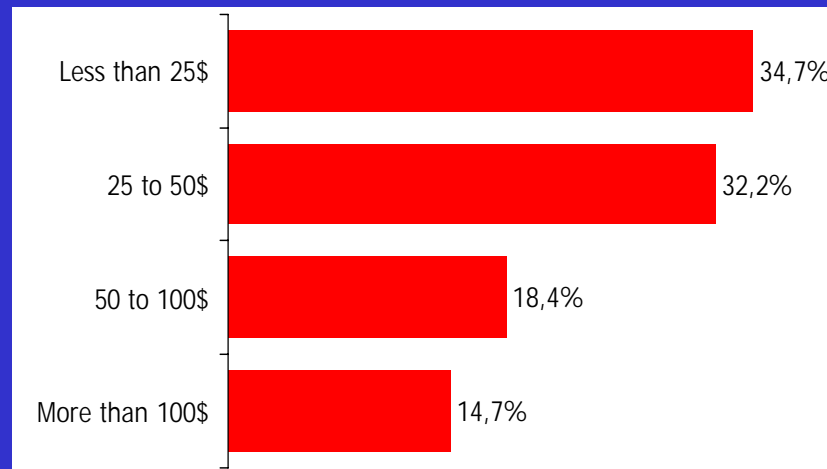
Custom profile



Mobile Usage by age: 70% less than 35 years old



revenu: 56% with less than 700\$/mounth revenu



Monthly Mobile
com expenses



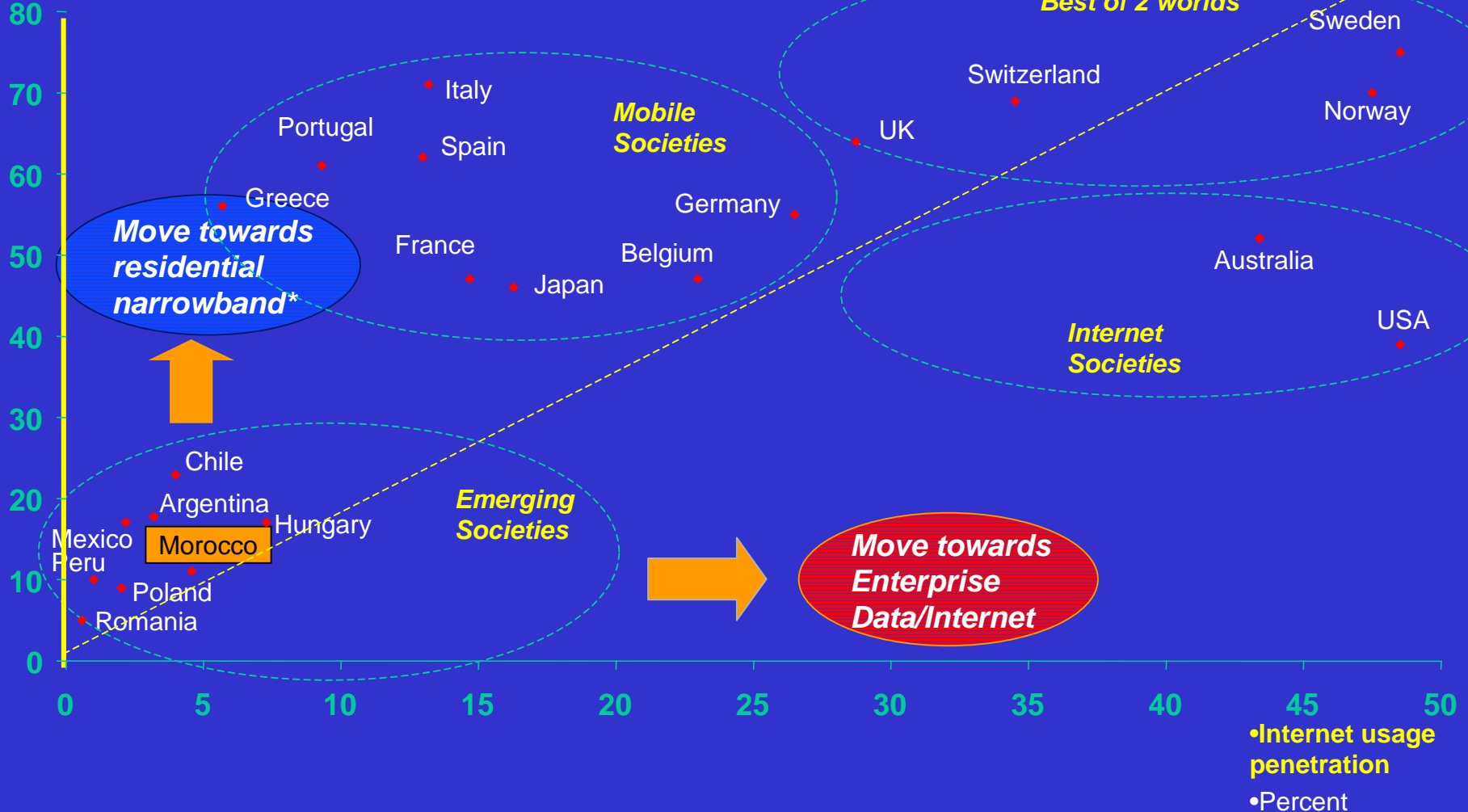
GIVEN THE DEVELOPMENT OF MOBILE , THE FIXED SERVICE SHOULD FOCUS ON BROADBAND AND DATA TO BUSINESSES

situation by End 2000

For illustration

•Penetration of mobile

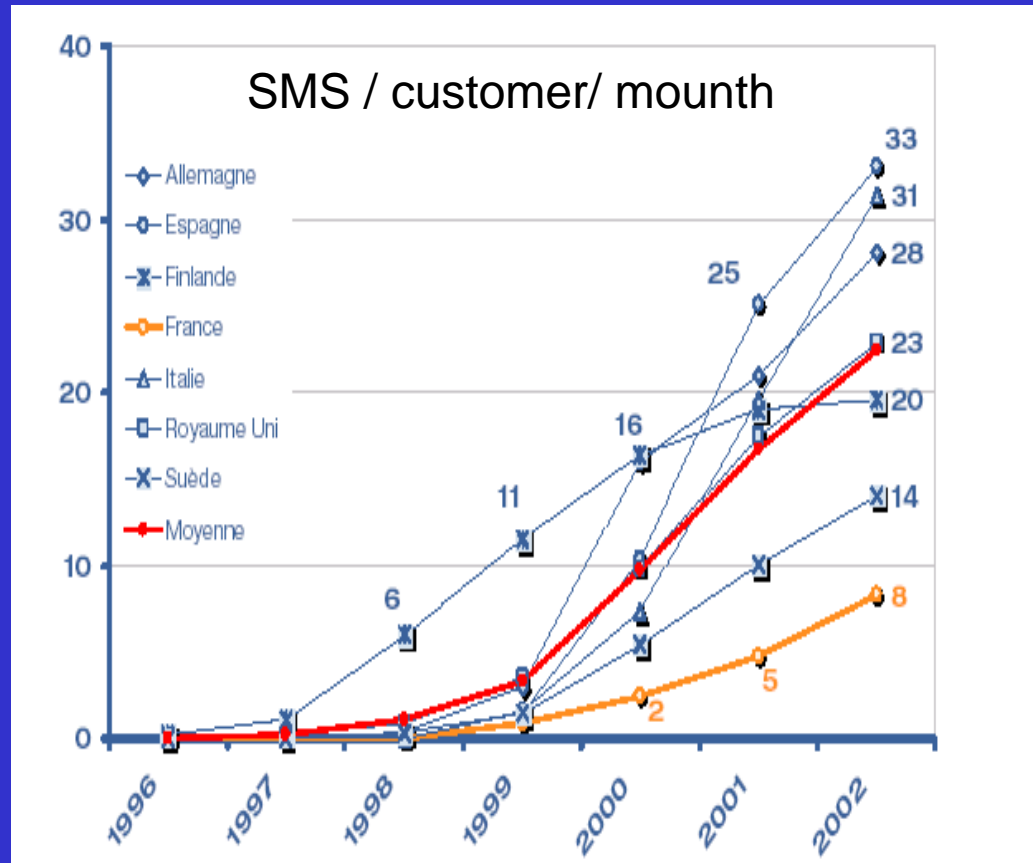
•Per 100 inhabitant





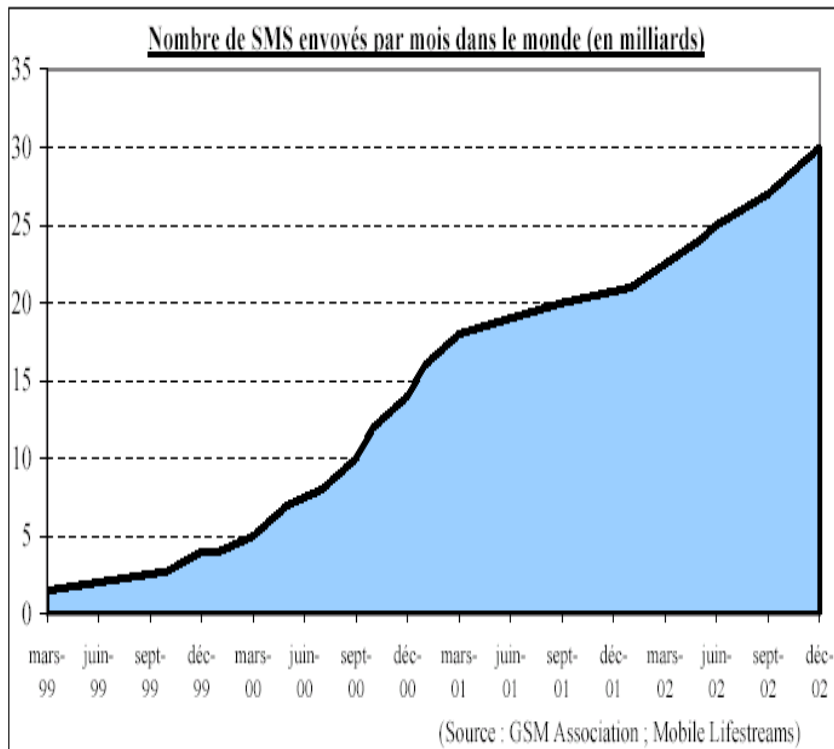
Personnal SMS usage is growing

- Launched in 92 by Vodafone, SMS did not encounter a great success as soon as it was launched
- It took off around 1998 – 1999, and since then, became essential to both operators and clients
- It is becoming a killer application: Email for Phones!

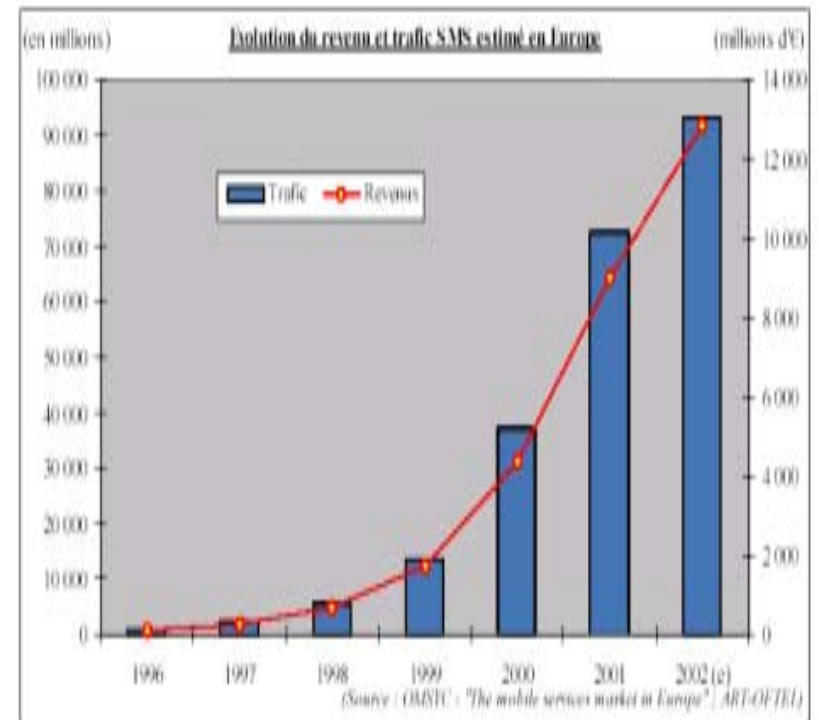


Source ART France

Nbre of SMS by mounth in the world



SMS exponential growth in trafic and operator's revenue (European case)



Source: ART France: « Note d'analyse N°5 » (Feb 2004)



SMS: a precursor for Mobile Internet?

- Wireless Internet development could be strategic for increasing Internet penetration in developing countries where:
 - the number of mobile phones is much greater than the number of PCs.
 - mobile phone subscribers exceed fixed lines subscribers in many countries.
- In the mean time, SMS is taking advantage of these factors and could be a “good precursor” of Internet use.
- Getting the habit of using mobile phones to get information would certainly play an important role in mobile Internet adoption.



Well adopted by Users in developing countries

- Price: On average, the cost of 1 SMS is a half of voice minute for postpaid and less than a quarter for prepaid.
- Tremendous demand for entertainment applications such as games, chatting and other types of interpersonal communication:
- Tendency to affect the usage habits for clients.
 - **Substitution Process**: Preference to transmit the message through an SMS than through a voice call: Deaf Telephony, competing with voice telephony.
 - Practical way to communicate without disturbing
 - Well appreciated in events: in Morocco, religious holidays greetings by SMS create a network saturation, and delivery can occur up to 24 hours later.
 - **Development of new information inquiry process and habits: A didactic benefit moving from “voice only” to “data also”.**

SMS= stepping stone to Mobile Internet



Good opportunity for operators in developing countries

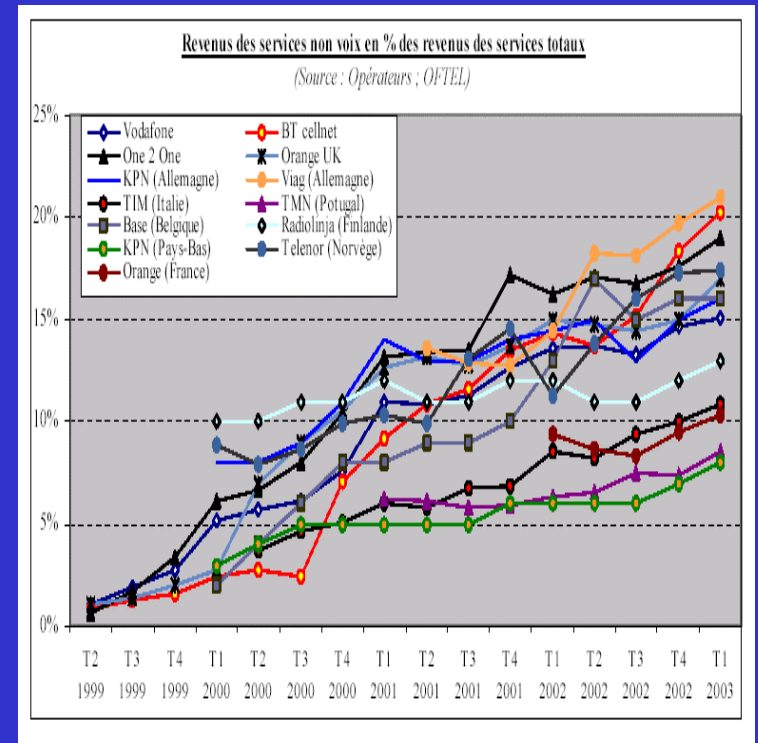
- Service can be available to all mobile users both in the prepaid and post-paid form, so potential market is very important
- Easy to implement and to use
- Easily adaptable to all kind of existing and new services (chatting, advertising, news delivery, value added services in different languages....)
- Cost competitiveness with good margin due to SMS low costs.
- No major issue with the quality of service (except from the fact that there is no guarantee with respect to the delivery status of the message)
- No major regulatory constraints
- No threat in the short term perspective from 3G services



Greater opportunity for operators in developing countries

- Where a structured information is difficult to find, SMS became more useful. It may be used as a competition advantage:
 - Weather checking
 - Stock exchange quotations
 - Entertainment services
 - Transportation services
 - News
 - Innovative personal services: example of Market Price quotation for agricultural goods in Senegal.
 - Personal services: example of a Moroccan Bank using SMS to inform customers in a quasi-real time when the money is transferred to their families. SMS is seen by the customer and used by the bank as a comparative advantage vis a vis the moroccan diaspora (more than 2 millions with good income).
- Apparition of content and application developers exclusively for SMS.

- During the 2000-2002 period : Decrease in revenues generated by communications from the fixed to the mobile network
 - The resulting decrease in ARPU during this period was attenuated by the increase in revenues from Short Messaging traffic.
 - In some cases, the ARPU experienced an increase because of the use of SMS!....
 - SMS represent an important part of the total mobile operators revenues (7 to 20 % for some operators).
- This tendency should be confirmed as new mobile data applications are developed
- These new non voice services created a new dynamic in the mobile market.
- In Developing countries, the long term perspective associated with the development of third generation network promise a brighter future
(only few years of operations for many GSM operators)



Source: ART France: « Note d'analyse N°5 »
(Feb 2004)



Next steps: MMS/GPRS

- SMS is becoming the basic messaging service, with the apparition of more advanced messaging services. It is well introducing non voice service for mobile.
- « MMS » (Multimedia Message Service) : Considered as a premium service compared to the basic SMS service.
 - **Takeoff : Price and economic model adaptation**
(Push Model vs Pull Model under which the subscriber pays a monthly amount to receive an information package)
- GPRS



Concluding remarks

- Mobile is dominating in developing countries
- Voice: still the killer application
- SMS:
 - **Email for Phones**
 - **first step in Mobile Internet, MMS will help.**
- Broadband access will fit more with high income customers. Take off would take place with the development of:
 - **fixed broadband access. Key issue. We need at least two legs for walking.**
 - **Contents development for specific market needs.**



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**Thank you
for your attention**

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