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

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• Success story of Mobile Telephony
• SMS usage growth
• SMS benefits for users
• SMS benefits for Operators
• Concluding remarks
Customers: Mobile up / Fixed down

Percentage of mobile customers out of the total telephone customers

Source ITU database
Acces: 97% of the population is covered
Tariffs
Flexibility and adaptation to way of life

Mobile Boom: the Moroccan example
GSM boom and F2M substitution: some reasons

GSM Tariffs/fixed tariffs

Evolution of Mobile Communication tariffs
(Incumbent post payed tariffs)

Moroccan case:
- Competition
- The GSM tariffs are challenging the fixed tariffs
- QoS of Fixed Services (billing, commercial..)
Incumbent: Itissalat Al Maghrib

New entrant MediTelecom

Prepaid domination of the mobile market
Custome profile

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

Monthly Mobile com expenses

revenu: 56% with less than 700$/mounth revenu
GIVEN THE DEVELOPMENT OF MOBILE, THE FIXED SERVICE SHOULD FOCUS ON BROADBAND AND DATA TO BUSINESSES.

**Penetration of mobile**
- Per 100 inhabitant

*Move towards residential narrowband*

*Best of 2 worlds*
- Sweden
- Norway
- USA
- Australia

*Internet Societies*
- Germany
- France
- Portugal
- Italy
- Spain
- Greece
- Sweden

*Emerging Societies*
- Morocco
- Hungary
- Poland
- Romania
- Chile
- Argentina

*For illustration*

**Situation by End 2000**

- **Penetration of mobile**
  - Per 100 inhabitant

**Move towards Enterprise Data/Internet**

Source: ITU Yearbook of Statistics 2000, The Internet Almanach

Document illustrated by Mckinsey
• 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
SMS boom

Nbre of SMS by month in the world

SMS exponential growth in traffic and operator’s revenue (European case)

Source: ART France: « Note d’analyse N°5 » (Feb 2004)
• 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.
• 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.
Financial impact for Mobile Operators

- 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)
• 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.
Thank you for your attention

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