

Are short messaging services (SMS) poised for a quantum leap forward?

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Short Message Service (SMS) is the ability to send and receive text messages to and from mobile phones



SMS is quick, easy, and reliable.

SMS has taken Europe by storm as the European market alone has reached over one billion messages despite very little marketing efforts, stated **Success 4 SMS**, a new report by Mobile Lifestreams Ltd.

According to **Can SMS Really Drive Significant Revenue Growth?** a new case study by Pyramid Consulting, short message services has enjoyed surprising success in Europe, even as its more highly anticipated counterpart, wireless application protocol (WAP) has floundered.

The potential in North America is nothing short of staggering.

Who is driving the Market?

In markets where SMS has taken off, youthful users drove the market.

Generation Y

- ▶ Users between 15-25 years old
- ▶ 60 million strong, more than three times the size of Generation X
- ▶ Communication is their number 3 budget item
- ▶ Traditional early adopters of new, trendy services

Generation Y Expectations

- ▶ Personalization is critical. They want to receive information directly addressed to them as opposed to the masses.
- ▶ Generation Y often rejects traditional brands and opts to define their own.
- ▶ Communication is their number 3 budget item
- ▶ Instant chat is an easy way to communicate with friends as well as new contacts not previously known to them.



Upcoming short-messaging technologies:

Enhanced Messaging Service (EMS)

Will allow for the sending and receiving of simple media like melodies, pictures, sounds, animations, modified text, and standard text using an EMS-compliant handset.

Multimedia Messaging Service (MMS)

MMS will entail rich media, including sounds, images, and video to and from MMS-capable handsets. It is the next step in messaging.

A high premium can be charged for multimedia content as it is a true mass market that everyone understands.



Applications: Mobile Greeting Cards



**Send Date
Number,
and Text**

**MULTIMEDIA MESSAGE BROKER
Audio Greeting Cards**

Send on Date



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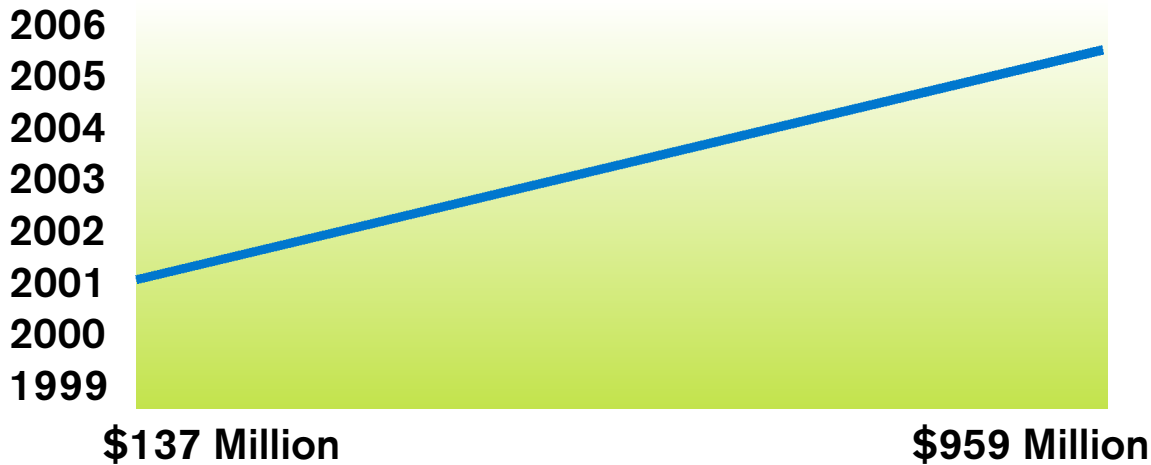
Standard SMS services that will develop in the near future include:

- ▶ **SMS Chat**
- ▶ **SMS jingles**
- ▶ **SMS pictures**
- ▶ **SMS to speech**
- ▶ **SMS games**



The Future of SMS

The [Pelorus Group](#) is bullish in their forecasting of the SMS market. They have estimated that SMS revenue will grow to over seven-fold by 2005, from only \$137 million in 2001.

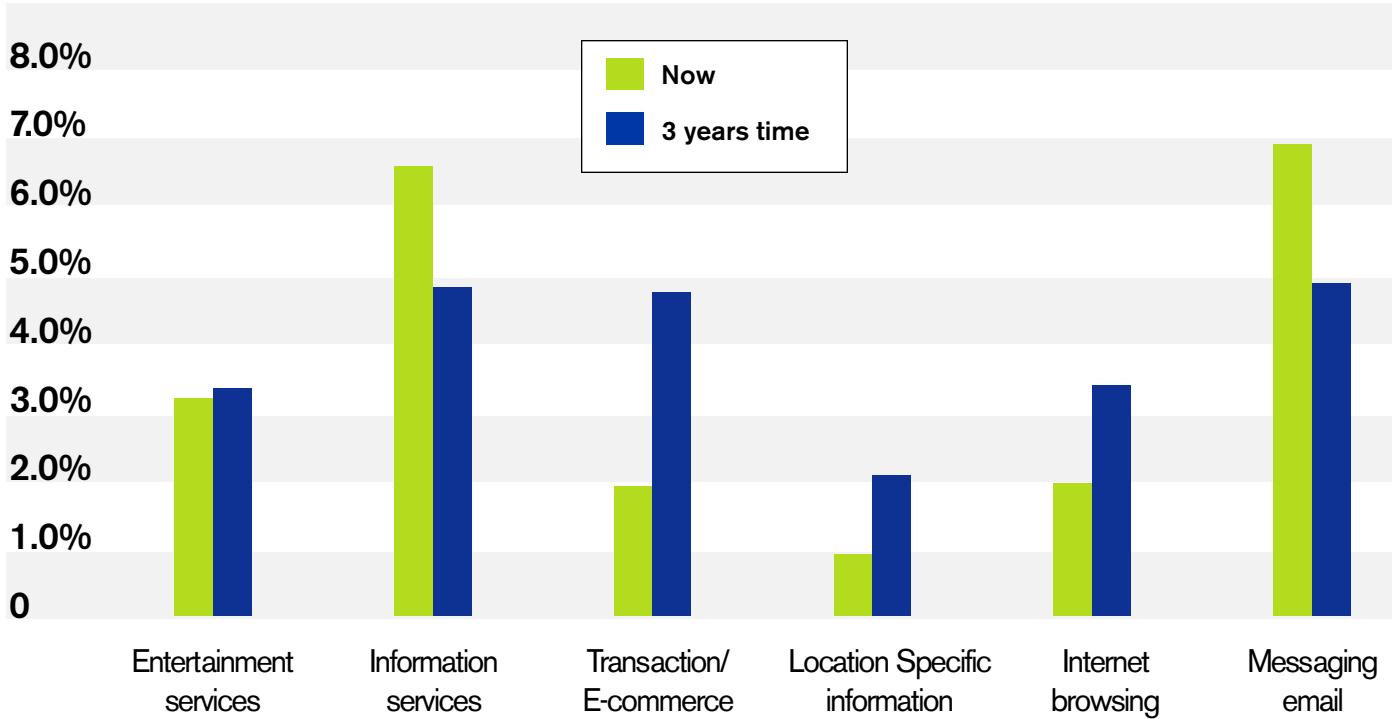


The [ARC Group](#) has predicted that the top mobile services by demand will be lead by messaging for the next several years.

USERS MILLIONS	1999	2000	2001	2002	2003	2004	2005
Messaging (SMS, email, fax)	31	100	230	399	611	916	1268
e-Commerce/Retail (Purchasing, vending machines, tickets)	2	12	36	107	195	318	469
Financial Services (Banking, Stocks, e-Cash, Shares)	12	50	123	225	357	529	798
Intranet (Corporate Databases)	1	5	20	49	81	129	206
Internet, Browsing, WAP	.4	4	20	85	183	244	614
Entertainment (Online/download, games, audio, video)	19	61	143	246	372	554	775
Navigation/Location (modules & telematics excluded)	1.5	47	146	239	345	488	785

The Future of SMS (continued)

According to a recent survey conducted by the [ARC Group](#), the data services that are expected to generate the most revenue in 2003 will be messaging related.



Available Research

[The Future of SMS: Emerging Markets And Business Strategies](#)

PELORUS GROUP

The potential for short message service (SMS) may be one of the best-kept secrets in the mobile telephony world. Until recently most digital mobile phone users had SMS, but did not know it. Referred to simply by its acronym, SMS is the name for short text messages that appear on digital mobile phone screens.

[Success 4 SMS](#)

MOBILE LIFESTREAMS LTD.

This report explains and interprets both the existing and future aspects of SMS. It provides both an explanation of these developments, and analysis to help interpret them. The idea is to identify the critical success factors for the Short Message Service- now and in the future.

[Can SMS Really Drive Significant Revenue Growth? Case Study: Brazil](#)

PYRAMID RESEARCH

This case study examines the potential for short message service (SMS) to help meet this challenge with an examination of the Brazilian context. Its analysis will help operators understand and prepare for market dynamics in SMS and provide strategic guidance in how to best manage this opportunity relative to the competition.

[Mobile Entertainment Worldwide Market Analysis and Strategic Outlook 2001-2006](#)

ARC GROUP

Entertainment is destined to be the second most popular mobile application after messaging. Get ready to play interactive WAP games with your friends, listen to MP3 downloads from your phone over your Bluetooth headset, or watch football highlights on your 3G videophone. This study provides guidance on critical issues for entrants into this fun, new market.

