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Should IM services be based on established provid

Mobile instant messaging (MIM) is set to become the next generation SMS. Fred Molenaar, director South East Asia at Followap looks at the opportunities, challenges and issues operators should consider when implementing MIM.

Operators are putting mobile communications under the microscope, reviewing past trailblazers like SMS, to investigate new ways of delivering customers with real-time communications and next generation (communication) services not yet available to the mobile world.

With SMS, the upward revenue curve is waning but its proven hit with users means that messaging still has a vital role to play in mobile communications. Both fixed-line IM providers and mobile operators want a large bite of revenue potential.

Around the world, the increasing up-take of instant messaging (IM) applications such as MSN and AOL on the PC, coupled with the success of SMS, suggests that mobile instant messaging (MIM) has massive potential, answering the needs of both operators and customers alike.

In the fixed-line world, IM is a very popular communications tool.

Fuelled by the rapid adoption of Broadband, it is currently used today by 12-30 year olds and the business world as way of keeping connected when at the PC.

Time spent at the PC using IM currently rests in third place, after browsing and email, according to Morgan Stanley (Oct 2005), so it's popularity can not be overlooked.

The question for operators however, is whether to provide instant messaging services based on the established PC IM providers such as MSN and Yahoo, or to launch their own operator branded IM services?

At 3GSM Asia in Singapore mobile IM (or Personal IM) is high on the mobile industry agenda as the majority of operators in Asia are looking to launch a Mobile IM service in the next year.

What's up in the wired world?

New entrants in the fixed line IM market from the likes of Skype and Google are threatening established IM providers.

As a result, the ISPs have changed their (island) strategy and are creating alliances to expand their reach and protect their market share.

By interoperating with other IM communities, such as MSN and Yahoo, and Chikka-Google-AOL have already done; ISPs are able to offer end-users the benefit of talking to buddies in other IM communities and create a differentiated service offering.

The established ISP's are looking to expand their reach and appeal by introducing additional communication services such as VOIP, and presenting themselves more as (full) communications providers. The mobile world, being the biggest interconnected voice and SMS community in the world, of about two billion, provides an attractive solution for ISPs to further extend their services and reach.

One of the major challenges for ISP's has been to turn IM in to a profitable proposition.

Currently the only source of income for ISP's has been the, much resented, advertising model.

To date ISPs are heavily subsidising the IM service for users and so ISPs see an enormous opportunity in offering pay for services in the mobile world where consumers are used to pay for services on the basis of the calling party pays.

The wireless world

The wireless world has been hugely successful in providing two basic services, voice and SMS in a model whereby the end-user understands and accepts the simple principle of calling party pays.

Currently, a typical operator (market dependant) derives 75-80% of its revenue from voice and 20-25% from data traffic, of which SMS in most cases still represents 70-80% of this data revenue.

Under the pressure of declining voice and SMS revenues, most operators aim to significantly increase this data revenue (currently 4-7.5%) from non SMS and voice services.

IM itself is being viewed as the means to increase data revenues. In Europe, SMS revenues have already started to decline due to price pressure and market saturation, so there is a need for the next "killer application".

MIM trends

Convergence and competition of services such as GSM, WIFI, WIMAX and fixed line is taking place today and is starting to gain traction with the emergence of multi-capable devices.

Operator-branded Mobile IM is already being launched as a new, differentiated service,

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The huge success of SMS bodes well for MIM

so operators need to act fast and ride the wave before others snatch potential revenue.

Mobile users are being equipped with the capability to directly pay for services from third parties, accessed by the mobile phone via secure micro-payment capabilities developed by (Internet) banks.

This will break the current, exclusive operator-end user payment relationship, and revenue-sharing model between the operator and third party provider.

In the near future, most if not all operators will introduce IMS platforms in their networks enabling smooth and seamless introduction of services.

Group list management and presence information will play a crucial role in successfully launching appealing value-added services.

Therefore, it is imperative that the party owning the information stands to gain most from these new services and the associated revenue potential.

In many countries, Mobile Number Portability has been or is being introduced.

In short, this means that operators will soon face a customer base more prone to switching provider which is mostly driven by price.

Unless operators create differentiated value-based services that strengthen the operator-end user relationship, they may lose valuable customer loyalty.

Operator options

Followap believes that the choices operators make with regard to mobile IM will have far reaching implications for their future business model and strategy , and requires due consideration of many different elements.

In principle, operators have two options available to them.

The first option, also known as the MMG (mobile messaging gateway) solution, is the model most widely adopted and strongly supported by the traditional IM providers.

lers or should operators launch their own?

In the United States, ISPs such as Yahoo, MSN and ICQ together with the leading operators have launched (multi-header) ISP clients on their handsets. Generally, the operators share revenue with the ISP's based on fixed monthly fee.

The second option is similar to the SMS model, endorsed by the GSMA as "Personal IM", or SMS+ model whereby operators launch their own community IM service and interconnect with other operators and/or ISP's.

This model is currently being adopted by many tier one operators worldwide, who expect to launch the service by the next 3GSM event, which is set to be in Barcelona in 2007.

Revenues

In the MMG model, operators will typically share revenue with the ISP based on per subscriber revenue share or on monthly fees.

In the own community model, revenues will be shared between the parties on the basis of calling party pays (just like voice calls).

Charging is usually based on per message, bundled charging or time based/subscription based.

What operators have to consider is that due to the combination of falling data package prices and the nature of the limited data size of IM messages, the data/GPRS revenue potential is very minimal.

Interconnect

The key which will unlock the mobile IM community is simple. Interconnectivity.

Just as with SMS and voice calls, users don't even consider what network their contacts are on and they just communicate seamlessly.

In the MMG model, interconnect between two operators or an operator and other ISPs will be largely controlled by the ISP who is providing the service.

In the own community model however, the operator is the interconnecting party and decides on what and with whom to interconnect.

The GSMA is promoting interconnect as an important initiative for operators.

It is the next step for operator-branded IM.

However, operators worldwide have signed agreements to work together to interconnect and this is what they are building on now.

Doing this will open up a two billion user community and will enable users to send instant messaging on their mobile, regardless of the type of operator network they are using.

Presence and grouplist management

An operator launching an MMG solution will have to consider how to deal with the issues of grouplist management and presence that in this model resides with the ISP providing the service.

In the case of the Own community (operator-brand IM) model, the presence and grouplist management resides in the operators' network.

When migrating to a full own-community model, the MMG operator will have to figure out how to obtain, manage and synchronise presence and grouplist info with the information contained in the operator's network.

New services

Mobile IM will very quickly become a platform used for the launch of a range of communication and (presence enhanced) community services.

A range of applications such as blogging, VOIP, Public/Private Chat and conferencing will be launched and initiated using the mobile IM platform as a spring board for these services, building on the presence and grouplist capability of the application.

In the MMG model, these services will mostly be owned and managed by the ISP providing the capability.

Whereas in the own community model, the operator will have full control.

In the own community solution the operator will need to manage and decide what and how to launch these services on its network.

Customer identity, buddy list and loyalty

With the emergence of Mobile Number Portability (MNP) in most markets, subscribers are now able to keep hold of their mobile numbers regardless of network operator.

This means that they are able switch more easily from one network provider to another.

Likewise, ISP IM enables subscribers to easily switch from one operator to another, by using their standard log-on.

However, in the own community, operator branded IM model, subscribers will lose their identity and buddy list if they decide to switch, so the own community model could help strengthen operator loyalty by providing this value-add service.

Handsets and clients

When launching an ISP MMG solution, operators will typically select a vendor to provide them with the gateway (server) infrastructure and mobile client.

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Taking pictures with your mobile is passé, get ready for mobile instant messaging

MIM TRENDS

- Convergence and competition of services such as GSM, WIFI, WIMAX and fixed line is taking place today and is starting to gain traction with the emergence of multi-capable devices.
- Operator-branded Mobile IM is already being launched as a new, differentiated service, so operators need to act fast and ride the wave before others snatch potential revenue.
- Mobile users are being equipped with the capability to directly pay for services from third parties, accessed by the mobile phone via secure micro-payment capabilities developed by banks.
- In the near future, most if not all operators will introduce IMS platforms in their networks enabling smooth and seamless introduction of services.
- In many countries, Mobile Number Portability has been or is being introduced, which means operators will soon face a customer base more prone to switch provider, mostly driven by price.

These clients must typically be provided to the ISP for testing and approval.

The clients will only be available as downloadable clients based on J2ME and/or Symbian and be branded with the ISP's look and feel.

On the other hand, Own Community operators have the option to brand the service end-to-end – from promotion to the look and feel of the client itself.

This model also enables operators to provide pre-loaded clients on the handset or to (OTA) activate the substantial number of handsets with embedded clients currently in their network.

The leading handset manufactures have already spotted Mobile IM's potential, and provide embedded clients and or pre-loaded IM clients.

It is safe to say that the overwhelming majority of new handsets will be equipped with embedded or pre-loaded clients.

Marketing the service

These two models require a different marketing approach from the operator.

Operators launching an ISP MMG solution tend to ride on the brand name of the ISP provider (Yahoo, MSN, ICQ) and position the service as a mobile extension of the Internet IM service.

On the other hand, operators will position their own mobile IM service as an enhanced SMS service which provides all the benefits of PC-IM but works like an extended SMS capability.

By providing operator to operator interconnect and establishing interconnect between SMS and mobile IM, the service experience will be closely related to SMS and voice calling.

This will make it easier for end-users to understand the service and capability, and it will also minimize the need to educate the end-user.

The future of mobile IM

As can be understood from the issues raised in this article, the introduction of Mobile IM will have significant and far reaching consequences for the operators' strategy and future.

A recent report by Visiongain predicts MIM to sky rocket.

It states that 373 million people will be sending MIMs through the operator-branded IM service by 2011. This in turn will be generating a total of $16 billion in operator revenues.

Operators must consider the potential that a Mobile IM brings as a presence tool and a platform for future next generation services.

Deciding whether to enable subscribers to keep connected to existing ISP IM communities, or build their own personal communities and provide a platform for next generation services will shape operator's strategy for the future.

Mobile IM will be a major communications tool for subscribers and will be an important launch platform for real-time messaging and rich presence enhanced communications services.

For more information, please visit www.followap.com.