

# The Debate

INSTANT MESSAGING EXPERT ALLEN SCOTT ANSWERS QUESTIONS FROM THE INDUSTRY ON HOW TO MAKE A SUCCESS OF THE SERVICE IN A MOBILE ENVIRONMENT.



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By some estimates, mobile instant messaging (MIM) traffic volumes could exceed those of SMS within four years. A hugely popular desktop application, the potential of IM on mobile phones has been talked about for many years. But it has been slow to gather momentum, with traditional SMS proving sufficient for many people's needs.

In this edition of The Debate, Allen Scott, general manager, Neustar Next Generation Messaging, responds to your questions about the strengths of MIM and the opportunities that await it in the market place. If you have any responses to the discussion you see here, please feel free to email me on [mike.hibberd@informa.com](mailto:mike.hibberd@informa.com).

What has changed that will drive users to MIM?

LL, HP *Opencall*

AS: Mobile IM faced similar issues to MMS, WAP and Video: confusing pricing and being technology-driven rather than focused on the end user.

It seems some of these lessons have been learned and, with the focus now on the customer, with simpler pricing and a simpler end-to-end user experience, there is no doubt that it is set to take off in a big way in 2008.

In the latter part of 2007 we saw several operators announce impressive numbers on mobile IM. 3 UK announced more than a billion mobile IM's sent in less than a year and Vodafone Portugal announced early success, with 100 million IMs on its service.

NeuStar currently manages around half a billion mobile IMs per month and this number is growing rapidly. The reality is that users are using the service today and operators are benefiting from the revenues today.

Like any mobile service, IM will be driven by simplicity and intuition. We did not have to show people how to text. They just received one and sent one back. Operators that make it easy for users

to discover and use the service enjoy success. Pricing strategy, handset support and marketing communications all play their part. Perhaps most critical is the viral nature of mobile IM. Like text, you receive one and immediately want to engage in the experience.

With half a billion users of PC IM—and more than that number connected to a mobile—operators offering the service, there is every reason to be optimistic about the chances for mobile IM.

According to a recent KPMG survey, the thing customers most value is attractive pricing for the service provided. For instant messaging, what is the main incentive for customers to adopt the service and what is the recommended business-strategy to pursue, including pricing issue? HP, MTS-Ukraine

I am very curious about the business model that will drive uptake of mobile IM. We (our company) have attempted adopting the monthly licence model but have had very limited success. Any insight will be invaluable.

BA, *Mobileculture Nigeria (content provider)*

AS: Pricing is clearly critical. Operators are under constant price pressure, meaning that they need to develop innovative new services to recoup some of the revenue lost as services like voice and text mature and become subject to greater price pressure.

This is leading to a move away from per unit billing. With the development of text message bundles, mobile users are getting more used to a monthly service cost and less accepting of per unit billing. The development of fixed rate tariffs for data is further evidence of this trend and this is good news for mobile IM and services like it.

We are seeing a number of different business models and pricing strategies succeeding. Some operators are

putting bundles of messages together, some are charging a monthly access fee. TIM in Italy has approached pricing by offering a short trial period for free and subsequently charging a monthly access charge. Alternatively subscribers can pay a nominal cost for access for one day. UK carrier 3 has offered the service to pay monthly customers for free.

Of course it is impossible to generalise as there will be a number of variable issues for every operator, from competitor's pricing strategies to cultural differences. However, from independent research we carried out to see what consumers' expectations are with pricing mobile IM; many think there will be hidden data charges that will appear on their next bill. Operators need to segment and target the right users and clearly communicate how they will be charged upfront.

At Informa's MIM event in Amsterdam, NeuStar mentioned that it envisions operators would best benefit from a single messaging client that provides instant messaging and content sharing among mobile subscribers as well as to members of internet communities like MSN and Yahoo.

While clearly ideal for the end user, wouldn't such a move stop the internet brands from making money? Communities need control of the end user experience in order to sell parts of the screen to advertisers. As far as I know this is the main reason why Windows Live Messenger (MSN) does not back that strategy. What's your take on this? MB, *Acision*

AS: I am a firm believer that what is ideal for the end user should not be compromised by existing business models. To do so will lead to user frustration and either the failure of new services or the slowing down of uptake. Then everyone loses. If we deliver what is ideal for the end user there will be ways to generate revenue. We might just have to think harder how to achieve it.

Thinking back to the early days of the

internet, AOL built its business at first on a "walled garden" of content. But that was not what people wanted and it was not possible for AOL to stop people getting what they wanted, so their business model evolved.

Our vision within NeuStar is a world where people can message each other regardless of service provider, network or location. Of course it will take time to achieve that, but the lesson of SMS cannot be forgotten. How much revenue would operators be making out of SMS now without operator interoperability?

NeuStar is working on a long term vision of an Interaction Framework. This starts life today as a presence enabled address book but will become so much more. It will become a central location for a mobile user to access all his different communities.

Like everyone else, I use a number of different tools to communicate with people: IM, SMS, voice, email, social networking sites and others. On each occasion I consider my context and the context of the person I am communicating with and make decisions based around that.

I am a member of LinkedIn for business networking but Facebook for social interaction. I may want to keep, for example, my gaming or dating community closed and manage what information that community sees about me. They are examples of different communities which I can manage personally. This human behaviour will not change, so at NeuStar we have tasked ourselves with making it as easy as possible for people to access their communities from one place within the mobile phone, and secondly to make it as simple as possible for people to communicate within and between communities.

By developing this framework for contextual communications, we believe people will interact more, providing new opportunities for all parties to generate revenues and creating choice for the consumer.

Users want to access established IM and social network services like MSN, AOL, Yahoo!, Skype, MySpace and Facebook. Technologies like Wireless Village and IMS are completely opaque to them: They know the brands and that their buddies are there, they don't give two hoots for technology. Clearly they don't want to switch operator just to get IM. Every carrier should provide this.

So, how will you ensure that users get what they want, and still secure a sizeable revenue for operators? Is IM really a threat to SMS, or is it just an industry-wide scare, that both operators and equipment providers (which want to sell IMS and other telecom-only stuff) nurture?

AB, *Abiro*

AS: Two questions are raised here. First is the issue of the user experience, which is absolutely critical to the mobile industry in 2008. The second is the question of whether IM is a threat to SMS.

You are right to highlight that users don't care for technology. It has to work and work the way they want it to and that is that. If they already have their friends in an existing community such as Windows Live, Yahoo or Facebook they shouldn't be penalised to get access but it should be given to them in as simple a way as possible. I think this will be a key issue for the industry this year, driven partly by the iPhone offering an alternative user experience, but mostly by users who have already had one highly featured phone and may be reluctant to buy another unless someone can give them a better reason than more pixels, more features, more complexity. The technology needs to just work and this is one of the reasons why NeuStar focuses so much on understanding people and how they interact with technology when bringing services to market.

Is IM a threat to SMS? SMS has been a huge success. Operators have benefited from the revenues for many years. Now the service has matured and become

more price sensitive. Operators know that, despite more SMS messages being sent, lower revenues are being generated. Whilst SMS will continue to contribute significant revenues for the operators this will and has in some markets started to decline. This revenue has to be replaced and it is a short term view to disregard anything that helps to replace it.

So I do not see IM as a threat to SMS, quite the opposite, because IM can help to grow messaging ARPU. There is also some evidence with some operators that users send more text messages after they start using IM. This is because IM conversations often lead to private SMS and voice exchanges amongst participants.

How do we ensure users get what they want and still secure revenues for operators? By delivering compelling services that have been well thought out and solve a human need. I believe mobile IM does this today and with our Interaction Framework NeuStar is best placed to do so in the future.

Will Instant Messaging make it easier for spammers to find and target you with their advertising messages?

IvN, *Telecom Namibia*

AS: Spam will always be a problem. As long as one person in a million responds to a Viagra email, the emails will continue to turn up.

In an enclosed environment like IM I actually think it is less likely that people will be spammed. I get the occasional text spam but rarely receive IM spam, indeed if I did I would not respond or close the conversation. While mobile IM can, I believe, play its part in providing opportunities for mobile advertising, I do not think IM will make it easy for spammers. On the contrary, users will be able to control advertising made to them and switch it on when they want it, for example when they are ready to shop. NeuStar is working with trusted partners who will safely manage users ID and presence information to ensure users enjoy their mobile experience.