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Watershed year for SMS approaching

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2012 is the year the electronic communications opt-in vs opt-out debate is going to come to a head, and the fallout is going to have a significant impact on both businesses and consumers. Related telecommunication regulatory decisions are going to affect both the price of SMS, as well as the amount of SMS spam consumers receive every day – directly impacting the efficacy of the medium.

So, an important year for both SMS as a channel, particularly when used as an alert service, as well as consumers and their exposure to SMS spam.

Here then are my predictions for 2012 in more detail.

1. Opt-in vs opt-out

This debate is hotting up in the SMS market thanks to many grey routes used by direct marketers gradually being shut down. These are used by companies wanting to bypass the Wireless Application Service Providers' Association's (WASPA) opt-in requirement. These routes include both international routes and sending via newly-licensed mobile operators.

So direct marketers operating on an opt-out basis stand to lose a lot of business if they have no other option apart from sending bulk SMSs via a WASP connection, which are bound by WASPA's opt-in requirement and stand to lose their operator connections if they contravene this.

While these direct marketers are furiously lobbying WASPA to move to an opt-out framework in order to legitimise their traffic, it is no secret that I strongly advocate keeping opt-in mandatory for specifically the SMS channel. This is for a number of reasons including that the consumer incurs a cost to opt out-of an SMS communication; allowing an opt-out framework is likely to multiply SMS spam tenfold, rendering the medium useless for general business communications as well as transactional and alert messages; and an opt-in framework is vital for WASPA to effectively identify and punish spammers.

2. P2P SMS declines, A2P messaging on the increase

Person-to-person (P2P) SMS messaging is going to continue declining in 2012, thanks to the rising popularity of mobile instant messaging platforms such as BlackBerry Messenger (BBM), WhatsApp and iMessage. But application-to-person (A2P) messaging is going to stay on its upwards trajectory and in fact become more useful as a transactional and alerting mechanism now that people's inboxes aren't as flooded with social SMSs.

3. An SMS interworking fee is introduced

South Africa's telecommunications regulator ICASA is going to have to enforce an interworking fee between operators for cross-network SMS delivery in order to sort out the current muddle of anti-competitive

issues. Currently the newly-licensed entrants are taking advantage of the fact that they can terminate SMS messages for free on the networks of the incumbent operators. An interworking fee refers to a fee paid to the network that delivers an SMS that originated on another mobile network – this has never been enforced in South Africa. This is a problem when it comes to A2P messaging, which typically is heavily asymmetrical, with very few replies generated for each message sent.

4. The cost of SMS

While mobile data prices are going to continue to fall in 2012, thanks to the ongoing price war between the South African mobile operators, the picture is not so clear-cut for SMS. For consumers, it is likely that at worst SMS prices will stay level but there is also a chance they may even drop if cross-network termination fees are introduced. This seems counter-intuitive; however the introduction of termination fees will draw the attention of ICASA and consumers to how little SMS actually costs operators. This is likely to put more pressure on operators to reduce SMS costs for consumers.

Cross-network termination fees will also mean the cost of SMS messaging for businesses that used to use grey routes is likely to increase as the incumbent operators are unlikely to continue delivering messages for free. The cost of SMS messaging via a WASP contract is likely to decrease to match the interworking fees charged between operators.

So in summary: opt-out is a myth and an opt-in model gives WASPA the teeth it needs to regulate the industry effectively to fight spammers. But this can only happen if WASPA governs all messaging routes and there is a level playing field in terms of pricing thanks the introduction of an SMS interworking fee between the mobile network operators.