



Giving Text Messages a Voice

You're going to be 20 minutes late for a final review sales meeting. Traffic is slow, but moving, so you don't want to risk sending a text message to your contact and get in an accident. You know she's in a meeting so you don't want to call her cell phone either.

What do you do?

Until a couple of years ago, you'd have to either call or dial the main number and leave a message with the receptionist. The recent emergence of voice SMS has provided a more palatable alternative. You simply record a message that you'll be late into your cell phone, and press send to deliver that message to your contact. She'll see that she has a message, and will press a button when she's ready to access it.



A combination of text messaging and voicemail, voice SMS is the latest twist on the burgeoning short message service (SMS) market. While still an emerging technology, voice SMS' widespread adoption hinges on pricing and delivering a service that doesn't require network upgrades, new handset purchases, client downloads and end-user training.

To follow is an overview of the global market, the benefits of voice SMS, and some approaches that have worked so far in spurring adoption and increased average revenue per user (ARPU). I'll discuss how regional markets in Asia and the U.S. are spurring different strategies for providing voice SMS services.

Getting personal

When you attempt to call another person live, it's because you have the time and desire to interrupt whatever the other person is doing and initiate a conversation. However, there are many cases where you want to exchange information but don't need or want to interrupt what the other person is doing at that moment. That's where push messaging options such as e-mail, SMS, IM, and now Voice SMS come in.

Voice SMS completes the circle of personal communications that started with the telephone more than a century ago. It combines e-mail and text messaging's immediacy with voicemail's warmth and personal dimension. You can leave a personal message for someone without disturbing them. Recipients can check messages when they want, and they can either reply immediately with their own personal voice message, reply later, forward the message or not reply at all.

There are several reasons why this asynchronous (answer when you want to) push messaging is appealing. First, it's easier than text messaging. Click. Record. Send. You don't have to fiddle with small keypads and fix typos, etc. Voice SMS comes in handy when you want to leave a message for someone in a time zone where it's either too late or too early to call them directly. Also, those who don't have time for a full conversation can simply leave a voice SMS when they have a chance, and

pick up the conversation later.

A key advantage of Voice SMS in emerging markets is that subscribers don't have to know how to read or write to use it. Even for subscribers in developing markets who can read and write, text messaging is somewhat limited because it's only available in mainstream alphabets and languages. If a subscriber's language isn't supported, Voice SMS provides a solid messaging alternative. The technology also has obvious benefits for the visually impaired, who can use it as an alternative to text messaging as well.

One of the most common uses for voice SMS is in the car. Users can leave a personal message much more safely than trying to key in a text message while driving downtown in peak rush hour traffic.

A global view

Text messaging has experienced phenomenal growth in the past few years. SMS messages sent worldwide will jump from more than 900 billion in 2005 to over 2 trillion in 2008, according to industry analyst firm Research and Markets. Revenues for all of those messages could reach \$72 billion by 2010, according to Gartner. New forms of SMS communication including voice and video will experience rapid growth in the next few years. These represent new technologies that typically attract younger, tech-savvy subscribers. They also satisfy increasing subscriber demand for more personalization options.

As has been the case for many new mobile technologies, Asia was the pioneer for VoiceSMS, with Malaysian mobile services provider DiGi launching its BubbleTalk service in January of 2005. There are currently about 30 operators offering voice SMS around the world. That number keeps growing as operators tend to launch voice SMS defensively once a competitor has beat them to it.

The overall market potential is huge. One reason for the anticipated growth is that most of the world's 2.1 billion mobile phones are capable of handling voice SMS with no handset upgrades or network infrastructure changes.

And that's a crucial point for any new mobile service. Those that are most successful won't force operators to spend millions of dollars to upgrade their networks. They won't force subscribers to buy a new phone. And they won't have complicated downloads.

Cost counts

Successful new services all have revenue models that work. And they all start with the premise that the price an operator charges for a service is completely arbitrary. Why? The incremental costs of providing any service on a network that isn't fully loaded (i.e., during peak traffic periods) are zero. The network is running 24 hours a day, even at 3 a.m. when there's hardly any traffic on it. It's lost opportunity for revenue much as empty seats on a plane that has taken off do not bring any additional revenue to the airline.

Every network has a busy period lasting from 30 minutes to several hours. For most networks, it occurs in the afternoon. That's the only time when operators experience any significant costs. In essence, pricing is independent of the costs, at least on your own network.

So pricing a voice SMS is equally an arbitrary exercise. For example, a user records a 20-second voice message that is sent from the handset as a voice call over the network to an interactive voice

response (IVR) server, a trip that lasts around 30 seconds. The IVR server sends an SMS to the recipient. When the recipient clicks on the SMS, they make a voice call to the IVR server to hear the message, again another 30 second call. In the end, the system used two voice calls and an SMS message to complete the transaction.

In the early stages of adoption when there is no “real” peak traffic period, such a voice SMS ends up costing the operator nothing because the network isn’t fully loaded. If the service takes off, and people begin sending voice SMS messages at a high rate during the day, the operator will likely consider differential pricing based on peak traffic periods much as with voice calls.

Priced to sell

So what pricing model is going to work?

In most of the world outside of the U.S., voice SMS is priced somewhere between text messaging and voice calls. Case in point; voice calls in Asia are five to 10 times the cost of text messaging. This explains the growth of text messaging as a primary means of communication there. Most subscribers aren’t willing to pay huge bills for voice calls.

Progressive operators who have launched voice SMS services in Asia priced them to drive adoption as well as profits. In most cases, they are about two times the cost of a text message. That pricing model has worked as early statistics show rapid adoption. For example, DiGi reported a whopping 35 percent penetration in only six months. Subscribers sent more than 200,000 voice SMS messages a day by the sixth month.

Grameenphone’s first-year adoption may be a harbinger of things to come as operators around the world begin offering voice SMS. Launching in September 2005, the company priced its voice SMS service up to 66 percent higher than SMS. And yet, it had six percent adoption in the first week, and 40 percent penetration of repeat users (3.6 million) by August of 2006 – faster than the adoption of SMS in most markets.

Voice SMS works in areas where voice calls are very expensive (like Asia and Europe) only when they are offered as an operator service and priced accordingly. U.S.-based voice SMS service providers Kirusa and Bubble Motion have seen their stable of operators grow in Asia and the Middle East as demand grows and operators strive for competitive advantage.

In the U.S., it’s a different story. Voice services are cheaper per minute, and there are more minutes used per subscriber than most anywhere in the world. That’s a result of the fiercely competitive mobile services market here. Operators who want to launch voice SMS here shouldn’t price them any more than their text messaging if they want to speed adoption. Sprint offers a voice SMS service at the same rate as its text messaging. But the Sprint service only works with selected handsets on the Sprint network, not with every 2G or 3G handset in the country.

But the competitive landscape in the U.S. has also created a market opportunity where service providers can offer voice SMS independently of an operator. Pinger.com is an Internet company launched in 2005 to enable users to dial a number, key in or say a number (or name if you’ve loaded a directory), and record and send a message over the public switched telephone network (PSTN). The recipient dials a number and retrieves the message. It works on all of the major carrier networks and it allows users to send and receive voice SMS messages to and from other countries around the world.

This scenario won't work in Asia or Europe because the high cost of voice calls would make it prohibitively expensive for a third party operator to negotiate the termination fees between operators, countries, etc.

Whether voice SMS evolves from a flat-rate, niche, "hip technology" to a messaging necessity that operators will ultimately charge a premium for remains to be seen. Early analysis suggests that voice SMS plays to a common theme among successful mobile applications – new, more personalized communication option. As long as operators deploy it without requiring new handsets or major network upgrades, and price it appropriately for their markets, they have the best shot at making it profitable and driving its adoption.

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