

# **Pricing of Mobile Messaging**

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# Mobile Messaging

- Create 5-20% of operators total revenues in mature markets
  - *Short Message Service*
  - *Multimedia Message Service*
  - *Instant Messaging*
  - *Enhanced Message Service*
- ISPs challenge traditional operators

# SMS Pricing

- Small, fixed amount of data --> easy to price
- Per message, monthly flat fee, free of charge to predefined numbers
- Differences in revenues between markets
  - Vodafone UK: Highest ARPU
  - Case Philippines: Underpricing

# MMS Pricing

- Messages vary a lot in size
  - range from few hundred bytes to a few hundred kilobytes --> difficult to price
- Pricing options
  - fixed price per message regardless of content and size
  - price based on message size
  - monthly flat fee

# Price Sensitivity

- SMS
  - extremely insensitive to pricing
  - cases: Telstra & Optus in Australia, Orange UK
- MMS
  - early experience indicates high sensitivity
  - case: Telenor, Norway

# Successful Pricing Concept

- Operator's perspective
- End user's perspective
  
- Pros & Cons of pricing options
  - Flat rate
  - Usage Based
  - Tiered, Usage Based

# Conclusion

- Operator pricing divided into two categories
  - mature SMS services
  - pilot pricing models for packet services
- Increased competition from ISP messaging services likely to push prices down eventually