

MARKET OPPORTUNITIES FOR TEXT AND MMS MESSAGING

Retail and Brands, Social Networks, Business Services, Travel and Hospitality

Mark Beccue: Senior Analyst, Consumer Mobility

Aapo Markkanen: Industry Analyst

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EXECUTIVE SUMMARY

Two monologues do not make a dialogue.

Jeff Daly

Mobile messaging remains a growing segment in mobile communications

In the midst of the attention focused on mobile internet and its impact on consumers and businesses and the shrinking use of voice telephony, a steady metronome beats on: messaging. Mobile messaging, which has been with us nearly as long as mobile voice communications, remains a growing segment in mobile communications, particularly as businesses increasingly turn to the use of text or multimedia messaging to establish two-way relationships with consumers.

The global financial services industry has become a shining example of what an impact messaging can have. But is this the only vertical market in which the enterprise use of messaging makes sense? In this ABI Research white paper, we will explore enterprise messaging opportunities. Specifically:

- What are the real opportunities for businesses to leverage enterprise messaging?
- Are their particular vertical business markets and use cases that make the most sense?
- Within those vertical markets, what is the forecasted traffic globally? Regionally?

Enterprise Messaging Market Overview

Growth of enterprise messaging has been hobbled by privacy issues, complex carrier compliance requirements, and a fear of limited acceptance

Led by the humble and ubiquitous text message, the use of enterprise messaging has had something of a checkered past. Many experts believed the use of text messaging by enterprises, which was introduced commercially at nearly the same time as Person to Person (P2P) text messaging, would grow at a rapid, though incrementally lower, rate as P2P messaging. Growth has been hobbled by privacy issues, complex carrier compliance requirements, and a fear of limited acceptance. But over the past few years, significant drivers are making enterprise messaging an increasingly important tool:

- Consumers have increasingly turned towards non-voice communications, such as social networks
- Stratospheric growth of smartphones
- Better use cases for location based services
- Rapid consumer adoption of all mobile data services
- Rise in P2P usage has made consumers comfortable with SMS in general

Today, ABI Research estimates total enterprise messages sent globally in 2011 will top 346 billion and by 2015, that number should grow to more than 643 billion, a CAGR of 11.1%.

Key Findings, Conclusions

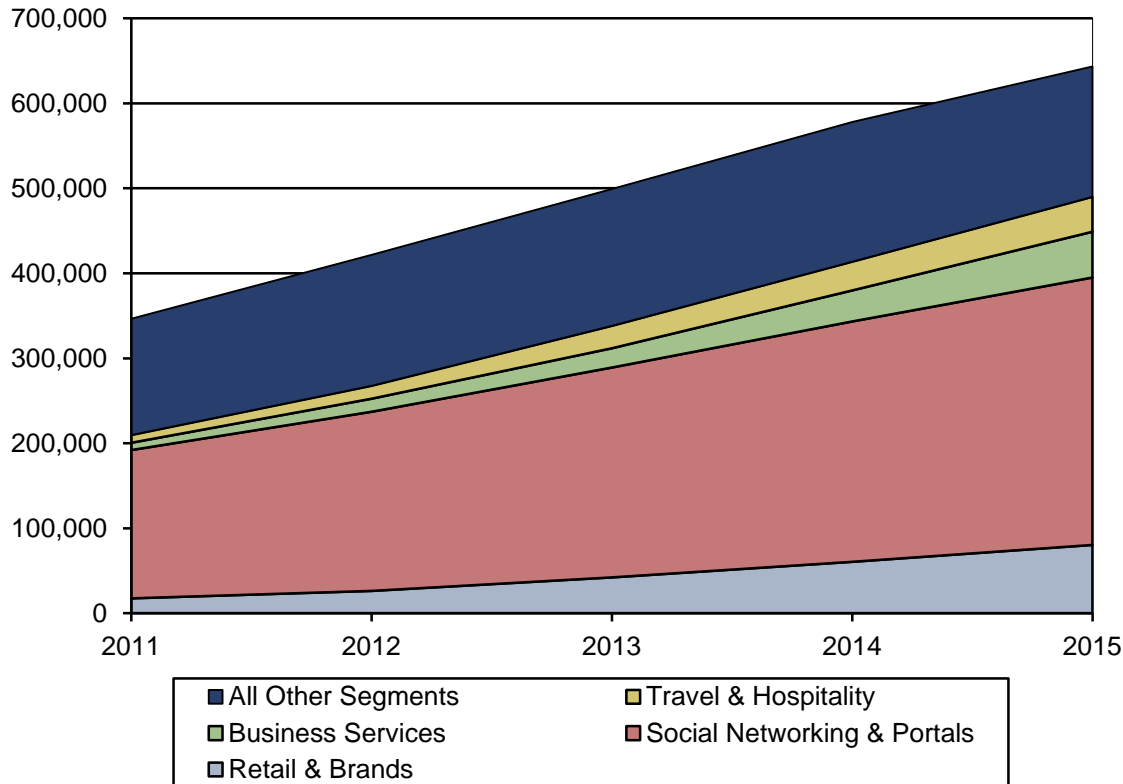
We believe that four key vertical markets have the most significant growth potential

1. Retail and brands,
2. Social networking and portals,
3. Business services,
4. Travel and hospitality.

Collectively, we believe these verticals will be responsible for more than 85% of global enterprise messaging traffic, both standard rated and premium, in 2015.

**Chart 1: Enterprise Messages Forecasted by Vertical
World Market: 2011 to 2015**

(Source: ABI Research)



Of these verticals, social networking and portals and retail and brands will collectively be responsible for over 48% of the total enterprise messaging market in 2015.

Enterprise messaging tied to social networks and instant messaging portals has become the star vertical market

Enterprise messaging tied to social networks and instant messaging portals has become the star vertical market, particularly in markets where high speed mobile data networks are minimally used or where data plans are more cost prohibitive. It is in these markets where Enterprise messaging will become the workhorse, converting IM into text and MMS, delivering alerts, photo posts, and more when the mobile internet is not an option.

Retail and brands are quickly finding that customer relationship management (CRM) is becoming vital to them (particularly as marketing channels continue to fragment and fracture) and that mobile messaging is becoming a cornerstone of their CRM strategies.

Business services uses have the potential to increase the efficiency of a broad range of businesses

Business services uses, such as appointment reminders, contact center services, and workforce and logistics management, have the potential to increase the efficiency of a broad range of businesses. While growth for business service enterprise messaging will be widespread regionally, the most potential opportunities will lie within the North American and Western European markets.

Within the travel and hospitality vertical, ABI Research anticipates that travel-related messaging will be the primary growth driver, owing to mobile ticketing and reminder applications in both mass transit and long-distance travel. The hospitality side of things will also have significance, but due to the understandably lower volume of, say, hotel nights in comparison to train journeys its role will be less prominent.

VERTICAL MARKETS—SOCIAL NETWORKING AND PORTALS

Defining the Market

The underlying concept behind Social Networks and Portals is offering users a portal that brings them together and allows them to interact online with their existing contacts, and to make new ones. What the applications captured in the Social Networking vertical have in common is that they deliver content normally generated by consumers themselves rather than the service provider. Social Networking sites connect users mainly on the basis of real-life and online friendships (Facebook), professional ties (LinkedIn), location (Foursquare), or common interests (Last.FM). Many have elements from more than one dimension. In this analysis, ABI Research also considers picture- and video-sharing sites such as Flickr and YouTube as part of this vertical.

Portals and other Internet Service Providers (ISPs) are also making increasing use of text and multimedia messaging to enhance search, deliver directions, stock quotes, and weather updates and expand the reach of instant messaging.

Market Opportunity

Enterprise messaging enhances social networking and portals by providing them with another technology for connecting their users. This is essential because the increasingly mobile consumer expects to be able to use these services regardless of time and location. The “mobilization” of social networking is primarily happening through the growth of the mobile internet, but at the same time this development is also lifting the SMS/MMS-based means of access. SMS/MMS enable users to receive notifications without logging in. They are being used as a fallback option for users who are outside the coverage area of a data network, but also as a primary form of access for users who do not have regular internet connection in the first place.

A big part of the appeal of Social Networking sites is that they are an easy way to keep in touch, serving as a something of an integrated address book of the 21st century. Communication through social networking is essentially more casual, passive, and informal than it is through a phone call or an email; this informality, passiveness, and casualness, make it much more frequent. Maintaining a high number of active social relationships can be a rather hard cognitive exercise, thus everyone has a certain capacity that limits the number of such links. The trick of social networking sites is enabling a more passive form of relations; users can “keep in touch” but they can also simply “keep track” of each other’s whereabouts and happenings.

Internet portals and other ISPs are finding that messaging greatly enhances their capabilities and usefulness with mobile users.

Use Cases

Chat and Messaging

The aforementioned “soft links” notwithstanding, social networking sites and ISPs have captured a large share of active everyday messaging activities that people once handled via email and P2P text messaging. The “integrated address book” nature of social networking is key: rather than logging into several separate and incompatible portals, users can reach a much larger percentage of their contacts from one place. By adding enterprise SMS support, the sites can deliver such messages to and from users when they are temporarily without web access – or simply if that is their preference.

Rather than logging into several separate and incompatible portals, users can reach a much larger percentage of their contacts from one place

For ISPs with Instant Messaging (IM) services, text and multimedia messaging are increasing their value proposition. IM services have been stubbornly proprietary, denying consumers the ability to interface with IM users from different IM networks. Text and multimedia messaging solves this interoperability problem, allowing an IM service to send and receive messages between IM customers and consumers outside the particular IM network.

Microblogging and Status Updates

Drawing on the capability of passive communication (to a large group of people, and including those that one does not necessarily know very well), a popular use case of social networking sites is posting brief and varyingly spontaneous observations to contacts. Facebook made this mainstream with its status updates, and Twitter took the idea further by focusing *solely* on this microblogging usage. The case for enterprise messaging is two-way. Users can post updates and tweet via an SMS short code, as well as receive feeds of what others on their network are saying.

Picture and Video Sharing

In this use case the traffic is typically MMS messaging and from a person to an application. Multimedia messages can be used as a medium to post pictures and videos to the site by using a handset's MMS capability. As is the case with SMS-based content, the use case for enterprise MMS is driven by users expecting – and being amenable – to be connected while they are on the move, while not always having access to the web. This type of content is set to continue growing as both still camera and video recording capabilities become a more and more common feature of mobile handsets.

Portal-to-Consumer Alerts, Messages

As a result of the smartphone revolution, Web portals are at a disadvantage to native mobile apps when it comes to notifications. Native application developers can easily notify users of a wide range of alerts and messages. Armed with text and MMS messaging, web portals can fight back. The use cases are as broad as can be imagined – from user-configured weather alerts and stock tickers to fitness coaching scheduling and weight watching tracking.

Enhanced Search

Web portals are also using text and multimedia messaging to enhance mobile search. Innovative portals and web sites use them for general search queries and returns, restaurant finder queries and results, on-demand driving directions, and many other applications.

Case Studies

Twitter

SMS is a natural fit for Twitter, given that the microblogging service caps the length of individual messages at 140 characters. This requires users to keep their tweets brief and concise, which is indeed a familiar approach to everyone familiar with text messaging. To enable the two-way messaging to and from the service, users need to have a subscription with a carrier that is supported by Twitter's short codes. (As an alternative route, Twitter also has international long codes for customers whose carriers or countries do not have their own short codes, although they can be used only for posting to Twitter, not for receiving messages.) Importantly, incoming text messages are customizable, allowing users to opt out of receiving tweets from accounts they wish to follow only over the web, and to do so easily.

A popular use case of social networking sites is posting brief and varyingly spontaneous observations to contacts

Web portals are at a disadvantage to native mobile apps when it comes to notifications

SMS is a natural fit for Twitter

Facebook makes extensive use of enterprise messaging

Facebook

Facebook makes use of enterprise messaging by allowing its members to update their statuses via text messages, and to receive private messages, wall posts, status feeds, and a number of other notifications from the service. Also supported are uploading photos and video clips as MMS. Enterprise functions work via two-way short codes, providing that the user's carrier is supported. Like Twitter, Facebook gives opting-in customers a lot of control over what type of messages they want to receive. Considering that the mobile subscriber generally has little patience with unsolicited text messages, such customization options must be considered a decisive factor in the uptake of enterprise messaging-based social networking.

For 2011, ABI Research estimates that the Social Networking and Portals vertical dominates enterprise messaging

Market Value, Conclusions

For 2011, ABI Research estimates that the Social Networking and Portals vertical dominates enterprise messaging, generating a global total of 174 billion messages. That trend will hold true through 2015, when the figure will reach 314 billion, with the CAGR for the forecasting period being 10.5%.

The reason for this domination is clear. While many times messages are facilitated by enterprises in this space, the messages are primarily user-generated, person-to-person communications.

Table 1: Enterprise Messages Forecasted, Social Networking/Portals World Market by Region: 2011 to 2015

(Source: ABI Research)

Region	Units	2011	2012	2013	2014	2015	CAGR (11-15)
Western Europe	(Millions)	17,659	19,727	21,712	23,604	25,261	6.4%
Asia-Pacific	(Millions)	64,402	76,566	86,448	97,745	106,397	8.6%
North America	(Millions)	62,246	74,509	89,107	101,562	110,451	10.3%
Latin America	(Millions)	20,453	27,956	35,261	42,520	52,388	17.0%
Middle East	(Millions)	1,375	1,772	2,423	3,164	3,868	21.6%
Africa	(Millions)	1,455	2,165	3,475	4,985	6,529	31.8%
Total	(Millions)	174,504	210,817	246,922	282,845	314,691	10.5%

The growth rate will be high in emerging markets, where PC penetration is at low levels and mobile web access is less commonplace than in more developed parts of the world. Populations in the same high-growth markets are notably younger than in Western Europe (for example), making this region fertile ground for a rapid adaption of social networking services. SMS-based and MMS-based access certainly will not be the only way these consumers connect with their social networks, but since these are cheap, reliable, and ubiquitous ABI Research expects them to play an important role in the development of the vertical.

VERTICAL MARKETS – RETAIL AND BRANDS

Defining the Market

The retail industry is one of the largest sectors of the global economy

The retail industry is one of the largest sectors of the global economy. In the United States alone, retail sales topped \$4.13 trillion in recession-riddled 2009, according to the US Census Bureau. The Bureau estimated there were more than 1.1 million retail establishments in the US in 2007. Large and small retailers and their branded product partners are the focus of this vertical market.

Market Opportunity/Use Cases

Messaging for retail is not a new concept, but messaging is also growing along with other mobile marketing channels

While the use of messaging for retail is not a new concept, messaging is growing rapidly along with other mobile marketing channels such as mobile web and mobile apps. The most promising use cases for messaging in retail and brands are focused in two key areas:

- **Driving foot traffic into retail stores**

Creative merchants are using messaging to drive foot traffic into stores in several ways, but perhaps the most compelling use is to deliver special offers/coupons that can be redeemed at the point of sale. Some merchants have taken the concept even further and have introduced geo-fencing (a virtual perimeter for a geographic area) or other location based elements to special offers which adds immediacy to the offer.

- **Cultivating customer relationships**

Merchants are beginning to understand a value proposition the messaging industry has preached for a long time – that messaging is an ideal way to build and maintain a vibrant customer database and customer relationship program. Messaging is the means by which merchants are developing customer profiles and contact information. As merchants gather information about individual customers, they are able to custom tailor offers and marketing campaigns. What is different in today's use cases are that retailers and brands are linking their messaging initiatives to sophisticated database tools, integrating messaging into other media, including other mobile channels – mobile web and apps. Other CRM utilizations include using messaging to deliver customer newsletters, provide directions to stores, and enable consumers to place or track orders.

Utilizing messaging gives retailers and brands a unique opportunity to gather and use precious personal data from consumers. Savvy retailers and brands must carefully consider what data to gather and how to use it with CRM tools. E-mail spam while annoying is somewhat tolerable, but messaging spam is absolutely not. Marketers can match text to call opt-ins to customer records. They can use text campaigns to ask customers to text vital information, even the type of phone and operating system they have, which can be stored in a database. Mobile coupon redemption should be mapped to databases as well, giving the marketer not only ROI measurement but the ability to build individual customer profiles.

Case Studies

- **Sporting Goods**

Syniverse and CardinalCommerce are currently working with a large sporting goods retailer to help it effectively leverage SMS to develop brand awareness, generate and qualify leads, acquire new customers, and further strengthen relationships with existing customers.

The retailer has been promoting the loyalty program through in-store signage and encouraging consumer participation by offering an instant \$15-off coupon to customers that text a keyword to a short code to enroll in the campaign. As active program members, consumers receive promotional offers and can manage their loyalty rewards account via SMS messages.

Here's how it works:

1. When a consumer texts a specific keyword to the retailer's short code, a message is sent from the user's mobile operator to Syniverse.
2. A response message passes along to the consumer via the SMS loyalty program, which is powered by the SMS application provider CardinalCommerce. This message asks the user to include his or her email address to confirm participation in the program.

3. Once the application receives the necessary information to create a new loyalty account, the consumer receives an enrollment reward coupon and loyalty account number via SMS.

4. After consumers are enrolled in the program, they receive weekly messages about new products and store openings, available special offers and coupons that can be redeemed in store.

The SMS-based loyalty program has proven to be extremely beneficial for the sporting goods retailer. The company has saved tens of thousands of dollars connecting with customers via SMS when compared to traditional direct marketing campaigns. This program has also strengthened the retailer's connection with their consumers, attracting approximately 275,000 members to date and growing by 8,400 members per month.

- **ShopAlerts by AT&T/Placecast**

For years, the mobile industry had used the example of leveraging location based services technologies to deliver offers, rewards, or coupons to consumers, yet there had been very few commercial launches of such services. Then in 2010, French tech firm Placecast and O2 in the U.K. broke through with a compelling location based, text message delivered coupon program. In 2011, AT&T is introducing ShopAlerts by AT&T in four key US markets. With the intent to drive foot traffic to merchants, this type of use of location technology and text messaging will be a key driver of the use of text messaging for retail and brands over the next few years.

ShopAlerts by AT&T, powered by Placecast, is a mobile marketing program that delivers coupons, offers, rewards, and content to AT&T mobile customers via text messaging, but only when the consumer is within a specified distance, or geo-fence, of the retailer. Opted-in participants receive relevant marketing messages, such as coupons, when they are inside the geo-fence. Marketers are experimenting with a variety of tactics: time-limited coupons, click to web links that can deliver scannable bar code coupons, and shopping alerts. The Placecast platform coupled with AT&T analytics allows merchants and marketers using the service to build consumer profiles that will enable them to become even more precise with marketing messages to interested consumers. Text messaging is the delivery method for these offers because it is immediate, universally known, and easy to use. Initially the program will be launched in New York, Chicago, San Francisco, and Los Angeles, with plans to roll out nationally across the United States.

As of February 2011, 1.5 million subscribers have opted-in to Placecast's ShopAlerts for O2 in the United Kingdom. Participants are receiving roughly three to four messages per week.

- **Pharmacy**

US pharmacies have made text messaging a key component of their strategies to build customer loyalty and make it easy for consumers to do business with them. As of Spring 2011, ABI Research estimates that more than two million consumers have signed on for prescription text alerts. In some cases, customers can download an iPhone or Android app that allows customers to refill their prescriptions by scanning the medication's bar code. It then allows them to select a store pickup location and choose the pickup time they prefer. Pharmacies then notify the customer by text message when the prescription is ready.

Not overly flashy, text messaging tied to prescription refills, orders, alerts, and medication reminders is a significant market opportunity. According to the Center for Disease Control (CDC), between 1994 and 2005, the number of prescriptions purchased in the United States increased 71% from 2.1 billion per year to 3.6 billion. In 2008, consumer spending in the United States for prescription medications was \$234.1 billion. It is also estimated that in 2004, the percentage of the US population with a prescription medication expense was 59%. Given these factors, ABI Research estimates that just for prescription refill alerts in the United States alone, approximately eight million messages were sent in 2010. That number will explode to more than 380 million by 2013. Should other uses, such as medication reminders gain adoption, the numbers will increase dramatically.

ABI Research believes that enterprise messaging for retail and brands will become one of the largest vertical markets in enterprise messaging

Market Value, Conclusions

ABI Research believes that enterprise messaging for retail and brands will become one of the largest vertical markets in enterprise messaging, growing from an estimated 17.4 billion messages in 2011 to 80 billion in 2015, or approximately 12% of all enterprise messages sent globally. (NOTE: Though not studied in this whitepaper, ABI Research believes that the leading enterprise vertical in 2011 is financial services, with between 35% and 37% of all enterprise traffic. ABI Research believes the enterprise messaging market will diversify substantially, so that by 2015, financial services will represent between 16% to 20% of global enterprise messaging traffic.)

Retail and brand enterprise messaging will be popular in all global regions on a relative scale to enterprise messaging within those regions. However, North America and the Asia Pacific regions represent the greatest retail and brand opportunity; together they represent 71% of the retail and brand enterprise traffic in 2011, dropping to 69% in 2015.

Table 2: Enterprise Messages Forecasted, Retail and Brands Vertical
World Market by Region: 2011 to 2015

(Source: ABI Research)

Segment	Units	2011	2012	2013	2014	2015	CAGR (11-15)
Western Europe	(Millions)	1,766	2,367	3,474	5,665	7,578	33.8%
Eastern Europe	(Millions)	830	1,300	1,869	2,223	2,547	18.3%
Asia-Pacific	(Millions)	6,314	9,008	12,103	15,639	21,279	24.0%
North America	(Millions)	6,225	9,124	16,367	25,390	32,215	37.1%
Latin America	(Millions)	2,045	3,914	7,196	9,744	14,188	38.0%
Middle East	(Millions)	137	248	445	710	947	39.8%
Africa	(Millions)	175	303	709	1,119	1,599	51.6%
Total	(Millions)	17,491	26,263	42,163	60,492	80,354	32.3%

Sophisticated integration of messaging into marketing strategy and mobile initiatives for the purposes of driving foot traffic to stores and to develop and maintain two-way relationships with consumers is accelerating the use of messaging for retail and brands worldwide, and it is resonating with consumers. In primary research in the US market in 4Q 2010, 16% of those surveyed said they had used text messaging to get a coupon or discount within the last six months. Uptake is similar in markets worldwide.

Look for retailers large and small and brands to accelerate the use of messaging in their overall marketing mix, particularly in tandem with location/geo-fencing technology. Savvy retailers and brands will seek to use messaging as the primary customer conduit to feed sophisticated customer relationship management platforms and databases as a way to build highly targeted, personalized offers and programs for consumers.

VERTICAL MARKETS – BUSINESS SERVICES

Defining the Market

Business Services refer to messaging services that aim at improving processes and streamlining workflows within organizations. The main benefits of these services can be either internal to organizations or external, especially by making life easier for the customers.

Market Opportunity

The two trends that drive this vertical are the increasingly universal penetration of mobile handsets and the overall need to make organizations more efficient. The second driver affects businesses and public-sector organizations alike, and particularly in the developed world. Both sectors will have to operate in times marked by relatively slow economic growth, debt deleveraging, and budget austerity. The case for tackling waste and freeing employed staff to do more productive tasks has never been stronger, and mobile messaging offers very potent tools to do exactly that.

Use Cases

- **Appointment management**

Text-message reminders are a great help for industries where business is based on customer appointments at specifically agreed times: health, beauty, legal advice, recruitment, home services, and so forth. For such professions no-shows often mean lost revenue, since empty timeslots can be impossible to fill on a short notice. In addition, customers who miss an appointment are very less likely to return in the future, out of embarrassment as well as a fear that they might be billed for the lapse.

- **Workforce management**

In workplaces, enterprise messaging can be used to speed up various approval processes, manage employee work schedules, and deliver company alerts/messages. The organization's HR department can handle holiday requests via SMS, which benefits especially workplaces where staff does not have regular access to a computer. The same approach can be applied to requesting and approving purchases or scheduling work shifts. IT departments can use automated text alerts to inform technicians with a system is down. In these processes text messaging shortens waiting time, reduces paperwork, and allows managers to make routine decisions when they are on the move.

- **Logistics management**

Logistics companies can use enterprise messaging to inform customers on the status of their deliveries. Such communication does not only give customers a greater certainty over the order, but it can also significantly improve the management of the logistics chain, since the logistics firm can give a more detailed timeframe for the delivery. This reduces the number of failed delivery attempts; from the carrier's perspective, failed delivery attempts waste both time and shelf/van space.

- **Contact center management**

Enterprise messaging can be used to make contact centers more efficient and responsive towards the customer. Although the channel does not suit all types of issues that customers face, dealing with queries and complaints via SMS requires less staff and other resources than for example phone call. In addition to efficiency gains, companies that take advantage of SMS can reduce waiting times that customers face, and thus increase loyalty and retention rates among them.

Case Studies

- **Barts and The London**

Barts and The London, a British hospital trust, has used an SMS-based appointment reminder service at its three London hospitals since August, 2010. Under the new system, patients receive two reminders about their upcoming appointments, with the first sent two weeks before and the second three days before the appointment date. If patient texts back a need to cancel or reschedule the appointment, a member of the hospital staff will contact the patient. The reminders are sent automatically, and the patient responses are delivered to the staff as an email.

By November 2010, the trust reported that the system was sending up to 2,000 reminders each day and the average response rate to cancel or reschedule was 10%. The number of patients who failed to show up for an appointment had decreased by up to 35% in some clinics, compared to the same period in 2009. According to the trust, the new system is saving “thousands of pounds a day.”

- **Post Danmark**

The Danish post authority, Post Danmark, launched an SMS-based virtual stamp service in April, 2011. Under the new system, customers text the word "porto" to the short code, after which they receive a confirmation message from Post Danmark. A short while after receiving the confirmation, customers receive a unique code of letters and numbers that they can write on the regular stamp corner of the envelope. Once the letter arrives at a post-sorting site, the stamp code is scanned and matched against the database.

During the initial stage, the service is available only for letters that weigh up to 50g. Valid for seven days, a virtual stamp costs the same as a regular one, plus the cost of the SMS. Post Danmark's experiment is not the world's first SMS stamp service, since Germany's Deutsche Post has been using a similar scheme since 2008. The German version, however, applies a premium price on an SMS-delivered stamp, nearly doubling its price against the normal, which has obviously limited its uptake. The impact in Denmark is likelier be much stronger.

- **HotSchedules**

HotSchedules provides intuitive, web-based employee scheduling and forecasting solutions designed to reduce labor costs, improve communications and maximize productivity. Though HotSchedules has strived to offer its users countless new ways to access their schedules over the years, SMS text messaging has proven to be among the most effective means of communication between managers and their employees. And with the flexibility to control what types of messages are sent, SMS texts have become critical for key activities such as informing staff about new or revised schedules, releasing or trading shifts, and sending alerts for important company messages. This functionality has become a key differentiator in the marketplace for HotSchedules.

HotSchedules currently sends over 1.5 million text messages a month to its users. All levels of employees are benefitting from the flexibility that smartphone access and SMS texting afford them, and have simply come to expect the immediacy of communications that today's SMS technologies can deliver. Maeve Pasquera, Operating Partner of a Houston, Texas-based restaurant noted, “We are in the age of Gen X'ers and Gen Y'ers dominating our labor force, and we are truly speaking their language and connecting with them when we use HotSchedules' online scheduling, messaging and shift maintenance functions. They love the ability to receive texts or emails from teammates and managers, and trade or release shifts when they want. This has completely eliminated any phone calls to the managers with questions about scheduling, and has really increased self-awareness and responsibility among our associates.”

Market Value, Conclusions

ABI Research estimates that in 2011 the Business Services vertical will contribute to 8.5 billion messages. The message volume will grow at a CAGR of 36.9% over the forecasting period, reaching 53.8 billion in 2015, or 13.6%

Table 3: Enterprise Messages Forecasted, Business Services
World Market by Region: 2011 to 2015

(Source: ABI Research)

Segment	Units	2011	2012	2013	2014	2015	CAGR (11-15)
Western Europe	(Millions)	1,413	1,973	2,605	3,305	4,042	19.6%
Eastern Europe	(Millions)	277	487	850	1,297	1,568	33.9%
Asia-Pacific	(Millions)	2,526	4,504	6,916	9,775	14,896	34.9%
North America	(Millions)	2,490	4,562	7,274	14,811	23,011	49.9%
Latin America	(Millions)	1,636	3,355	4,318	6,201	8,731	27.0%
Middle East	(Millions)	110	177	297	387	553	32.9%
Africa	(Millions)	116	260	426	712	1,066	42.3%
Total	(Millions)	8,567	15,317	22,685	36,488	53,865	36.9%

The uptake of these messaging solutions will typically be the greatest in countries where services (rather than agriculture or manufacturing) make up a large share of the economic activity and the workforce

The uptake of these messaging solutions will typically be the greatest in countries where services (rather than agriculture or manufacturing) make up a large share of the economic activity and the workforce. Another notable factor is the unit labor costs, which gives organizations a stronger incentive to move staff to do more productive tasks by applying new innovations. In geographic terms, such early-moving organizations will be found particularly in North America and Western Europe, although this vertical will grow its share in every region over the forecasting period.

VERTICAL MARKETS – TRAVEL AND HOSPITALITY

Defining the Market

The Travel and Hospitality vertical consists of two separate but more or less related sectors: travel and hospitality. This study defines “travel” as any form of transport that involves passengers moving from one place to another, including the use of trains, airplanes, and rental vehicles. Cargo and delivery services (*i.e.*, moving things rather than people) are not addressed in this vertical. (ABI Research regards cargo and delivery services as part of Business Services.) This study defines “hospitality services: as accommodations, restaurants, cinemas, and events, among others.

Market Opportunity

A large underlying trend in the travel and hospitality vertical is the overall consumer preference for buying products and services without a need to receive or carry any paperwork. More and more people simply prefer such documents in a digital format, since that improves their accessibility. Given the high penetration and always-on nature of mobile handsets, they are then a natural fit for storing such documents.

Use Cases

- **Mobile Ticketing**

The growth of SMS ticketing applications is to a great extent driven by convenience. By receiving tickets and reservation details on a handset, a consumer has one less worry when leaving for a trip or a night out. The mobile phone is such a natural part of daily life that rather few people tend to leave it at home, workplace, or school more than sporadically. Business models in this vertical often rely on the customer reserving or buying a service in advance, and then providing the merchant with a proof of purchase. Adding the handset to this relationship makes things generally smoother for the customer. Furthermore, it also creates savings to the business, as it does not have to issue and deliver a paper ticket.

- **Travel Alerts**

Travel arrangements are usually fluid. Text messaging can be deployed to keep busy travelers instantly informed on critical travel information, such as gate changes, departure or arrival delays, travel detail reminders, and security alerts.

- **Targeted Advertising**

Customers who have acquired tickets for a journey or an event represent a natural audience for promotional messages on relevant products or upgrades to the existing service. For example spectators at a sport event or a music concert can be sent messages that inform them on time-sensitive discounts on refreshments and merchandise. With a right set of analytics tools, the merchant can track such campaigns in real time and steer sales by using dynamic pricing. Similarly, a train operator could try maximizing sales by texting passengers last-minute offers to upgrade their tickets to unsold first-class seats, or to buy a glass of wine from the restaurant carriage at a promotional price.

Case Study

- **Lufthansa**

German airliner Lufthansa offers an SMS check-in service to its *Miles and More* premium customers. The process consists of an SMS invitation to a special check-in application, which bypasses the stage where they would normally have to enter the name and the booking code. Once SMS check-in customers have selected their seats they will also receive the boarding pass as a text message – or an email, depending on their preferences. Lufthansa also offers information on gate changes, delays and cancellations via enterprise messaging.

A large underlying trend in the travel and hospitality vertical is the overall consumer preference for buying products and services without a need to receive or carry any paperwork

Market Value, Conclusions

The enterprise messages attributed to the travel and hospitality are estimated to total 9.1 billion in 2011, or 3.5% of all messages. The number will grow at a global CAGR of 28.2% over the forecasting period, reaching 41 billion in 2015.

Table 4: Enterprise Messages Forecast, Travel and Hospitality
World Market by Region: 2011 to 2015

(Source: ABI Research)

Segment	Units	2011	2012	2013	2014	2015	CAGR (11-15)
Western Europe	(Millions)	706	789	1,737	2,833	3,031	40.0%
Eastern Europe	(Millions)	277	650	1,019	1,112	1,176	16.0%
Asia-Pacific	(Millions)	3,788	6,005	8,645	9,775	12,768	20.8%
North America	(Millions)	2,490	4,562	9,093	12,695	13,806	31.9%
Latin America	(Millions)	1,636	2,796	5,037	6,201	8,731	32.9%
Middle East	(Millions)	110	177	346	452	632	37.4%
Africa	(Millions)	116	216	496	712	933	44.1%
Total	(Millions)	9,124	15,195	26,374	33,779	41,076	28.2%

Within the vertical, ABI Research anticipates that travel-related messaging will be the primary growth driver, owing to mobile ticketing and reminder applications in both mass transit and long-distance travel. The hospitality side of things will also have significance, but due to the understandably lower volume of, say, hotel nights in comparison to train journeys its role will be less prominent. A rough estimate would be that hospitality services will account for no more than one-fifth of the vertical's message traffic.

Of different regions, Asia-Pacific will lead in both absolute and relative terms, and will contribute over 40% of the global volume at the end of the forecasting period. In the Asia-Pacific region, this vertical will namely account for about 10% of all enterprise message traffic. Given that a clear majority of the travel and hospitality messages will come from transport, notable underlying factors in driving the volumes are the existence of large cities and the size of urban population. Large urban transport networks, which deal with a high number of short and frequent journeys, are an obvious source of such SMS transactions.

Conclusion

Text and multimedia messaging has become an integral part of most consumers' lives across the globe. Enterprises are increasingly leveraging text and multimedia messaging to facilitate two-way communications with customers, employees and constituents. These communications will become the exception, not the rule globally over the next decade. Some companies will gain competitive advantages by creatively deploying messaging services. Watch for the creative use of text and multimedia messaging to grow dramatically over the next few years.

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©2011 ABI Research
PO Box 452
249 South Street
Oyster Bay, NY 11771 USA
Tel: +1 516-624-2500
Fax: +1 516-624-2501
<http://www.abiresearch.com/analystinquiry.jsp>

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