

As profit margins on SMS dwindle, Optimus plays catch-up with TAG

SMS is no longer generating the profit margins for Portugal's mobile operators that it used to, the result of operators offering their subscribers huge bundles of SMS – that is, thousands of messages – at low prices. “It is an asset, but we are not able to make money on it,” says Jose Remedios, value-added-services engineer at Optimus, the leading mobile operator in Portugal.

The Portuguese MNOs are therefore turning to other services to generate additional revenues. Optimus, for example, has launched a SIP-based messaging service called TAG, which offers unlimited mobile communications services nationwide from a PC or mobile for €10 (US\$13.70) a month. The services include voice-over-IP, SMS, MMS, e-mail, mobile instant messaging, video telephony, and voice- and video-mail.

No limits

The tariff applies only to a TAG subscriber's nominated group of recipients but has the advantage that there is no upper limit on the size of the group. “The point is that they should bring as many friends as they can to the TAG group,” says Jose Remedios, a value-added-services engineer at Optimus.

Remedios says that Optimus launched TAG because it wanted to offer its youth demographic a bundled service for a fixed fee. “The youth market . . . communicates more but has less money to spend,” he told Informa Telecoms & Media. TAG is targeted at 14- to 24-year-olds, a market that is largely prepaid and in which the uptake of messaging bundles is

thought to be high.

Optimus is running TAG over its Ericsson IP Multimedia Subsystem (IMS) network using the Movial Communicator PC client from mobile software provider Movial. Movial Communicator enables Optimus' mobile subscribers to access TAG services via both their PC and cell phone. “We didn't want clients to stop using [mobile services] while on the PC,” says Remedios.

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Indeed, 60% of TAG subscribers are using their PC clients to send SMSes, says Victor Donselaar, Movial's president. Remedios says that being able to send messages from a PC using a larger, qwerty keyboard is responsible for the high level of SMS use among its subscribers. “Teens like to go to the PC and send SMS,” he says.

Remedios declined to say how many Optimus subscribers had signed up for the service since it was launched in May, although he did say the operator regarded it as successful in terms of uptake.

Optimus has also experienced an increase in voice and SMS traffic since TAG was introduced. “In fact, we saw a huge increase in voice calls and, strangely enough, a big increase in SMS,” says Remedios.

The operator initially charged TAG subscribers €12.50 a month for the service but was forced to reduce the price within a very short time because of competitive pressures. “After we launched it, other companies tried to do a similar product,” says Remedios.

Instant messaging too

TAG also enables Optimus subscribers to access the operator's own-brand mobile-instant-messaging service, Optimus Messenger, as well as Windows Live Messenger. “That was a big effort, because a lot of teens like to use the MSN bar,” says Remedios. Optimus' MIM services are based on Neustar's instant-messaging and presence platforms.

Optimus has marketed TAG aggressively to its target market, using traditional above-the-line advertising on TV and in print and out-of-home advertising in kiosks and shopping centers, as well as viral marketing through the TAG web portal. Donselaar says that Optimus' marketing campaign for TAG has been instrumental in driving subscriber adoption to date.

New and existing mobile subscribers can register for TAG online via a dedicated portal, and can download the PC client so they can start using the service immediately. Existing subscribers can keep their mobile number, to which the service is charged, while new subscribers will be sent a TAG SIM card. TAG can be accessed on between 80% and 90% of the handsets that Optimus is marketing to the youth segment, Remedios says, most of them Nokia and Sony Ericsson devices.

pamela.clark-dickson@informa.com