Summary

Executive summary

The global wireless M2M market has felt the impact of the economic downturn in the past year. Hardware manufacturers have suffered from shrinking margins as volume growth has flattened out at the same time as prices have continued to fall. Falling demand in the automotive sector caused by the sharp decline in vehicle sales has not been fully compensated by resilience in other sectors. Network service providers have fared better and still enjoy high growth for M2M connections even if the rate of increase has slowed down in several markets. The steady increase in M2M subscriptions is starting to generate substantial revenue streams for large mobile operators even if the typical monthly ARPU is just a few euros.

Berg Insight anticipates that 2010 will be a positive year for the global wireless M2M market with hardware shipments returning to growth and a continued increase in the number of network connections. New M2M initiatives launched by major mobile operator groups are expected to have a positive influence on demand, stimulating more new large-scale projects. Regulatory developments will have a major impact on the telematics industry. The EU is expected to propose formal legislation for the introduction of eCall by 2014 but in Brazil the fate of Resolution 245 is uncertain and a setback would inevitably have negative consequences. Another significant development to watch will be the progress of the Dutch government's plans for a nationwide electronic road charging system.

The outlook for the coming five years is positive, although the weakness of the world economy has reduced the prospects for growth. Until 2014, Berg Insight forecasts that shipments of cellular M2M devices are forecasted to grow at a compound annual growth rate (CAGR) of 19.2 percent to reach 67.0 million units. During the same period, the number of cellular M2M connections is forecasted to grow at a compound annual growth rate (CAGR) of 25.6 percent to reach 187.1 million. The share for M2M of total mobile subscriptions is projected to increase from 1.4 percent in 2009 to 3.1 percent in 2014.

The main geographical markets for cellular wireless M2M are the EU and the US. In mid-2009, they accounted for around 50 percent of the total number of M2M connections worldwide. The US has the higher M2M penetration of 4.3 percent of all mobile network connections due to the large installed base of OEM telematics systems. In the EU, the average share is 2.4 percent but there are significant regional differences with penetration rates above 5 percent in Scandinavia and below 2 percent in parts of Eastern Europe. China and Brazil are fast growing markets, whereas the increase in M2M connections has stagnated in Japan in the past year.

Automotive was the largest vertical market for wireless M2M communication services in 2009, accounting for around 40 percent of the total number of connections. Aftermarket systems made up around two thirds of the installed base of 23.6 million vehicle telematics devices. By 2014 the share is forecasted to have increased to over 50 percent as a consequence of massive adoption of telematics technology in the automotive industry that will tilt the balance towards OEM systems. Metering & grid was the second largest vertical market segment with an estimated 13.8 million active connections in 2009. The segment is projected to grow steadily over the next five years due to strong demand for advanced metering solutions and low replacement rates. Other major vertical market segments include POS-terminals and security alarms.

Over the past year, several important initiatives related to M2M have been announced by the leading mobile operator groups in Europe and North America. Telenor launched the global M2M operator Telenor Connexion in October 2008. During the first half of 2009, Orange established an International M2M Centre and Vodafone announced a new international M2M business unit as a part of its Vodafone Global Enterprise organisation. In the second half of 2009, T-Mobile joined forces with Sierra Wireless and Cinterion to develop joint offerings for the M2M market. Telefónica has also established group-level functions dedicated for M2M. Among the US operators, AT&T started a trend in May 2009 by launching a new business and technology platform for M2M and emerging wireless devices. Verizon Wireless followed by entering a joint-venture with Qualcomm to address the M2M market and later Sprint launched a new business unit for M2M and mobile computing.