Summary

Executive summary

There are billions of devices in Europe that could potentially be networked using fixed or wireless technologies. Generally, the cost of connecting a device to a GSM/GPRS network must be justified by the perceived value of the information it communicates. The most obvious cases are remote monitoring of mission critical equipment or tracking of very valuable assets. This type of applications however tends to be deployed in relatively small volumes. Mass market opportunities only exist in segments where valuable information can be generated by a large population of devices. Examples of this are found in the utility, transportation, security and retail industries. Europe has 360 million energy meters, 255 million motor vehicles, 8 million security alarm systems and 6 million POS-terminals. Altogether these segments represent a potential market of over 600 million wireless M2M connections.

Berg Insight estimates that the number of active SIM-cards in use for wireless M2M applications in EU23+2 will reach 14.1 million at the end of 2008. This means that the total number of mobile network connections used by machines now equal that of a medium-sized European country. Until 2013, the number of wireless M2M connections is forecasted to grow at a compound annual growth rate of 33.0 percent, reaching 52.0 million at the end of the period. Currently energy meters are estimated to account for the largest installed base, ahead of private and commercial vehicles. By 2013 the automotive sector is projected to account for 61 percent of the number of wireless M2M connections Europe. Energy meters will remain the second largest application area ahead of security alarms and POS-terminals. Growing adoption of remote equipment monitoring will also generate a substantial number of wireless M2M connections for other types of assets and products from virtually all manufacturing industries. In light of the recent economic turmoil it is however important to note that the wireless M2M market is sensitive to fluctuations in shipments of products such as motor vehicles, energy meters, security alarms, POS-terminals and miscellaneous machinery and equipment.

Adoption of wireless M2M has been growing rapidly across Europe in the recent years. Berg Insight estimates that the number of active SIM-cards in use for wireless M2M applications in EU23+2 was 12.3 million at the end of Q2-2008. This corresponded to 2.2 percent of the total number of SIM-cards in the region. Sweden and Finland stood out from the rest of the European countries with M2M accounting for 13.4 percent and 7.7 percent respectively of all mobile connections. Other countries with high ratios of M2M connections were Denmark with 3.8 percent and Spain with 2.7 percent. All other countries were in the range of 1–2 percent. In absolute terms, Italy constituted the largest geographical market with 1.9 million connections, followed by Germany and the UK with 1.8 million and 1.7 million respectively. Other markets with one million connections or more were Sweden, Spain and France.

Even if wireless M2M is a B2B market in the sense that products and services are sold to enterprise customers, the underlying demand is in fact to a large extent driven by consumer markets. That is particularly true for the largest projects that involve hundred thousands of devices. Nine out of the ten largest wireless M2M deployments in Europe are consumer-oriented. These include smart metering projects in Sweden, Finland, Italy and the Netherlands; pan-European vehicle tracking solutions for private vehicles; OEM car telematics solutions from major car brands and the largest solution for monitored security alarms in Europe. Only the German truck road charging system Toll Collect cannot be classified as a consumer-oriented application.

Berg Insight believes that the wireless M2M network service value chain will undergo a significant transformation in the coming years. Until recently the world's largest mobile operator groups have shown limited interest in M2M. Top global players such as Vodafone, Telefónica and Deutsche Telekom have not yet formulated any official group strategies for exploiting the new market opportunities. Current business development and marketing efforts are primarily being made by relatively small teams on individual markets. One notable exception is Telenor which is actively addressing the international M2M market through the new business unit Telenor Connexion, launched in October 2008.