

Machine-to-Machine connections to hit 12 billion in 2020, generating EUR714 billion revenue

A new study from Machina Research finds that M2M connections will grow from one billion in 2010 to 12 billion in 2020, of which 2.3 billion will be wireless wide area network connections. Mobile network operators can expect to take EUR40 billion of the EUR714 billion M2M market in 2020.

[London, UK, 10 October 2011]

Machina Research, the world's leading advisors on M2M and mobile broadband today published its most recent report, ***M2M Global Forecast & Analysis 2010-20***. It provides a comprehensive and detailed analysis of the global opportunity for machine-to-machine communications. The key findings are:

- Global M2M¹ connections will increase from one billion at the end of 2010 to 12 billion at the end of 2020, accounting for half of all global data connections. Connections will be dominated by two sectors: consumer electronics (including cameras, music players and TVs) and intelligent buildings (e.g. security and HVAC systems). Between them they will account for over 60% of the total. By 2020 Europe will be the biggest region for M2M, accounting for 28% of connections. The biggest single markets will be the China and the US with 21% and 20% respectively.
- Over 70% of M2M devices will be connected by short-range technologies, mostly WiFi. Of the remainder, wireless cellular technologies dominate. When considering solely cellular connections, the most important applications sectors are Utilities (principally smart metering) and Automotive (including pay-as-you-drive insurance, emergency/eCall and security and tracking). At the end of 2010 M2M accounted for 2% of cellular connections. By 2020 this will reach 19%, or 2.3 billion connections.
- In terms of revenue², M2M will grow from EUR91 billion in 2010 to EUR714 billion in 2020, a CAGR of 22.9%. Europe is again the dominant region, generating revenue of over EUR200 billion in 2020. The US is the largest individual country with over EUR150 billion revenue, followed by China with over EUR110 billion.
- The addressable revenue opportunity for mobile network operators (MNOs) will be EUR210 billion in 2020, of which Machina Research expects them to take EUR40 billion if they have an effective M2M strategy. The amount of revenue that will be generated simply from playing the role of bit-pipe will be much more modest at EUR4 billion, reflecting the relatively small amounts of traffic generated by most M2M connections. In total just 800PB of data will be generated by M2M in 2020, less than 2% of total mobile data traffic.

Commenting on the findings, report author Jim Morrish warns that addressing the huge opportunity is fraught with complexity: "M2M is as diverse as the business sectors that it serves. Each and every

¹ Machina Research defines M2M as "Connections to remote sensing, monitoring and actuating devices, together with associated aggregation devices". It includes all forms of short range and wide area technologies. It excludes personal mobile broadband devices in the form of mobile handsets, PC/laptop connections and tablets/eReaders.

² Revenue includes device cost where connectivity is integral to the device, module costs where devices can optionally have connectivity enabled, installation and integration costs, monthly subscriptions, connectivity and traffic fees.

one of the hundreds of applications that we've analysed has different dynamics. It's only by looking at each application individually that you can hope to either forecast the market opportunity, as we have, or address the connectivity requirements, as the throngs of device manufacturers, service providers, network operators and systems integrators will hope to do".

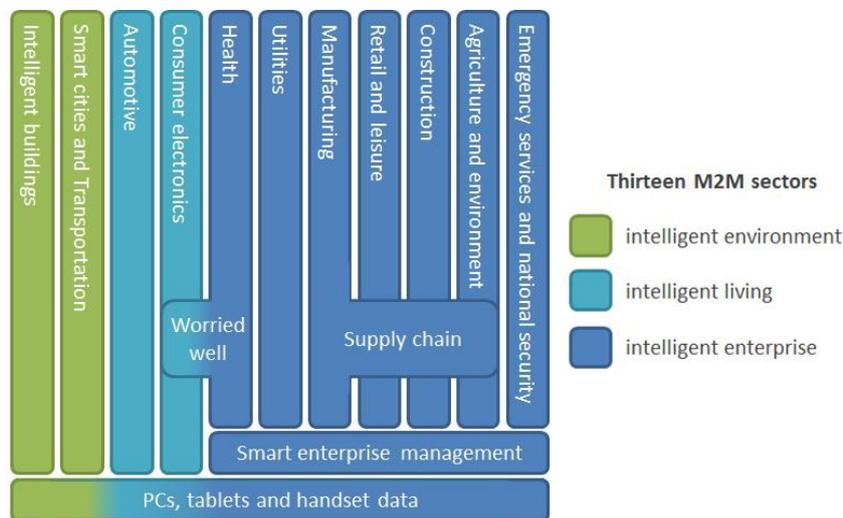
The key for MNOs to be successful lies in adapting to the new dynamics of the M2M market. "MNOs will have to up their game to engage with others in the value chain" notes Morrish. "The fact is that much of the value of M2M lies in the products and services that are wrapped around a connection, and in the value of that connection (rather than simply the traffic). This is clearly a new business model for MNOs. But, beyond that, in many verticals there are incumbent service providers, or others with specific sector, or application specific, expertise – the trick for MNOs will be to partner with the right companies in a way that brings value to both parties."

Co-Author Matt Hatton also notes: "What we're talking about with M2M is little short of a second industrial revolution. The growth in connected devices over the next ten years will fundamentally change the way we live and work. With that shift comes a lot of upheaval which represents an opportunity for nimble service providers to build a business for themselves and an opportunity for intelligent businesses to radically change the way they work."

About the Report

Machina Research is a UK-based telecoms research and consulting firm focusing principally on the emerging opportunity associated with new forms of connected wireless device, specifically machine-to-machine (M2M) and mobile broadband.

The report ***M2M Global Forecast & Analysis 2010-20*** is based on data extracted from Machina Research's Forecast Database which tracks and forecasts 60 M2M application groups across thirteen sectors (see chart below) based on analysis of hundreds of individual applications. The comprehensive database comprises more than one million datapoints and includes ten year forecasts (2010-20) for each application group across 54 countries and six regions. For each application group and country it provides information on numbers of connections, technology type, revenue and traffic.



Contact

For more information about this report, to discuss the findings, understand more about the Forecast Database, or just to find out more about Machina Research, please contact:

Jim Morrish, Director

jim.morrish@machinaresearch.com

+44 7747 632428

Matt Hatton, Director

matt.hatton@machinaresearch.com

+44 7787 577886

www.machinaresearch.com