

# Industry Research: Cellular M2M Services

*Speaker:*

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M2M Carrier Strategies: The New Rules

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# Marconi's Radio + Moore's Law = Ubiquitous Computing

“People often overestimate what will happen in the next two years and underestimate what will happen in ten.”

- **Bill Gates, *The Road Ahead*, 1995**

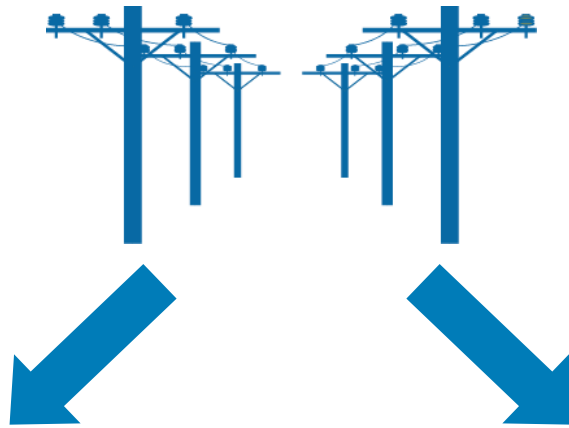
# Wireless IP Broadband + Internet = Disruption

"We believe that as the two great megatrends of mobility and the Internet come together, the next wave of growth will come from a whole new generation of devices, applications, and services," said Ivan Seidenberg, chief executive of Verizon Communications Inc., which owns 55 percent of Verizon Wireless. "No single company - whether you're a carrier, a manufacturer, a software company, or anybody else - will be able to envision all these uses or meet all the needs on their own."

- **Ivan Seidenberg, CEO Verizon Communications (55% owner of VZW)**

## An Historical Analogy...

### Infrastructure



Original Killer App



Real Killer App



- Devices:
  - Appliances, consumer electronics, heating/cooling, transportation

- Standards:



- Usage:
  - Devices are rated based on electricity consumption
    - Volts/amps/watts

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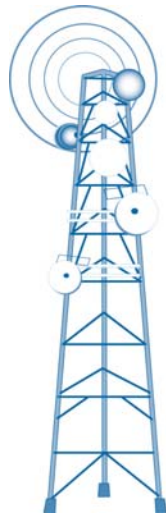
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## ... For a Future Perspective

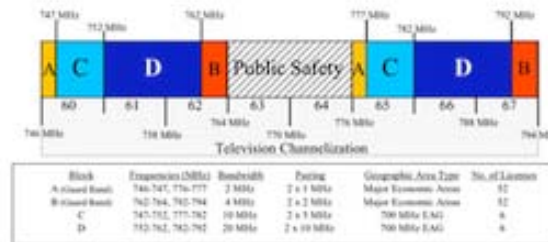
Infrastructure



Original Killer App



Real Killer App



- Devices:
  - Consumer appliances & electronics, HVAC, lighting, vehicle
- Standards:
  - WiMAX
  - LTE
  - UMB
- Usage:
  - Bits and data consumption
    - Bandwidth/latency/sp speed

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Source: Yankee Group, 2007

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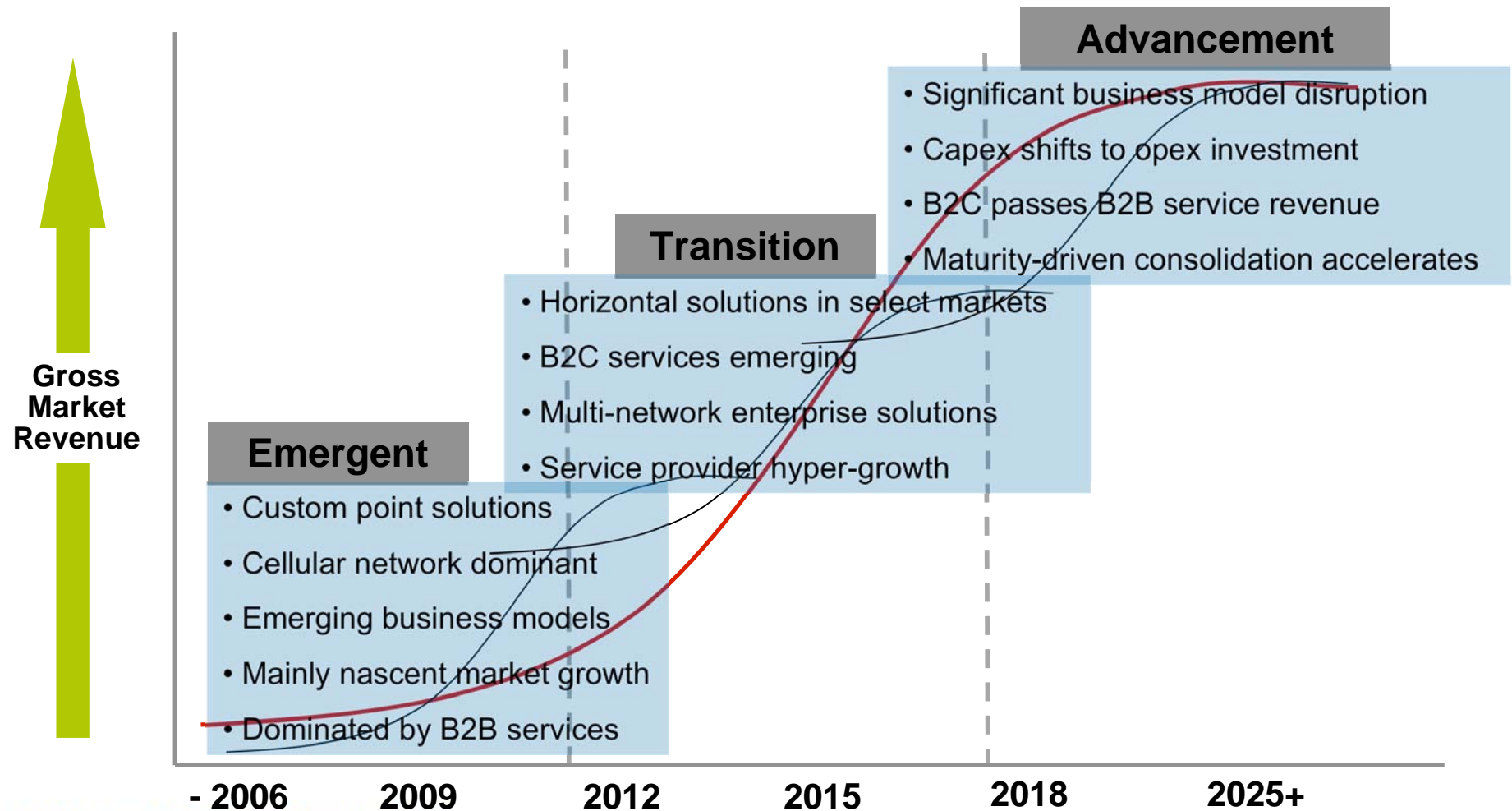


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## Global M2M Industry Evolves over Three Stages



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Source: Yankee Group, 2007

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# Open Networks = Faster, Cheaper Development?

### Certification

- Clear guidelines
- Predictable, standard test cycles
- Extremely low/no price point
- Separate testing operations

### Market Awareness

- Explore vertical consumer markets
- Cellular industry dialogue of cooperation and business model discovery
- 

## Industry Innovation and Growth

### Metering Schemes?

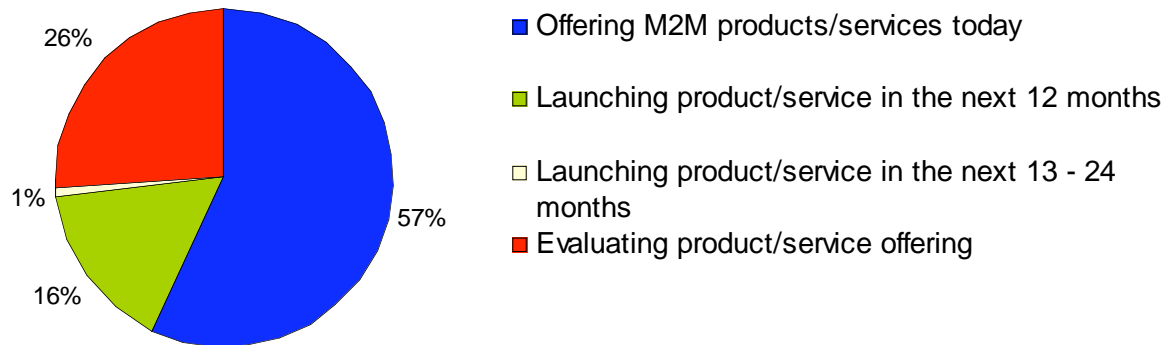
### Standards?

### Service Development and Deployment

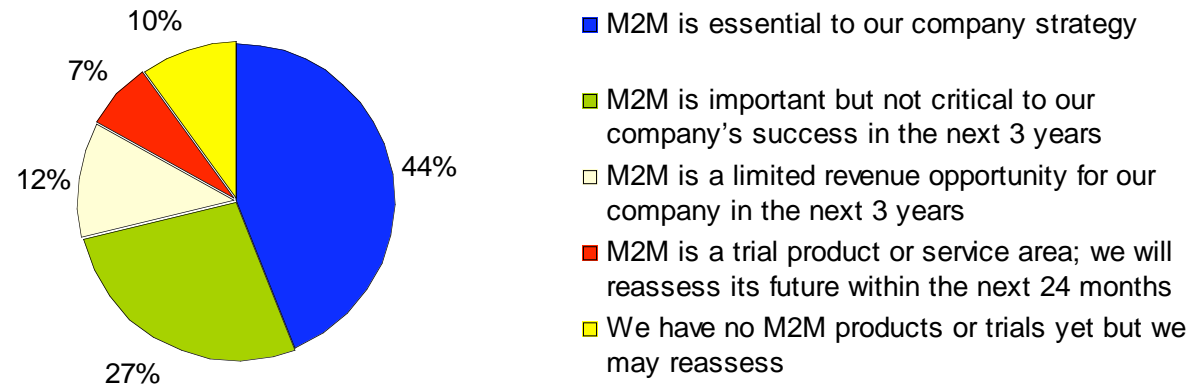
- Abstract, open and publish network capabilities into common APIs
- Rapid provisioning based on self service or automatic activation

## 70%+ (Will)Have Strategy or Product by 2009

What are your organization's plans and status with respect to M2M services and products?



Which of the following statements best matches your views about M2M product and service offerings?



Survey conducted by Yankee Group in association with RCR Wireless News in March 2008

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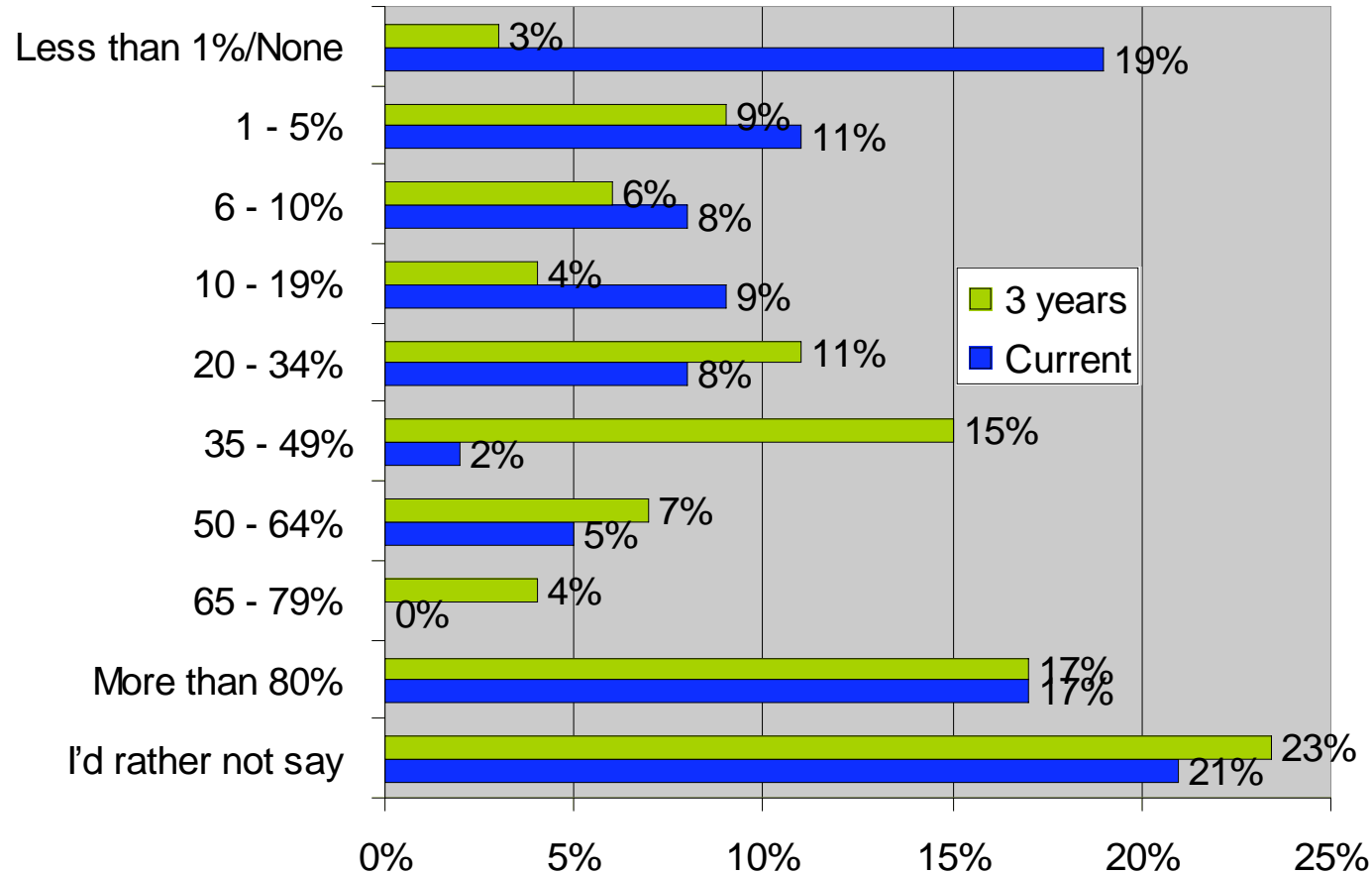
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## Non-Pure Plays Expect 20%+ Revenue Shift

What percent of gross sales come from M2M product and services today and in 3 years?



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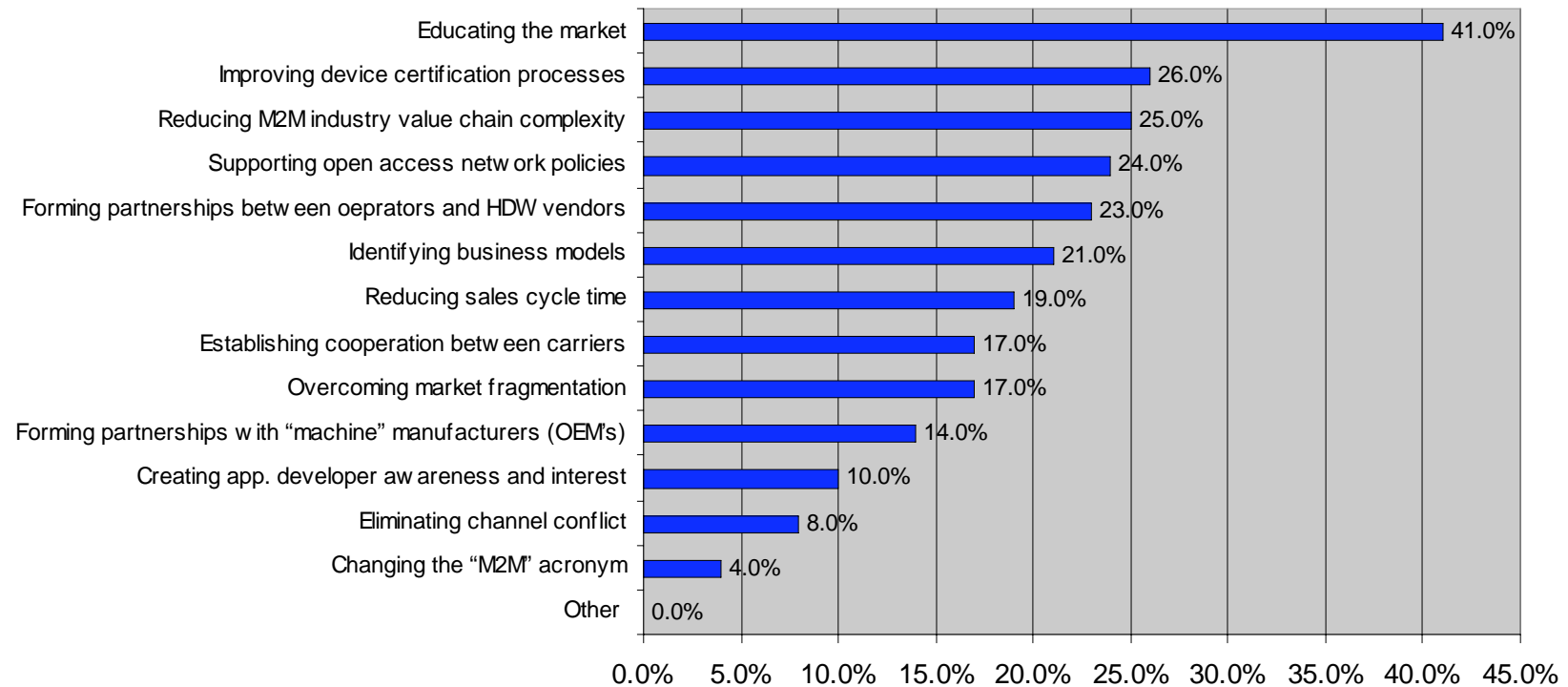
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## Marketing Spend Believed to be Missing Link

What are the most pressing business challenges the M2M industry must solve? (Select up to 3)



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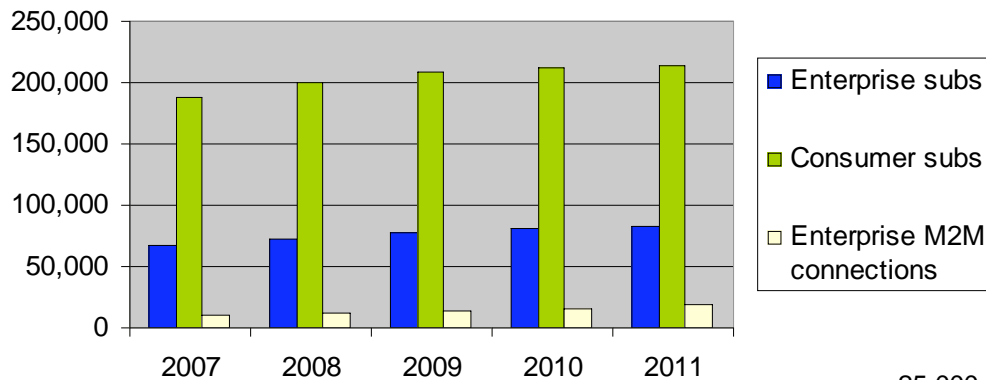
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## Enterprise Cellular M2M Growth Is Healthy

### U.S Cellular Connections (000's)



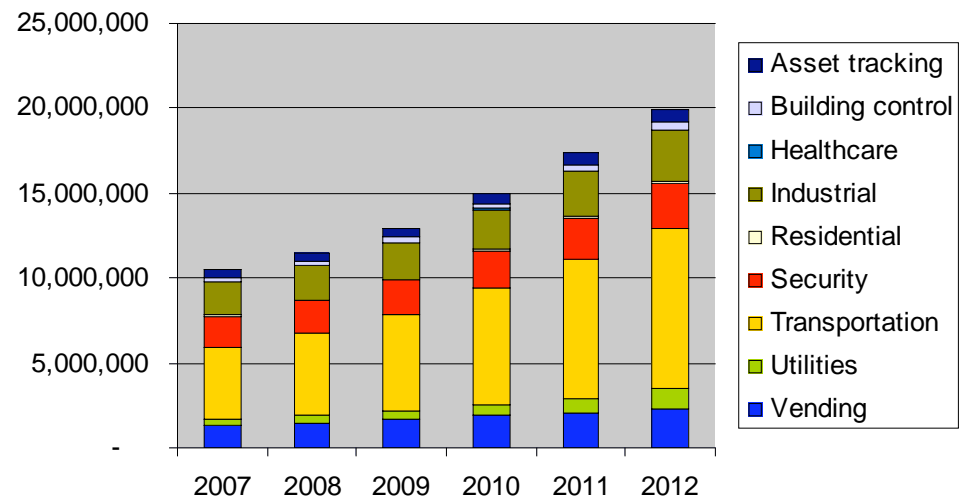
- CAGR 5% - 34% across apps
- Annual growth average 16–19%
- ...and predictably profitable
  - Annual churn < 1%
  - CCPU 4-7%

Source: M2M Index, Yankee Group, 2008

- Enterprise M2M services are diverse

....vehicle & asset tracking, security, vending, industrial, utilities.....

• Akin to early market for cellular voice, enterprise connections form foundation of revenue



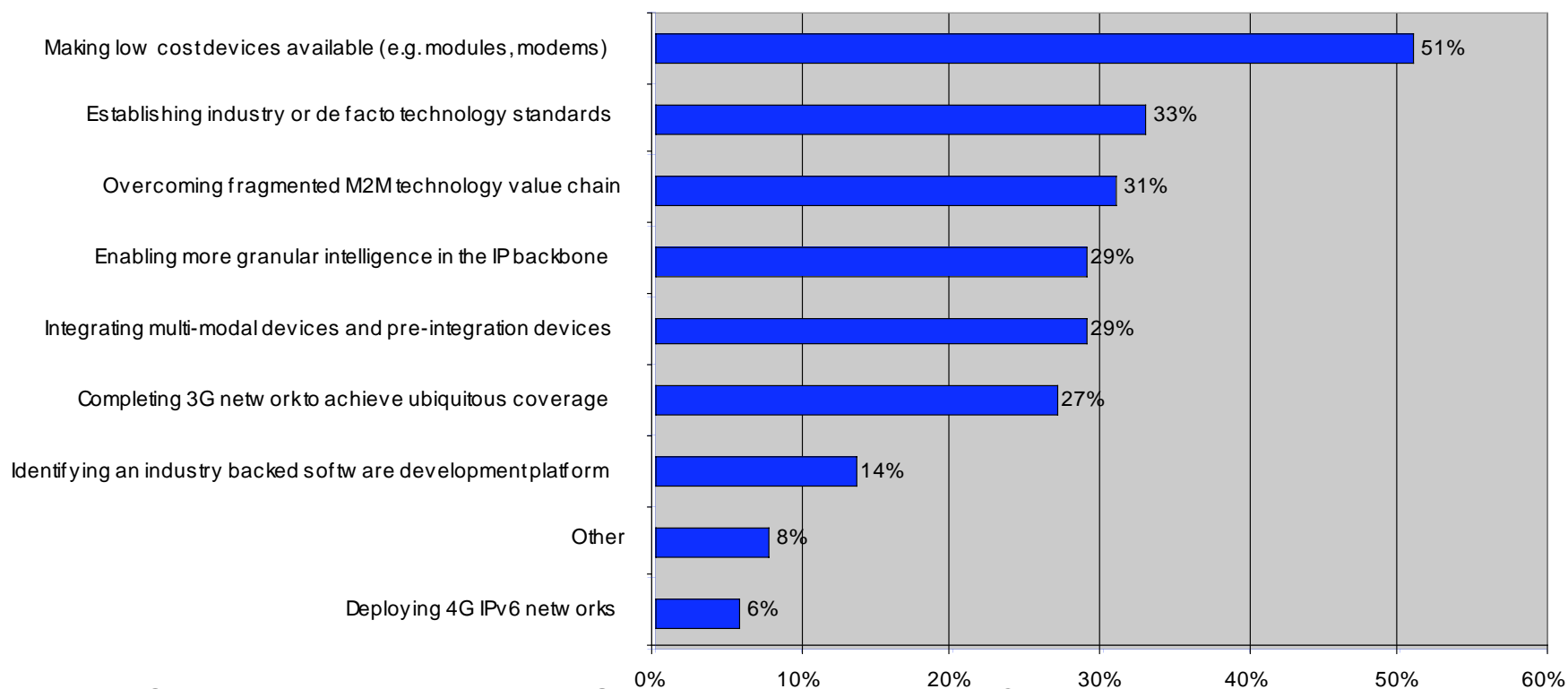
Source: M2M Index, Yankee Group, 2008

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# SP's Suggest HDW Options Limited

What are the most pressing technology challenges the M2M industry must solve? (Select up to 3)



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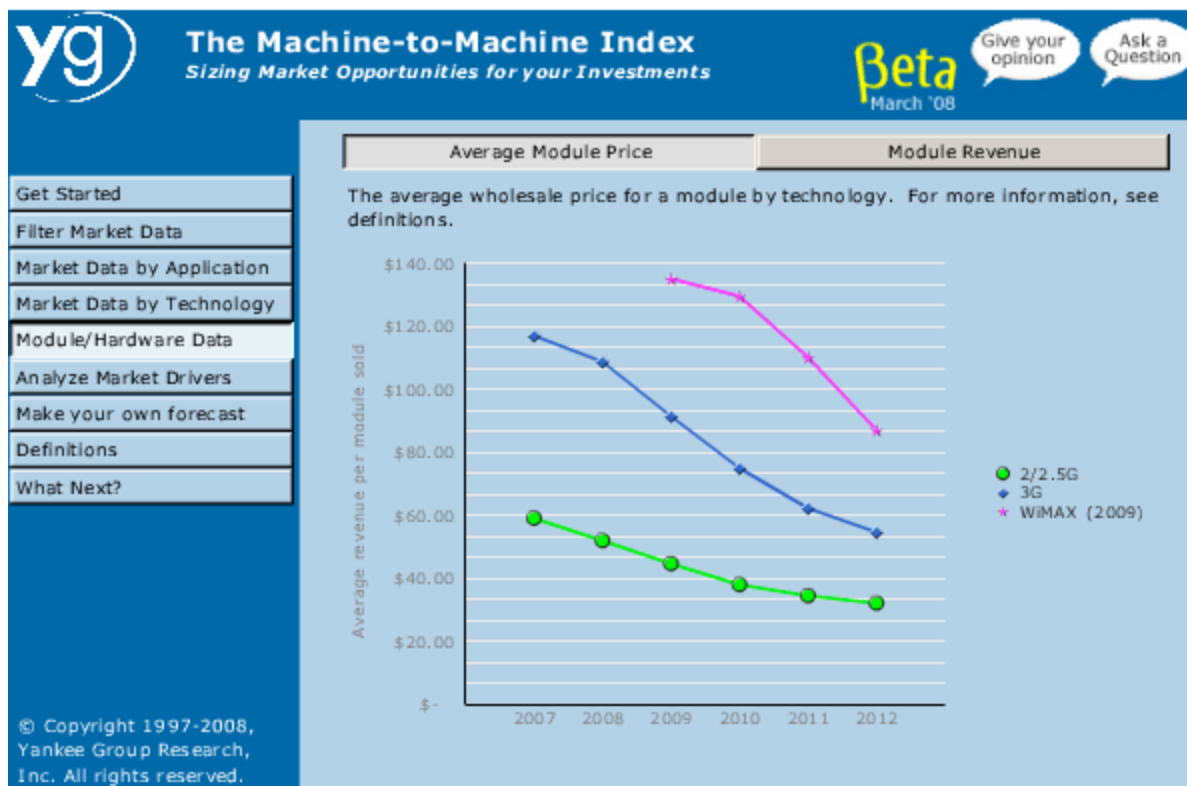


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# Thank You

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To trial M2M Index (Beta release)  
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For schedules, please  
visit our web site:  
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**57. Which non-traditional cellular device categories have the best prospect for high-volume sales in the next 3 years?**

	Very Likely	Somewhat Likely	Neither Likely nor Unlikely	Somewhat Unlikely	Unlikely	Response Count
Portable gaming devices	<b>46.0% (91)</b>	34.3% (68)	9.1% (18)	8.1% (16)	2.5% (5)	198
Portable music players	<b>50.3% (99)</b>	36.5% (72)	7.1% (14)	4.6% (9)	1.5% (3)	197
M2M and/or telematics devices (e.g. meters, cars, fleet vehicles, etc.)	31.5% (62)	<b>40.1% (79)</b>	21.8% (43)	5.6% (11)	1.0% (2)	197
Digital cameras	26.5% (52)	<b>35.2% (69)</b>	18.4% (36)	15.8% (31)	4.1% (8)	196
Internet tablets/ultra-mobile PCs/other mobile internet devices	<b>42.4% (84)</b>	39.4% (78)	11.1% (22)	5.6% (11)	1.5% (3)	198
Payment/banking-oriented devices	27.0% (53)	<b>36.7% (72)</b>	15.3% (30)	16.8% (33)	4.1% (8)	196
Other categories not yet widely distributed (e.g. ebook readers)	10.7% (21)	<b>32.0% (63)</b>	30.5% (60)	18.8% (37)	8.1% (16)	197
<b>answered question</b>						<b>199</b>