

Mobile Operators Go after the Connected Car Opportunity

Cellular Telematics Value Chain, Business
Models and Market Forecast

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Executive summary

Telematics is one of the most dynamic and fastest growing segments of the cellular machine-to-machine market, which itself will take a growing portion of all cellular subscriptions, increasing from 2.3% in 2012 to 6.8% in 2018. Regulations are a key market driver, but competition and innovation in the insurance and OEM segments are also important.

Despite differences between the telematics service markets of OEMs, insurance companies and aftermarket providers, we expect to see increased partnerships and collaboration between these segments as the car's network connection is used for a range of different services. Operators must also adapt their models to local market dynamics, especially given the variety of factors affecting telematics demand, ranging from income levels, rates of car theft rates and drivers' expectations to the availability of smartphone apps.

Pyramid Research has identified four key approaches operators can take to expand their presence in the telematics value chain and thus their share of it:

1. They can become telematics service providers, as Verizon has done through its acquisition of Hughes Telematics.
2. Operators can offer flexible billing, so that telematics access and services can be charged to a phone bill.
3. To be able to plan and deploy services better, operators can develop or partner for systems integration capabilities.
4. Operators can leverage their brands and channels to sell telematics services directly to end users.

In *'Mobile Operators Go after the Connected Car Opportunity'*, Pyramid Research examines the cellular telematics value chain, analyzes the different business models and provides market forecast for the telematics industry globally. The report looks at the various market drivers and how they differ between regions and especially between emerging and developed markets; it also examines the main types of telematics applications, such as navigation, emergency services, diagnostics PAYD and PHY insurance, and stolen vehicle recovery. focusing on the opportunities for MNOs to expand their role. Examples from around the globe are provided throughout, including of AT&T (in the US), Vodacom (South Africa), GM OnStar (US), ERA GLONASS (Russia), eCall (Europe), Volvo, Insurethebox (the UK), Generali and Telefónica (Spain), and the CONTRAN regulations (Brazil).



About the author: Jan ten Sythoff, Analyst at Large

Mr. Sythoff used to be Manager of Pyramid EMEA practice, with over 10 years of experience in market forecasting and analysis of competitive strategies. He has authored reports on a range of topics, including enterprise & M2M, mobile payments & financial services, and mobile content & applications. Jan has managed different consulting projects and leads Pyramid's research in the area of mobile services. Prior to joining Pyramid, Jan was a senior analyst with Frost & Sullivan; he has a Postgraduate Diploma in Business Management from the University of Barcelona and a degree in Economics from Exeter University.

Sample exhibit

ACTIVE TELEMATICS SIMS IN NORTH AMERICA BY SEGMENT, 2012-2018

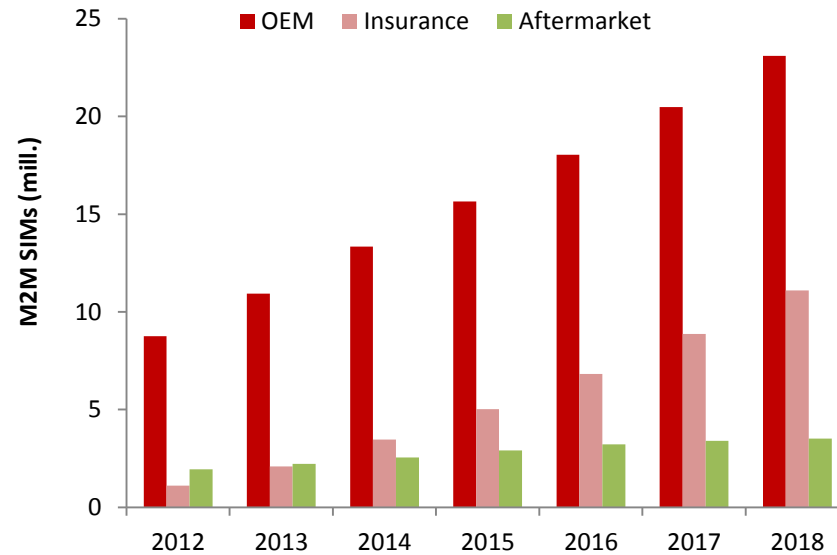


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Companies mentioned

Major mentions:

AT&T
Chrysler
GM
Insurethebox
Porto Seguro
Royal Automobile Club
Sprint
State Farm Insurance
Telefónica
TIM
Verizon
Vodacom
Vodafone
Volvo

All mentions:

AAA Club Partners
AIG
Allianz
AT&T
Audi
Autotrac
Bell Mobility
BMW
CalAmp
China Telecom
China Unicom
Chrysler
Claro
Cobra
Coyote
Daihatsu
Datora
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Ericsson
Everything Everywhere
Ford
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TIM
TomTom
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Toyota
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Vodacom
Vodafone
Verizon
Volvo
Wireless Car
Zhejiang Geely

Sources and related research

[Mobile Data Forecasts](#)

Forecasts updated quarterly

A premium version of the Mobile Demand Forecast, Mobile Data tracks current and future demand for mobile data services, within the context of overall mobile demand. This forecast includes all the same tracking as the standard Mobile Demand Forecast but breaks down mobile data ARPS, revenues and subscriptions at the service level.

[Cellular M2M Connections: An Analysis of Growth Drivers, Market Segments and Operator Approaches](#)

This Thematic Report analyzes developments in the cellular M2M market, providing in-depth country, regional and application-level forecasts underpinned by an in-depth analysis of some of the key drivers and challenges that the market faces: This is of particular importance given the variance in forecasts available.

[Operator M2M Success Hinges on Flexible Pricing](#)

In this Telecom Insider, we look at a number of operators' M2M commercial offerings and analyze pricing strategies of Tier 1 mobile operators across 14 markets. We present the case study of US-based MNO AT&T, one of the most successful operators in the M2M sphere, and then take a look at two additional operators in emerging markets: Movistar Mexico and MTS Russia.

[The Machine-to-Machine Market: A high-growth opportunity for MNOs](#)

This Thematic Report examines the role of MNOs in the machine-to-machine (M2M) market serving diverse vertical industries with a range of different devices across multiple networks. Growth is driven by a number of factors, including new regulations, a variety of business models, innovations, falling hardware costs and technological developments. The diversity of the market makes it challenging to address, particularly for mobile operators geared to generating revenue from high volumes of subscriptions with relatively high usage requirements and a limited range of devices. In this report, Pyramid Research analyzes the current state of the M2M segment, providing forecasts by application type and by region.

[United Kingdom: Investments in LTE and Fiber Broadband Networks Will Help Keep Revenue Stable](#)

This Country Intelligence Report covers the UK's communications market, the largest in Western Europe, which boasted service revenue of US\$60bn in 2013. Mobile data was the largest contributor to growth in 2013, driven by network upgrades and skyrocketing smartphone and tablet adoption. This trend will intensify in 2014 as more users adopt LTE. The main driver on the fixed side will be the adoption of fiber-based services, benefitting BT the most. The UK pay-TV market, which will reach 68% household penetration in 2018, has become more competitive with the entry of new IPTV players and Liberty Global's recent acquisition of Virgin Media.

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About Pyramid Research

Advising Leaders in the Global Communications Industries on Emerging Markets and Services Opportunities

Pyramid Research (www.pyramidresearch.com) offers practical solutions to the complex demands our clients face in the global communications industry. Its analysis is uniquely positioned at the intersection of emerging markets, emerging technologies and emerging business models, powered by the bottom-up methodology of our market Forecasts for more than 100 countries – a distinction that has remained unmatched for more than 25 years.

How We Cover Communications Markets

Our highly structured analysis closely examines the performance, technology trends, macroeconomic environment and regulatory conditions of service providers and equipment vendors in each of the more than 100 countries we cover. Using a bottom-up approach, we size market demand across services and countries, and conduct end-user surveys to validate adoption trends and anticipate shifts in demand. Our commitment to intensive, direct interviewing of regulatory authorities, service providers and manufacturers – complemented with end-user data – ensures the most reliable portrait of every market we examine.

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