The Growth of M2M: Drivers, Alliances, Acquisitions, and Economies of Scale

Olivier Beaujard, Vice President, Market Development, Sierra Wireless

Global analysts, cellcos, and machine-to-machine (M2M) solution providers all agree on at least one thing – M2M is on a hockey stick growth trajectory. International alliances of mobile operators with other operators and/or solution providers are being formed. Acquisitions are being made that strengthen some providers with new technologies, access to broader markets, and better purchasing power. This partnering and consolidation will reduce the complexity of connected-device services and create economies of scale to make M2M an even more strategic business tool and further strengthen the market overall.

Acquisitions and alliances are part of the story of M2M growth, but what is driving growth are three main vertical market applications: automotive and transportation; energy – smart grid, smart meters; and networking.

In North America, consumer demand is driving growth in the market for connected cars that provide synced communications and security features. In Europe, legislation is a primary driver of tremendous M2M growth in the transportation industry, as in France where trucks are monitored for pollution impact to be taxed per kilometer. Brazil has undertaken an M2M project deploying cellular tracking to monitor all motor vehicles, enhancing the security of vehicles by aiding in anti-theft and stolen vehicle recovery.

Legislation in Europe is also a major force behind the drive toward improved energy efficiency and adoption of smart meters. Deregulation of energy and an energy efficiency directive by the European Commission impels a wide-scale move to smart metering throughout Europe. The US is also seeking to optimize the use of energy and revitalize an aging energy infrastructure. The Federal government’s American Recovery and Reinvestment Act has underwritten 100 smart grid projects intended to lead to the rollout of approximately 18 million smart meters, one million in-home energy management displays, and 170,000 smart thermostats.

In networking, M2M capability is being built into wide area networking devices such as routers and gateways to automate operational functions and capabilities or extend corporate network services into the field. Another M2M application in networking uses 3G or LTE cellular to backup DSL service.

In order to serve these growing needs, M2M solutions providers must have access to global markets, and they must be able to provide innovative technologies and services at a non-prohibitive price point. If a company does not scale, it won’t succeed. Acquisition is an effective way to scale quickly.

Sierra Wireless, headquartered in Canada, has executed an effective M2M

acquisition strategy over the course of its history, most recently, in June 2012, when Sierra Wireless entered into an exclusive agreement for the acquisition of the M2M business of Sagemcom,a French high-technology group active in broadband, telecom, energy, and document management. Sagemcom M2M offers Sierra Wireless a significantly enhanced market position in key segments, including payment, transportation, and railways, as well as geographical expansion into Brazil.

Sierra Wireless is well-equipped to bring M2M solutions to these markets, with various wireless modules series that can be embedded into transportation tracking and communication devices to support applications such as eToll or eTax and railway signaling, growth engines for machine communications in transportation. The acquisition strategy enacted by Sierra Wireless pushes the company to ~30-35% market-share globally in M2M Embedded Modules and expands its global footprint, with presence on every continent and exporting everywhere.

The M2M ecosystem has seen several other transactions and acquisitions in recent years, including most recently the announcement that Swiss company u-blox, a provider of positioning and wireless semiconductors, is purchasing UK-based Cognovo Ltd., which specializes in “Software Defined Modem” chip development technology. 2011 saw Italy-based Telit Wireless Solutions acquire Motorola Solutions' M2M modules business unit in March; Globalconect, an M2M services and connectivity business, in July; and in December, Navman Wireless OEM Solutions, a designer and manufacturer of GPS modules and solutions. Gemalto, a digital security company in Netherlands, entered the M2M business in June 2010 with the acquisition of Cinterion Wireless Modules GmbH, a provider of industrial M2M wireless communication modules.

To continue on the hockey stick growth of M2M requires effectively executed strategies of innovation and synergistic acquisition along the entire trajectory. The only thing constant will be change.

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