

Mobile Data Modules: Powering the Market for Mobile Internet Peripherals and Devices

ARC CHART

S E C T O R R E P O R T

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Executive Summary

The mobile phone is by far the most common device used to connect to mobile networks. However, the number of non-handset mobile devices is set to grow and will represent an important market for all members of the mobile value chain – the chipset providers, module suppliers, OEMs and operators. These emerging devices will also introduce a new set of players into the market such as PC OEMs, machine-to-machine (M2M) vendors and the manufacturers of consumer electronics devices.

This report focuses on the expanding category of products which contain a mobile data module, but which are not handsets and are not used in a voice-centric capacity. The term we have assigned to these is 'Mobile Internet Peripherals and Devices' which encompass products such as PC cards, USB modems, game consoles, eBooks, digital signs, ATMs and host of other M2M applications. Sitting within all these devices is a data module providing a connection to a wide-area network based on one of the three main mobile standards, namely GSM, CDMA or WiMAX. ARCchart forecasts that unit shipment of these mobile data modules will grow from a base of 10 million in 2007 to 370 million units by 2013, representing a market value of \$11 billion. This means that the products which these modules sit inside will constitute more than 30% of all (handset plus non-handset) mobile devices shipped in 2013; up from less than 1% in 2007.

ARCchart has identified five main categories which mobile internet peripherals and devices currently fall into – computing, CPE, automotive, financial and entertainment – and detailed forecasts are provided for the shipment and market value of the data modules embedded in these products.

There are several factors driving the proliferation of these devices and the report discusses those which are most influential. The most important is the growing availability of mobile broadband networks. As of March 2008, the number of HSPA networks worldwide totalled 166 across more than 73 countries. While CDMA EV-DO has not been as widely deployed, the technology has undergone wide deployment in regional pockets, such as the US, in Japan and in South Korea. Over the coming years, mobile WiMAX (802.16e) is set to bring coverage to developing markets and metropolitan areas. ARCchart predicts that WiMAX-enabled peripherals and devices will grow from less than a million in 2007 to reach 81 million by 2013.

In their pursuit of higher ARPU, network operators have become a key driving force in the proliferation of mobile internet peripherals and devices, particularly those used for computing applications such as data cards, USB dongles and notebooks with embedded modules. As mobile markets hit saturation, these products represent new subscriber revenue streams, and the operators' willingness to subsidise the cost of these devices is making them affordable to a wider base of consumers. In terms of subscriber revenue, ARCchart estimates that the service revenue generated by operators from these products will grow from \$2.7 billion in 2007 to \$93 billion worldwide by 2013.

As the cost of mobile data modules fall, manufacturers of various appliances, such as those with entertainment and finance applications, are appreciating the benefits which mobile connectivity bring and are embedding the technology. ATMs, point-of-sale terminals, handheld game consoles and set-top boxes are examples of devices which have seen a boost to their utility by embedding wireless connectivity.

The report examines the end-to-end supply chain for these peripherals and devices: ranging from the chipset makers, like Qualcomm and Icera; the data module suppliers and OEMs, like Option, Sierra Wireless, Novatel Wireless and Huawei; and the operators, like Vodafone and Sprint Nextel. Detailed company profiles are provided to key players in each segment.

Table of Contents

A. INTRODUCTION	1
3G and Mobile Broadband	1
Mobile data devices	1
A.1 What is a mobile data module?	2
Mobile internet peripherals and devices covered in this report	2
The anatomy of a mobile data module.....	3
Chipset	3
A.2 Factors driving the market for mobile data modules	3
Growth of mobile subscriber base	3
Availability of high-speed wireless data	4
Revenue opportunities for mobile broadband operators	5
The growing importance of data for operators.....	5
Competition and pricing	6
Rise of networked devices and services	6
Operator subsidies.....	7
Challenging topologies for coverage.....	8
Convergence of home entertainment.....	8
B. THE MOBILE DATA MODULE	9
B.1 Chipsets	9
Antenna	9
RF Front-end	9
Baseband.....	10
Gobi.....	10
B.2 The module	11
C. CONNECTIVITY AND WAVEFORM TYPES	12
C.1 Data rates	12

Fixed versus mobile broadband.....	13
DSL	13
Fibre	13
The mobile advantage.....	13
The road to 4G.....	14
C.2 Dual-mode modules	14
Dual-mode WiMAX modules	15
C.3 GSM family	15
Overview.....	15
Data capabilities	16
Networks, operators and subscribers.....	16
The path ahead.....	17
C.4 CDMA family	17
Overview.....	17
Data capabilities	18
Networks, operators and subscribers.....	18
The path ahead.....	19
C.5 WiMAX	19
Overview.....	19
WiBRO	20
Time-to-market issues.....	20
Data capabilities	21
Major operators and subscriber base.....	21
The path ahead.....	21
D. MOBILE BROADBAND PERIPHERALS AND DEVICES.....	22
D.1 Identifying the devices covered	22
Fixed devices on a mobile network.....	22
D.2 Peripherals – data cards	23
PC cards and ExpressCards.....	23
The PC Card	23
ExpressCard	24

Preferred applications	25
Outlook.....	26
USB dongles	26
Applications.....	26
USB dongles versus PC cards.....	27
D.3 Computing devices	27
Notebooks.....	28
The benefits of mobile broadband over Wi-Fi.....	28
UMPCs and Mobile Internet Device	29
Intel Centrino Atom	30
WiMAX and MIDs.....	30
D.4 Customer Premises Equipment (CPE)	30
Routers and home gateways	30
Example devices	30
D.5 Automotive	31
Narrowband and broadband applications.....	32
Internet access	32
Fleet management.....	33
D.6 Financial	33
ATMs and Point of Sale terminals.....	33
ATMs.....	33
Point of Sale terminals	34
Transaction over wireless.....	34
Example products	34
D.7 Entertainment	35
Digital signage	35
Example products	36
Jukeboxes.....	36
Gaming consoles	37
Multi-playing gaming over wireless	37
Example devices	38

E-book readers	38
Example devices	39
Set-top boxes.....	39
E. SUPPLY-CHAIN ANALYSIS	41
E.1 Chipset suppliers	41
Drive for innovation	42
Revenue sources and stakeholder relationships.....	42
E.2 Company profiles – Chipset suppliers	42
Intel.....	42
Challenges surrounding the traditional wireless chipset market.....	42
Intel and WiMAX	42
The Montevina platform.....	43
Atom gives rise to the Mobile Internet Device	43
Encouraging and investing in WiMAX operators	44
Qualcomm	44
Qualcomm’s answer to WiMAX – Gobi	45
The outlook for Gobi.....	45
Icera.....	46
Products	46
Outlook.....	47
Beceem.....	47
Products	47
Outlook.....	47
InterDigital.....	47
Products	48
Outlook.....	48
E.3 Module suppliers	48
Strategy overview	48
Both a module supplier and an OEM	49
Revenue sources and inter-stakeholder relationships.....	49
E.4 Company profiles – Module suppliers	49

Sierra Wireless	49
Customers and partners.....	50
Products	50
Outlook.....	50
Novatel Wireless.....	51
Customers and partnerships	51
Products	51
Option	51
Customers and partnerships	52
Products	52
Outlook.....	53
Huawei.....	53
Customers and partnerships	53
Products	53
Outlook.....	54
E.5 OEMs	54
Strategy overview	54
Factors driving OEMs to embed mobile broadband	54
Revenue sources and inter-stakeholder relationships.....	55
E.6 Company profiles - OEMs	55
Commerciant	55
Products	55
HP.....	56
Fujitsu Siemens Computers.....	56
E.7 Wireless operators	57
Strategy overview	57
The subsidy factor	57
Laptops and embedded modules	57
The economic advantage for HSPA and WiMAX	58
E.8 Company profiles – Wireless operators	58
Vodafone	58

Suppliers and partnerships.....	59
Mobile broadband packages and tariffs	59
Outlook.....	59
Sprint Nextel	60
Outlook - Sprint and Clearwire in WiMAX marriage	60

F. MARKET SIZE AND FORECASTS 61

Shipment volume	61
Market value.....	61
Subscriber base	61
Subscriber revenue	62
F.1 Research methodology	62
Primary and secondary research resources	62
The model.....	62
F.2 Overall market size	63
Shipment volumes	63
Market value	64
Average selling price (ASP)	65
Subscriber base	66
Subscriber revenue.....	67
F.3 Shipment classification	68
Waveforms.....	68
End-applications	70
Regions.....	72
F.4 Conclusions	77

List of Figures

Figure A-1: GSM subscriber growth.....	3
Figure A-2: Worldwide CDMA subscriber growth.....	4
Figure A-3: Separate data revenue reporting by Vodafone.....	5
Figure A-4: Bundled wireless data card offered by Sprint Nextel.....	7
Figure B-1: Examples of Qualcomm’s MSM chipsets	10
Figure B-7: The GTM382 embedded module from Option.....	11
Figure C-1 - The Samsung SCH-W599 GSM-CDMA dual-mode handset.....	15
Figure C-2: Examples of available WiMAX devices	20
Figure B-2: Dimension comparison of CardBus PC card, ExpressCard54 and ExpressCard34.....	24
Figure B-3: ExpressCard versus CardBus	25
Figure B-4: The Merlin U740 PC card from Novatel Wireless.....	25
Figure B-5: Merlin XV620 3G 2.4 ExpressCard from Novatel Wireless	26
Figure B-6: The Compass 885 USB card from Sierra Wireless	26
Figure D-1: Novatel X620 ExpressCard in a notebook	29
Figure D-2: RG230 WiMAX-based CPE from AWB	31
Figure D-3: AXIA SOHO HSDPA based multi-function router from Fifth Media.....	31
Figure D-4: NexConnect 3G broadband router from NexAira	32
Figure D-5: AirLink MP 880/881W device from Sierra Wireless.....	33
Figure D-6 - Diebold Opteva 328 bulk cash ATM.....	34
Figure D-7: Wireless signage service provision	36
Figure D-8 - A digital jukebox with music selection screen	37
Figure D-9: Gizmondo gaming console with GPRS connectivity.....	38

Figure D-10: Amazon Kindle e-book reader.....	39
Figure D-11: Readius e-book reader from Polymer vision	39
Figure E-1: Use case scenario for Intel WiMAX Connection 2250.....	43
Figure E-2: The Qualcomm business model.....	44
Figure E-3: Icera Livanto ICE8040 chip	46
Figure E-4 - Selection of Huawei's E220 USB dongle rebranded by various operators.....	49
Figure E-5: Ericsson router with Sierra Wireless embedded module	50
Figure E-6: Dovado wireless residential gateway with provision for Option's PCMCIA cards	52
Figure E-7: The EC506 CDMA wireless gateway from Huawei	53
Figure E-8: Mobilescape 5000 credit card and cheque payment processing device.....	55
Figure E-7: The Dell Inspiron Mini 9 offered by Vodafone	58
Figure E-9: USB dongle stick offered by Vodafone in UK.....	59
Figure F-1: Mobile data module shipments.....	63
Figure F-2: Mobile data module market value.....	64
Figure F-3: ASP of Mobile data module shipments.....	65
Figure F-4: Subscriber base of mobile internet peripherals and devices	66
Figure F-5: Operator revenues from subscriptions to mobile internet peripherals and devices	67
Figure F-6: Mobile data module unit shipments by waveform.....	68
Figure F-7: Mobile data module shipments by waveform – market share.....	69
Figure F-8: Mobile data module unit shipments by end applications.....	70
Figure F-9: Mobile data module unit shipments by application – market share	71
Figure F-10: Mobile data module shipments distribution by region - volume	72
Figure F-13: Mobile data module shipments distribution by region - percentage.....	73
Figure F-12: Mobile data module shipments distribution in Americas by waveform - volume	73
Figure F-13: Mobile data module shipments distribution in Americas by waveform - percentage.....	74
Figure F-14: Mobile data module shipments distribution in EMEA by waveform - volume.....	75

Figure F-15: Mobile data module shipments distribution in EMEA by waveform - percentage 75

Figure F-16: Mobile data module shipments distribution in APAC by waveform - volume 76

Figure F-17: Mobile data module shipments distribution in APAC by waveform - value 77

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