



AT YOUR SERVICE

GEOFF SAWYER LOOKS AT WHAT THE LATEST EARSC SURVEY REVEALS ABOUT HOW THE EARTH OBSERVATION SERVICES INDUSTRY HAS BEEN CHANGING OVER THE PAST FEW YEARS

Companies selling earth observation (EO) services are seeing an almost tectonic shift in the business environment in which they operate. Some of the key changes which we have seen in the past two years are:

- The Copernicus programme has launched the first two Sentinel satellites with a free and open data policy making large volumes of data freely available
- Worldview 3 has been launched, which together with the relaxation of ITAR regulations by the US government brings optical data onto the market at a resolution not seen before from satellite sensors outside closed military circles.
- New business ventures are being launched at a rapid rate and sometimes it seems like we hear of a new one every month.
- Several corporate actions have taken place, including Google buying Skybox, Urthecast buying Deimos Imaging and Planet Labs buying Blackbridge's geospatial companies.

EARSC is a non-profit-making organisation created in 1989 with the mission to foster the development of European geoinformation service industry. Our main objective is to stimulate a sustainable market for geoinformation services using EO data. We have 76 members from more than 22 European countries.

At EARSC, we have a business intelligence service through which we try to keep our members informed of the major changes which are affecting their market, as well as keeping a track of the European industry. In this respect we have just released our latest survey of the EO services industry, which gives the industry statistics for 2014. The previous survey was conducted in 2012 and published reports (in both long and short versions) are available online at our web site.

It is the most comprehensive survey conducted of the sector, with the questionnaire being sent to more than 500 companies in 34 countries in Europe and Canada and returns coming from over 150 of them. It is important to note that not all the 500+ companies are part of the sector – after adjusting for those which responded that they do not use satellite imagery in any way, we calculate that there were 451 companies active in the sector in Europe and Canada in 2014, compared with 390 in 2012.

What are EO services?

What do we mean by EO services? It's a good question! Our working definition for a company to be included is that the services that they offer must involve the use of satellite EO data in some form. This covers companies offering data and those offering maps or geospatial information that has used some element of satellite data in its processing.

Sometimes, it is difficult for companies working further down the value chain to position themselves (see Figure 1).

The survey covers the full chain of activities in the sector from the operators of satellites, through data resellers, value-added service providers and GI companies. The survey looks at employment and revenue figures and their evolution but it also covers a number of strategic issues and the way that the companies in Europe and Canada are adapting to the changing competitive environment. The survey is in two parts, with a core set of questions online and a second set of more strategic ones that are covered through a phone call. We have 152 responses to the core and 60 for the full surveys. All companies completing the full survey have already completed the core part.

We find that despite all the change outlined above, industry is more optimistic about the future than it was two years ago when the previous survey was conducted. We have a scale of -5 to +5 to indicate the degree of optimism in the industry. In 2012, it stood at 1.8 whereas in 2014, it increased significantly to 2.7. We consider this a reflection of the new ventures and corporate actions showing a confidence to invest in the sector and although the competitive environment is becoming more difficult, the market is expected to grow as a result of all the new investments and data sources.

It also reflects a growing market in which revenues have grown from €786m in 2012 to €911m in 2014, which is a growth rate of 7.6%. If we project backwards to earlier years, we find a higher growth rate of 11%, so it is looking as though growth has slowed.

Looking at the activities, we find that those linked with selling of data have risen by 5% whilst those linked to value-adding have grown by 72%. It seems to reverse the trend which we found in 2012 where the growth between 2008 and 2012 was fuelled by new satellites being launched by European operators such as Rapideye (now Blackbridge), Deimos Imaging and DMCii, as well as growth in the two major companies. This has clearly slowed over the period because fewer satellites were launched and possibly by the anticipation of some of the new data sources being free (Sentinel and Landsat) – anticipation because most of the data was not reaching the market in time to drive the revenue figures for our survey.

Value add

In 2014, the reverse was true: growth in data sales has slowed whilst the value-adding part has accelerated. The overall growth rate in revenues is now around 8%. The figure below, shows the evolution of revenues in the sector. The revenue volume is traced from 2006, when a first survey was conducted, through to 2014. The years in which surveys were conducted are shown darker than those where the figures are interpolated based on our analysis. We see an overall steady progression from €412m in 2006 to €911m in the past year – an aggregate, average growth rate of 10% (see Figure 2).

Growth in revenue is coming primarily from the large enterprises (employees>250) and to a lesser extent from medium (250>employees>50) and small (50>employees>10) enterprises. Total revenue from micro-enterprises (10>employees) has grown, but very slowly and mostly from the increasing number of companies, mainly start-ups, entering the sector. The growth rate has been generally steady at around 8% per annum (see Figure 3).

Finally, the number of employees in the sector has increased from 3,149 in 2006 to 6,811 in 2014 as shown in Figure 4.

In future years, we hope to be able to extract more trends in the sector and understand some of the influences on it, particularly the impact of Copernicus. We shall also try to pinpoint the performance of new start-ups more precisely as our record of data builds up. The next survey is planned for two years time in 2016.

Geoff Sawyer is secretary general of EARSC (www.earsc.org)

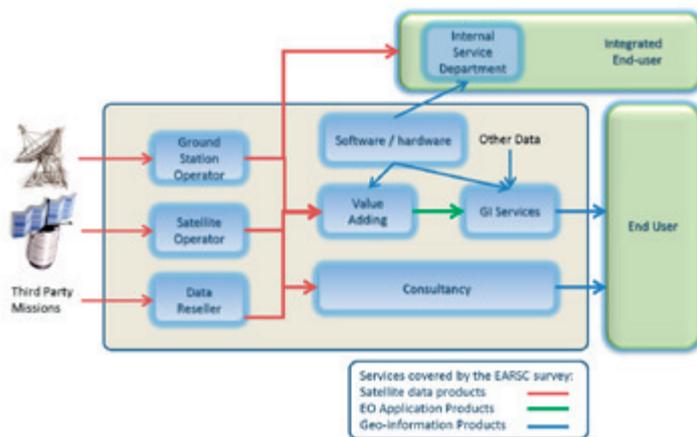


Figure 1. The EO services value chain

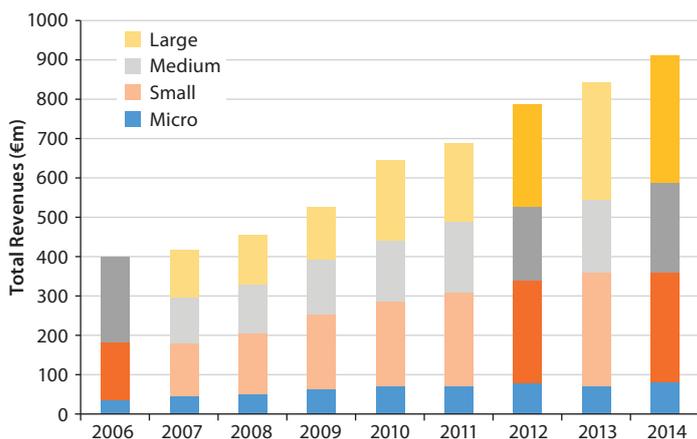


Figure 2. Total revenue between 2006 and 2014

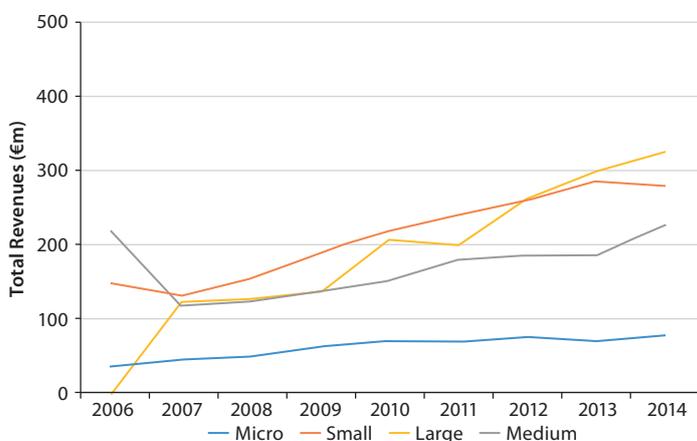


Figure 3. Distribution of total revenues

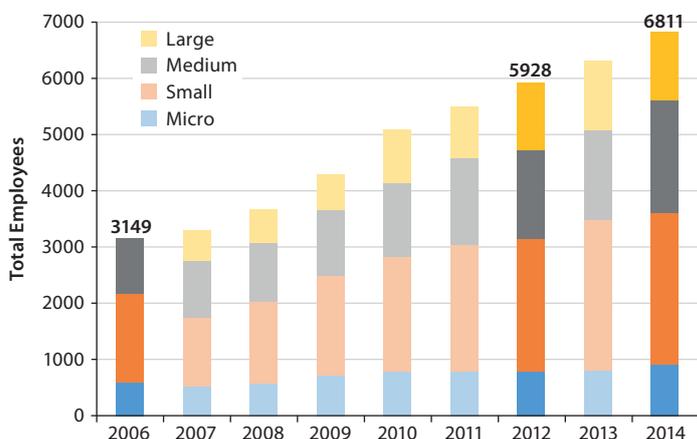


Figure 4. History of total number of employees