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## In the Driver's Seat

The Big 3 U.S. automakers – General Motors, Ford and Chrysler – each have some kind of connectivity strategy. GM has OnStar. Ford has Sync, and Chrysler is touting “uconnect” for phone, tunes, GPS and Web access.

BY MONICA ALLEVEN

**G**iven today's credit crunch, high fuel prices and consumers' desires to get rid of their SUVs, you might understand if car makers put telematics in the back seat. But they're not. In fact, industry insiders say automakers have plenty of reasons to keep telematics on the R&D front burner.

To name a few: Offering telematics services can be a way to increase customer loyalty, generate new revenue, enhance aftermarket vehicle performance and avoid costly recalls. But if you're still skeptical after seeing years of forecasts predicting hockey-stick growth for telematics, that's understandable, too.



Automotive telematics has been around for at least 10 years, according to Telematics Research Group (TRG), a unit of iSuppli. Ford tried to make it work in 2000 with the

establishment of its Wingcast venture with Qualcomm, but that was shut down in 2002. The most visible success story is General Motors' OnStar, and even there – 10 years

after it started – some analysts wonder if its model is sustainable in the years to come.

Still, telematics has its believers. “There’s no doubt that we will see increasing numbers of new vehicle telematics enabled over the next year,” said Michael Saxton, CEO of Cross Country Automotive Services, which recently acquired ATX Group. As for that huge hockey stick growth? “We actually believe that is going to happen now over the next two or three years.”

#### GEN Y DRIVES DEMAND

“All of the major [car] companies have something going,” said Phil Magney, vice president of the auto business practice at TRG, which traditionally was one of the more conservative in its forecasts. It’s of strategic importance to automakers, he said. Even though they’re facing tough times, they can’t afford to throw in the towel on R&D for telematics. “The companies realize they are going to have to have a wireless connection to the car,” he said, both for meeting consumer demand and for their own remote diagnostics, which can save them money down the line.

GM’s OnStar is the clear leader, but Ford and Chrysler are being shrewd in their offerings as well, he said. Ford Motor Company is using what Magney calls a hybrid approach. Parts are embedded in the car, but the communication is done through the consumer’s phone, so it’s not the walled garden in the sense that OnStar’s system is set up. Chrysler’s branded “uconnect” uses Bluetooth for voice-controlled communication between the occupants’ compatible mobile phones and the vehicle’s onboard receiver. It is using technology from Hughes Telematics, although its services are not as far along as Ford’s.

TRG predicts considerable growth in the OEM market. For 2008, it forecasts roughly one in four vehicles are moving off the lot with a monitored telematics system. It will stay in that range for a couple years. By 2010, that will move up to 30%, and by 2013, it will be 54%, or about half of new car sales with a telematics system.

Just how appealing are telematics services to the masses? Sync is the name of Ford’s voice-activated in-car communications system for mobile phones and digital music players powered by Microsoft Auto software. According to Doug VanDagens, head of Ford’s 40-person connectivity group, models of the Ford Focus with Sync are moving off dealer lots twice as fast as those without Sync, even though it adds about \$400 to the total price. “Sync has been a smashing success,” he said.

Ford didn’t want to bolt phones into cars because they become obsolete so fast, he explained. Instead, it uses customers’ existing cell phone and voice service. Software provider Airbiquity is the “glue” that brings it all together, said David Jumpa, senior vice president of global business development at Airbiquity, whose other customers include BMW and OnStar. That’s beneficial for consumers because a lot of people do not have data plans. Ford’s diagnostics reports also run over the Airbiquity system – and it’s targeting a range of cars, not just the high-end luxury cars that typically get the latest and greatest services. “What we want to do is provide 911 and health [diagnostics] reports to the masses,” VanDagens said.

Ford, like other car makers, say people

want to stay connected 24/7, thanks in no small part to Generation Y, the first group of car buyers that has grown up online, which means they expect to stay connected with friends and music as part of their everyday lives. “Our vision for the future is to continue with the Sync philosophy that says we are going to use the services and devices you already have,” VanDagens said.



**Jumpa:** Airbiquity is the glue behind Sync.

#### ONSTAR: 5M AND COUNTING

In tough economic times, people still need to get around but they want to spend less time in vehicles. It’s easy to see where navigation services will help them get where they need to more efficiently, but connected cars also mean cost savings in the form of vehicle diagnostics. OnStar can collect information on engine oil, tire pressure, mileage and other items and report them to the customer on a monthly basis. Its algorithm can determine when the oil needs to be changed, as that can vary greatly depending on driving patterns. Recommended tire pressure can improve mileage performance.

OnStar is now in about 90% of GM’s vehicles. “OnStar does help differentiate GM



*OnStar has roughly 5.5 million customers and handles about 1,900 accident-related calls and 65,000 door unlocks each month.*

## OEM-Monitored Telematics

North America	2005	2006	2007	2010	2011
OEM Monitored Telematics Sales (# in thousands)	2,189	2,984	3,866	5,966	7,180
OEM Telematics In-Use (# in thousands)	10,074	13,021	16,820	32,332	39,196
OEM Monitored System Revenue (millions)	\$2,781	\$3,223	\$3,518	\$3,878	\$4,380

Source: Telematics Research Group

vehicles,” said Nick Pudar, vice president of planning and business development at OnStar. “GM has made a significant commitment to this business.”

OnStar now has about 5.5 million customers and handles about 1,900 accident-related calls and 65,000 door unlocks each month. Service is free on GM vehicles for one year; then the price ranges from \$199 a year for the “safe and sound” package or another \$100 per year for directions and connections on model year 2007 and newer vehicles.

Yet that model has some analysts wondering if it’s sustainable. It uses thousands of call center agents, so it’s expensive to operate, and it’s not known how many customers decide not to sign up after the first year, according to ABI Research analyst Dominique Bonte.

### MOVE TO STANDARDS?

A few personal navigation device (PND) vendors and even handset vendors are starting

to design and develop telematics services that can be activated by installing software on the handset. Several of the latest Nokia phones have motion sensors, as does the Apple iPhone, and those devices could lend themselves more to telematics.

Bonte points to comparisons made with air bags, which started out as an option and now are standard in all but the lowest-end cars. “Consumers expect these features and they expect it to be a standard feature,” he said. “Ultimately, telematics, at least the hardware, will become a standard feature.”

That said, one of the handicaps of telematics has been a lack of standards, with a lot of smaller players providing pieces of the puzzle, he said. Initiatives to design standards could open up the market to more suppliers. In Europe, the European Commission is working on legislation that would force car makers to offer telematics as a standard feature so emergency personnel are notified immediately of a crash.

Telematics is an area that UIEvolution is delving into as well, although it’s not as high a priority right now as connected TV. “Over the next two to three years, it’s going to be slow moving. That’s the reality in the deployment,” said President and CEO Chris Ruff. In building a car, fuel economy and safety are tops, and telematics is still a “nice-to-have” feature, he said. “For us, it’s a belief in the long-term vision of that market” and entering it cautiously in the near term.

TeleNav hasn’t launched anything with car makers, but “we’re always looking at new opportunities,” said spokeswoman Mary Beth Lowell. “It’s fair to say we have been an active player in GPS on handsets for quite some time, but exploring the other form factors.” TeleNav also is very focused on the audible component. From the beginning, the company set out to use a real human woman’s voice to record street names because so often a computerized voice is hard to understand. The idea is that having someone next to you tell you where to go is easier to understand than a computer-generated voice that might not recognize your turn is coming up fast and you need to get ready for it.

The old adage that “the only thing that stays the same is change” applies to telematics, too. OnStar adds features on a regular basis, and it is expanding into China. But at least one thing isn’t changing. Pudar said consumers find OnStar’s in-car system easy to use, and there are no plans to add another button. ■

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