

# APPS Chart New Path for Navigation Market

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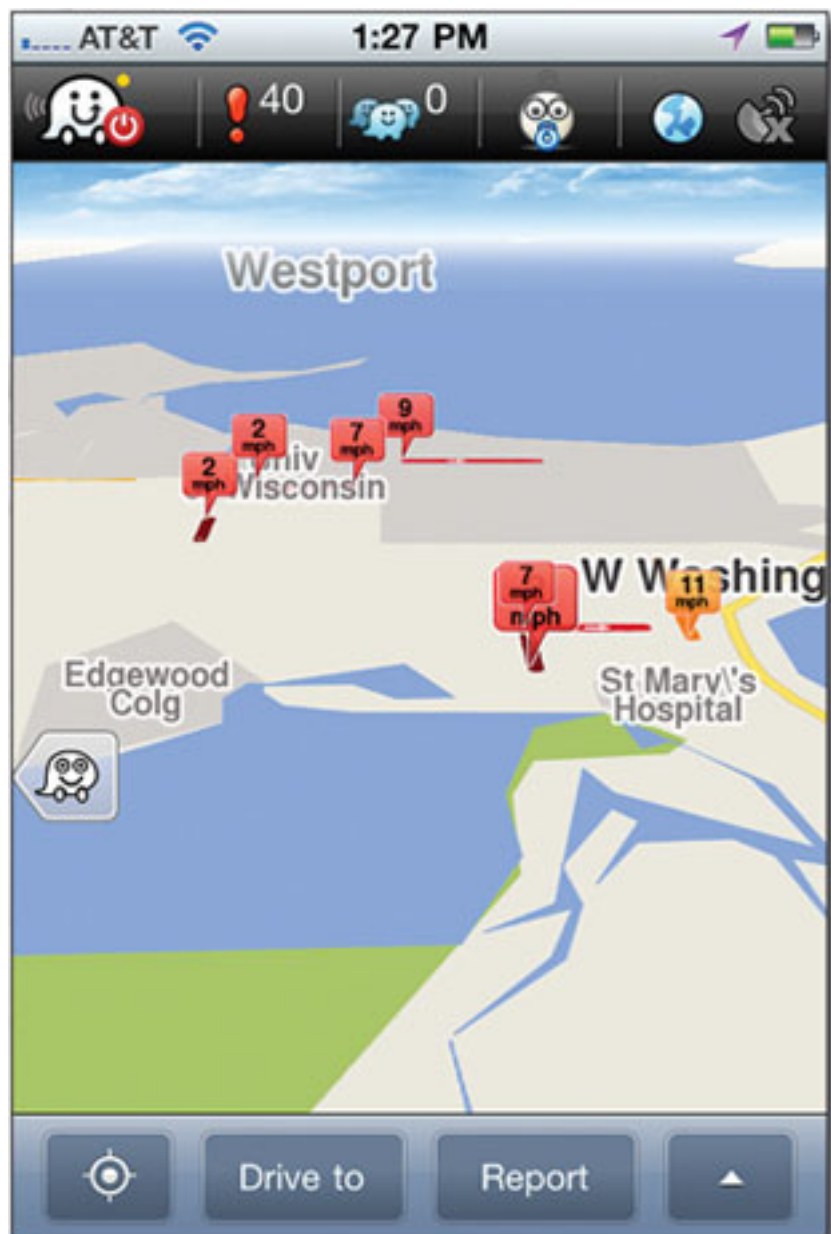
*How we get from Point A to Point B has changed dramatically over the past decade. Now demand for dedicated personal navigation devices is diminishing with the advent of downloadable apps. Garmin's acquisition of Navigon provides one example of how the old guard is meeting the new.*

It used to be that a good internal compass, possibly a baffling road atlas and a little luck was what got you and your trusty 1989 Corolla from New York to San Francisco. Today, however, you're more likely to be guided from curb to curb by the constant, always accurate (well, most of the time) commands issuing forth from your trusty iPhone or Android device. That is, unless you're using an in-dash or stand-alone navigation system.

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Whether it's a native smartphone app or a dedicated navigation system, the way we get from here to there has irrevocably changed over the past decade. The acquisition of Navion by Garmin offers an interesting intersection (pun intended) of two different philosophies merging in 21st-century navigation.

It all started with the personal navigation device (PND), made popular by companies like Garmin and TomTom. For at least a few years, if you wanted accurate, always-on, computer-generated directions in your automobile, your choices were pretty much limited to a PND or that confusing road atlas. Then along came Google in October 2009 with free turn-by-turn navigation for Android, and everything changed. Overnight, shares of PND makers plummeted and the entire industry had to be rethought.

What emerged from the wreckage were companies like Navion, which realigned its business around navigation apps for the smartphone. Navion makes one of the more sophisticated and pricey premium navigation apps for Android, iOS and Windows Phone 7. The Navion MobileNavigator North America app (\$59.99) is a

1.7 GB behemoth that will guide users through the swamps of Louisiana without blinking an eye while also alerting you to the nearest Waffle House if you're hungry.

Garmin is the flipside of the coin. In light of Google's disruptive tactics, it chose to stay the course and continued to evolve its line of PNDs by adding functionality to its devices. The PND market, however, continues to be saturated with a variety of options for consumers, and Garmin targeted Navigon for its expertise on the app side of things, as well as its 5 percent share of the PND market in Europe. Diversity in this market is the key to survival.

It's no secret that the consumer navigation market is becoming a saturated and extremely fragmented market. Consider the dizzying array of navigation options for the average consumer: app with monthly subscription, premium app purchased for an upfront price, carrier-provided service, free services like Android's turn-by-turn, PNDs and in-car systems. And then, of course, there's that road atlas. The Garmin-Navigon combination is aimed at covering as many of these options under the umbrella of one company as is possible.

### THE APP MODEL

The app model for navigation has become a popular choice for consumers who may want a premium experience without having to spring for a whole new device. Navigon has perfected that model with its onboard app for iOS and Android, and it just announced a major update to the app that should launch this fall, which among other things includes revamp of the UI.

There are a few drawbacks to the on-board model, one of which is the size of the app. Navigon North America is a 1.7 GB file, which takes a long time to download and can eat up valuable space on your smartphone.

Johan-Till Broer, public relations manager for Navigon, says that the pending update will solve all that by allowing users to download only the app (40 MB), while downloading the maps they need separately.

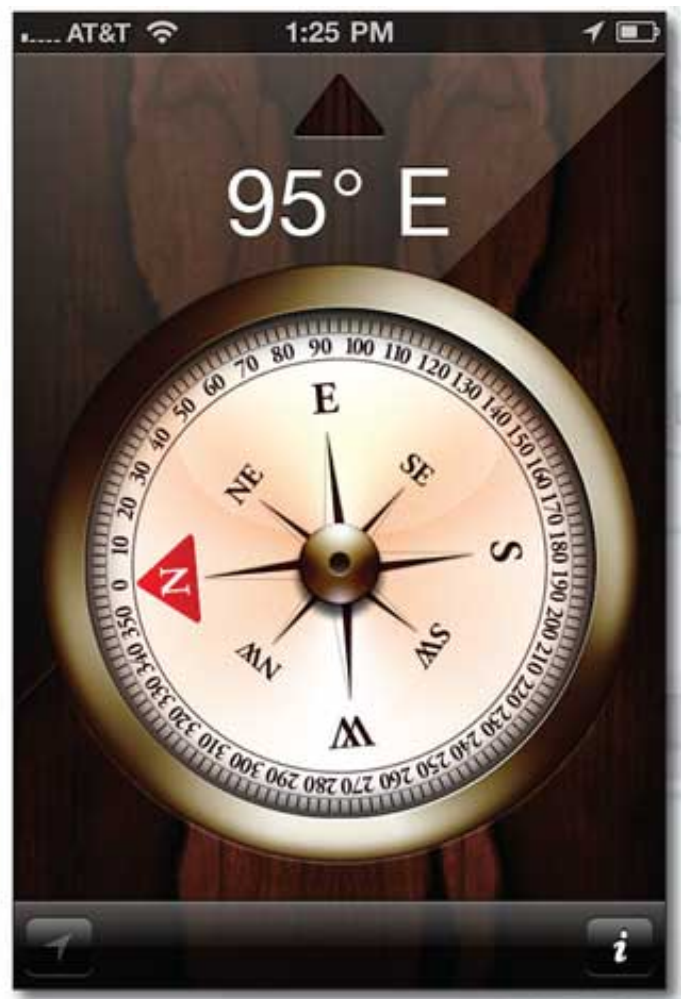
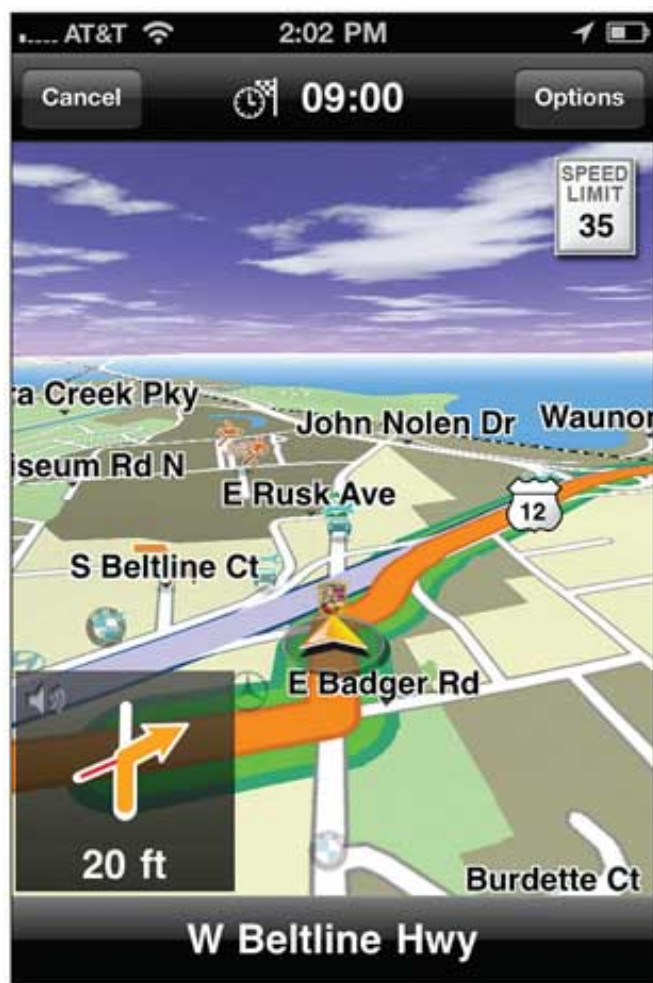
While Broer admits that \$59.99 is one of the pricier apps you'll find in the Android Market or Apple App Store, it's also one of the most refined navigation experiences available to the smartphone user, bringing with it the luxury of being able to navigate while offline.

Broer says that some users, who maybe only need navigation while on a trip, might prefer an on-demand solution like Garmin's StraightPilot, which goes for 99 cents at the App Store and allows users to purchase monthly service for \$2.99. But for those who need everyday assistance in getting around town, an up-front purchase like MobileNavigator might just be the ticket.

Broer suggests that Garmin's 99-cent app could draw users to Navigon's solution. "One of the challenges is to introduce more people to this idea of premium navigation, and I think the 99-cent price tag of Garmin's app makes that a lot easier for people to experience it, and if they like it, they can either subscribe or go and purchase our navigation app for a one-time fee."

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### CHALLENGES AHEAD

Ted Gartner, director of communications for Garmin, says that Navigon was just a good fit all around, filling some crucial holes in Garmin's business.

"Navigon does the application business very well. They have one of the largest subscriber bases when it comes to automotive navigation through phone applications... They also have some know-how in the automotive OEM infrastructure, and we intend to leverage that," he says, noting that one of Garmin's main goals going forward is to foster deeper integration with in-dash systems.

Expertise in applications, as well as connections with automotive makers, could be essential if a company like Garmin is going to survive the rough road ahead for makers of dedicated PNDs. A recent report from ABI Research describes the PND market as "declining."

"Over-inflated shipments generated by 'price wars' have created a false impression of market strength. This also delayed the inevitable consequences of a slowdown in innovation," wrote Patrick Connolly, senior analyst for ABI, in the report. "In the meantime, the in-car telematics market has finally gotten organized, and the cellular navigation and telematics market goes from strength to strength, with ABI Research forecasting it to reach over 500 million subscribers/downloads in 2016."

While Gartner admits that applications are important, he says Garmin still sees a market for the dedicated PND device going forward. "Certainly applications are going to be a larger piece of the pie, but there's still a lot of people out there that actually haven't used satellite navigation, so we think that by being there in all those different spaces, Garmin has a pretty bright future."

### **WHICH WAY TO THE APP STORE?**

One of the more interesting things about the way apps are changing navigation is they're changing the way people negotiate literally every mode of transportation. There are currently 5,676 navigation-related apps at Apple's App Store. These include apps that offer everything from granular, pedestrian navigation of theme parks to complete real-time information about public transportation systems in major metropolitan areas.

Heck, if you're feeling like Columbus, the iPhone comes with a native compass app that works pretty well.

Perhaps the danger for established companies like Garmin and Navigon lies in the fact that the free options are getting better and more interesting by the day. Waze is one such solution, which bills itself as a "social navigation app," that offers free crowd-sourced turn-by-turn navigation, while allowing users to report traffic information and events, create commuting groups and earn points for interacting with others.

Solutions like Waze, of which there are plenty available at the application stores, are not hardcore, ultra-accurate, satellite-based navigation by any means. However, many of them are free, and probably better than most would do with that accordion-style map, so could they be ultra-disruptive?

In his report, Connelly of ABI Research has already sounded the alarm. "The existing business model must be overhauled," he writes of the PND market, "removing cost barriers for customers, boosting hardware platforms and opening up the OS to encourage application developers. Such measures might just accelerate uptake enough to save the overall market."



*To illustrate just how fragmented the personal navigation market has become, here's a look at the various options available to consumers, including a few old standbys that are still offered today.*

### **Portable Units:**

Garmin Nuvi 1450LMT GPS.....	\$179.99
TomTom - XXL 550TM GPS .....	\$149.99
Insignia GPS.....	\$59.99

### **Factory-installed automotive system:**

Ford Sync.....	\$295
(on 2012 Ford Explorer and Edge)	

### **Aftermarket in-dash Units:**

JVC - 50W x 4 In-Dash	
DVD Deck w/ navigation.....	\$900
Sony - 52W x In-Dash	
Navigation DVD Deck .....	\$900

### **Apps:**

Navigon MobileNavigator	
North America .....	\$59.99
Garmin StreetPilot .....	99 cents/download,
	\$2.99/month
Waze .....	Free

### **Carrier-branded solutions:**

VZW Navigator .....	\$9.99 /month;
	\$4.99/week; 99 cents/day
AT&T Navigator .....	\$9.99/month
Sprint Navigation...	\$9.99/month; \$2.99/day

### **Antiquated Solutions:**

Rand McNally Road Atlas .....	\$10-\$15
Silva Guide Compass (L.L. Bean) .....	\$17
Knowing your way by the position of the moon, sun and stars .....	Free

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