

GPS cell phone apps challenge standalone devices

November 28 2009, By DAVID TWIDDY , AP Business Writer

(AP) -- The growth of cell phones with global-positioning technology is making life uncertain for the makers of personal navigational devices that help drivers figure out where they are and where to go.

Manufacturers of standalone GPS products will have to move quickly and smartly to transform their dumb map readers into intelligent devices that can provide a host of services such as traffic avoidance.

Otherwise, they risk obsolescence in a future in which customers view navigation as simply one more application for their phones. Some of the newer apps already closely match what basic, dashboard-mounted gadgets can do.

"You have to redefine the category somewhat, like what Apple did with the [iPod Touch](#)," said Ross Rubin, technology analyst for research firm The NPD Group. "That turned it from something that was just a media player into something that accessed the Web."

Garmin, TomTom and other makers of satellite navigational devices could take a lesson from camera makers, which have convinced consumers that they still need standalone devices because there is a significant drop in quality with cameras built into cell phones.

Those GPS manufacturers now must make a similar argument for their devices or add enough extra services to give shoppers a reason to buy.

But there are unique challenges for gadgets primarily used while driving.

"The driver's attention should be on the road, not checking his or her [Facebook](#)," Rubin said.

Manufacturers already have begun broadening their GPS products, adding wireless technology to some of their top-end devices to provide up-to-the-minute traffic data, nearby [gas prices](#) and weather information. Research firm Berg Insight estimates that more than 80 percent of navigational devices will have wireless capability by 2015.

Other products, particularly pricey units built into a vehicle's dashboard, are coming with the ability to play digital audio files or act as an Internet hub for the driver and passengers.

These features could give manufacturers new revenue streams, as they'd be able to justify monthly subscription fees, which they don't currently charge for basic mapping and directions.

Satellite navigation devices have changed in recent years from being \$1,000-and-up toys mostly for the affluent technorati to tools costing less than \$200 and used by truckers, rental car customers and errand-running parents.

Although the economic slowdown has hampered sales somewhat, those devices are still popular. Research firm In-Stat estimates that worldwide unit sales will rise 19 percent this year from 2008 and grow 13 percent next year. The NPD Group says U.S. sales are up 4 percent to 4.7 million through September from the same nine months in 2008.

But cell phones are now offering similar GPS-based navigational features - for free on devices with software from one of the Internet's top brands.

Google Inc. recently introduced a free application that calls out turn-by-turn directions, just like the standalone devices do, letting motorists concentrate on driving without having to constantly look at the phone for written directions. The app was launched on the Droid phone for Verizon Wireless a few weeks ago and expanded this past week to include myTouch 3G and the G1 for T-Mobile.

The three main wireless providers, AT&T Inc., Verizon Wireless and Sprint Nextel Corp., also sell their own turn-by-turn mapping applications for \$9.99 per month - or include the apps in an unlimited data plan.

Besides helping wireless carriers poach potentially thousands of customers, cell phones will likely also accelerate the decline in prices for navigational device - already down 25 percent from last year to an average of \$175, according to NPD.

Normally, that means the standalone devices pay for themselves in about a year and a half, as consumers avoid monthly fees for the basic features.

Google's freebie changes the dynamics.

Investors are certainly spooked, greeting Google's Oct. 28 announcement by hammering shares of Garmin Ltd. and TomTom NV. Garmin shares have fallen 22 percent from a high of \$39.58 a little more than a month ago. TomTom shares are about half their 52-week high of \$13.65.

Company officials acknowledge the increased competition but say their devices still enjoy distinct advantages over cell phones: They have easier-to-use controls and screens that are bigger and can include more information. Maps also are built into the machines and won't suddenly disappear when the wireless network goes hazy.

Standalone devices "will still be an important way for consumers to get directions," said Ted Gartner, a spokesman for Garmin, which is based in the Cayman Islands but has its headquarters in Olathe, Kan. "We're not going anywhere."

But Frank Dickson, vice president of research at In-Stat, said customers who have never used a personal navigation device or don't travel often into unfamiliar areas might not care about the quality difference. They'd be more apt to demand additional functions and value to offset the higher upfront cost of a dedicated device.

At the same time, device makers are trying to make inroads in the cellular market. Both Garmin and TomTom, based in the Netherlands, sell \$99 applications for smart phones.

"We consider ourselves to be very portable and we look forward to the growth of navigation across the board," said Tom Murray, vice president of market development for TomTom's U.S. division.

Garmin went one step further this fall, introducing the nuvifone, a [cell phone](#) with many of the features of the company's line of devices. Sold through AT&T, the nuvifone has been disappointing, but Garmin says it will release newer versions, including one next year for phones running Android, the Google-made operating system on which Google's own mapping application can run.

In-Stat's Dickson warns that entering the cell phone market may be a mistake because navigational device makers should emphasize their expertise in mapping software and location-based services.

"I can't help but think they're going to get a butt-kicking," Dickson said. "Let's focus on being the best navigation device maker that we can be and if we can integrate some of those other functions, like instant

messaging or voice connectivity, then we can do that."

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