



TECH BUZZ

Cell phones pushing way into GPS market

By Eric Benderoff*Published February 19, 2007*

As I watched an ad for GPS gadgetmaker Garmin Ltd. during the recent Super Bowl, I had a fleeting thought the \$2 million spent would be a waste, just like all that money those long-gone dot-coms once spent on the big game.

Last week, as I read about a parade of mobile phone-based navigation debuts at a European trade show, that thought turned into pessimism for Garmin, Tom Tom, Chicago's Cobra Electronics and other makers of stand-alone global positioning systems.

There is no doubt that GPS devices are getting to be a big market. They are handy and they work, getting you from your front door to the latest trendy restaurant in an unfamiliar neighborhood.

But the future is in the palm of your hand, not on the dashboard of your car.

At January's Consumer Electronics Show in Las Vegas, I saw a number of really cool GPS products, including a nifty little device coming from Cobra and a detachable Tom Tom product embedded into a car stereo made by Eclipse. There's a lot of innovation going on in the stand-alone GPS market.

In the short term, you will see healthy market gains, such as Garmin's fourth-quarter performance, released last week, showing earnings more than doubled. Sales of stand-alone units from all makers are expected to double this year.

But long term, the momentum will swing to the mobile phone-makers, thanks, in part, to an unlikely marketing partner: the federal government.

Due to the recently enacted e-911 rules that say mobile-phone users must be able to be located by police or fire departments in case of an emergency, there are millions of phones in the U.S. that contain GPS chips.

Even though few of those phones take advantage of their devices' GPS DNA so far, that's rapidly changing.

As people shop for new phones when service contracts expire, they will see phones with bigger and brighter screens, ideal for GPS. Plus, the carriers are good at enticements too.

"The cell-phone world's subsidies are enormous," and that puts pressure on the stand-alone players, said Albert Lin, an analyst at American Technology Research. The firm has a "sell" recommendation on Garmin's stock despite recent gains.

"The carriers want to give away their devices cheaply. That's bad enough for the GPS makers," Lin said. "But then you have the government-sanctioned services the carriers have to follow."

That one-two punch of cheap phones and federal rules won't knock the stand-alone players out of the game, however.

There's plenty of room for both, said Robert Gourdine, the director of marketing and business development at Navteq Inc., the Chicago-based digital mapmaker to the world.

"If you look at the total market for GPS units, there's probably 300 million cars on the road in the U.S. right now," he said. "And there are well south of 10 million GPS units in the market, maybe even only 6 million."

Those figures include all devices: new car installations, portable devices and mobile phones. "That's just a fraction of the total potential for the market," said Gourdine, who's neutral on whether phones or stand-alone units are better since Navteq provides maps for both.

But he likes what he saw in Barcelona last week at the 3GSM World Congress phone show.

One innovative product is the Nokia 6110 Navigator, which Gourdine said is the first phone to provide mapping capabilities "out of the box." That means you don't need a wireless carrier to provide the service. Navteq is providing the map data, which spans six continents.

Unfortunately, U.S. availability of this phone was not announced, so it's unclear if and when it will be on sale here.

There are capable phones here already, though.

One cool service, which I tested last year, is Verizon's VZ Navigator. It works well, is available on 17 of the carrier's phones and has a great pricing strategy.

Say you're on a business trip to Phoenix or Seattle, and you're lost. Buy VZ Navigator--\$2.99 for 24 hours or \$9.99 for a month--and you are good to go.

Yet the mobile phone faces one obstacle: Most people think their phones already do too much, and they barely use any of the extra features.

A global survey from a trade group called the CMO Council's Forum to Advance the Mobile Experience found the top problem with phones is that they have too many functions. On the other hand, half of all European respondents and about a quarter of the Americans said finding a location with their phone was important.

Right now, there is plenty of growth for both stand-alone and phone-based GPS products. While it is convenient to have a map in the palm of your hand, there's also something to say about a stand-alone device that does one thing well.

That's why the iPod has been such a hit. But did you notice that Apple's coming out with a phone, too, just in case?

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