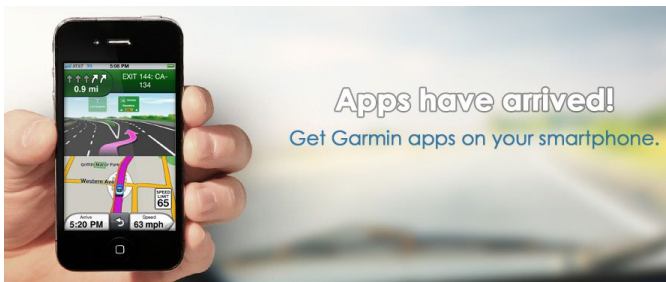


## Quo Vadis GPS?

Written by Marco Attard  
06. May 2011

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With TomTom very much in the news for supplementing its income via selling road data so [Dutch police could set better speed traps](#) for motorists, we thought it is time to explore the direction of the GPS industry....



Like the mythical Icarus, one day the Portable Navigation Device (PND) industry sprouted wings and took to flying high...My most vivid recollection is on stage at an industry panel I was moderating, listening to Greg Spierkel, the CEO of Ingram Micro, explain to the audience about this exciting category of product that grew 70% in year-to-year sales...

It was PND, of course...and yes, that was a few years ago now. But sales were strong enough to register in a big way even on Ingram Micro's billion-dollar stock scores.

Like Icarus, who flew too close to the sun, had his wings burned and dropped...you could argue that GPS was so successful with PNDs that they caught the attention of the bigger smartphone and mobile device makers who started to include GPS in their product offerings.

With the wings burnt off, poor PND could no longer fly and had to take the same bus that most CE products catch to follow the road to sales. Garmin reports "...the overall market for PNDs is decreasing, and in No. America the market decreased more rapidly than industry experts predicted."

I imagine many retailers have the idea that with their sinking PND flagships, GPS makers may hardly be the cutting edge any more.

But GPS has not navigated into the doldrums by any means. Let's look at TomTom's Q1 2011

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results:

- Revenue of €265 million compared to €268 million in Q1 2010
- Automotive revenue grew by 53% to €60 million
- Content and services grew to 36% of total revenue
- Gross margin of 53% and EBIT margin of 7%
- Net result of €11 million compared to €3 million in Q1 2010

### Operational highlights Q1 2011

- LIVE Services announced and new models launched in US
- Nike+ SportWatch GPS well received
- First LIVE Services subscriptions sold by OEM customers
- Blue&Me TomTom LIVE extended to the Lancia Ypsilon
- Traffic Stats portal launched for the GIS market
- 5" (13 cm) PRO range launched for the professional market

TomTom, like others, has found life in automotive OEM, sports, trucking (PRO), and content. For example, TomTom signs partnership agreements with business listing providers to roll out a pan-European service to make it easier for users to choose and find their destinations. The partnerships (with Yellow Pages and business directories) cover sharing of data as well as distribution of their business listings via TomTom Places. Business owners will be offered an opportunity to enhance their presence in TomTom search results, which means TomTom is ramping up its own-Google-like search business.

Since the inception of its business, the other biggie in GPS, Garmin, has delivered over 81 million products, which includes the delivery of over 16 million products during 2010. Garmin even owns one retail store in America (Michigan Avenue in Chicago).

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Their 2009 experiment with a location-specific cell phone with Asus did not play out--and handsets are no longer on Garmin's agenda-- but it was worth a try.

Fishing for profits, Garmin also now manufactures a line of sonar fish-finders.

Garmin even has a new play with geocaching, a high-tech treasure hunt popular around the world, where participants of all ages explore the outdoors, hiding and finding containers of various shapes and sizes. National Geographic selected the GTU 10 as Gear of the Year (GTU 10 is a GPS locator that combines a web-based tracking service with GPS technology so you can keep watch on children, pets and your stuff.)

As well as their historical role in Aviation, here's how Cliff Pemble, President /COO of Garmin explains to his stockholders his goals for 2011 :

- Auto/Mobile: Grow our global PND market share through the introduction of exciting products incorporating new innovations and features that excite our customers. Build even stronger relationships with our OEM partners while working hard to win new opportunities that are key to our long-term growth. Expand our mobile application offerings allowing us to expand our contribution to the smartphone market.
- Fitness: Grow our revenues by introducing new GPS-enabled running products, expanding our share in the bike market, enhancing Garmin Connect™ to ensure it is the go-to destination for customers seeking an online fitness portal and exploring new segments within the overall fitness market.
- Marine: Grow our revenues as the market continues to recover and as we increase our market share in both OEM and aftermarket channels. Following the release of our Echo fishfinder product line, we will continue our pursuit to grow share in the inland market and develop new technologies that will grow our leadership in this market.
- Outdoor: Grow our revenues as we introduce new and refreshed product lines with exciting new features, like our GTU™10 GPS locator and web-based tracker service. We will focus efforts on market share growth in golf and increase our contribution to the geocaching community with our Open Caching initiative.

Says Dr. Min H. Kao, Chairman/CEO, "Garmin's emphasis on product diversity is more than a business strategy — it's a mindset. ...Since exiting the handset business, we have reassigned many engineering resources to other segments, particularly OEM businesses, which require significant investment in the near-term for results in the future."

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He also notes "Globally, the Garmin family has continued to grow with the acquisition of our distributor in Norway and the opening of an office in the Netherlands. In 2010, our shareholders voted in favor of moving Garmin's place of incorporation to Switzerland, and we feel this central location will serve our major Western and Eastern European markets well. The Swiss office will provide a base for expansion of certain corporate functions in Europe and a more favorable structure for possible acquisitions or partnerships with European businesses."

Never since the Japanese have come to Europe and bought up their distributors have we seen a company so dedicated to absorbing distributors for their own subsidiaries. Yet Garmin has acquired at least 11 disties worldwide...

Buying up distributors is a mind-set but moving office to Switzerland is a strategic move...there's a bigger reason behind this. Sounds like something is up in Europe doesn't it? Some big play that's worth angling for? Maybe even--this thought crosses our mind-- a potential merger with Dutch-based TomTom? That's not uncommon in an industry where consolidation makes sense for shareholders. But that's just a wild thought in a crazy world where a smartphone company, sportswear provider, content company or even a cloud service provider could see value in Garmin expertise.

For retailers, PND may decline but won't disappear. And as well as solidifying their OEM and apps business, these companies will creatively evolve their retail product ranges in sports, fitness, and outdoors. As brand names, they will have leverage on no-name Asian imports.

Despite the retail decline in PND, it's wise not to discount the value that these GPS giants have. In a world where your clothes may have GPS embedded and where internet-everywhere may mean in your pants, companies experienced in the technology may laugh loudest when they laugh last.

Go [Garmin in Sports/Fitness](#)

Go [TomTom in Bike Navigation](#)