

## Nokia-Navteq Deal Will Change Navigation Business Model

Thilo Koslowski

The highly profitable world of navigation systems — enjoyed by vehicle manufacturers and personal navigation device makers — is in for disruptive times, with cell phone giant Nokia mapping out a new direction for market.

## NEWS ANALYSIS

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### Event

On 1 October 2007, Nokia and digital map data provider Navteq announced a definitive agreement for Nokia to acquire Navteq for approximately \$8.1 billion (€5.7 billion). The acquisition has been approved by both companies and is subject to regulatory approvals. Nokia has stated that after completion of the transaction, Navteq's current map data business will be operationally independent but organizationally a Nokia Group company.

### Analysis

This acquisition is a proof of commoditization trends among map data providers as predicted by Gartner in 2006 (see "Vehicle Navigation Must Evolve or Face Commoditization"). The acquisition will create a highly disruptive environment that will threaten the value proposition of vehicle-embedded navigation systems and personal navigation devices (PNDs) alike. Nokia not only will be able to offer the same features on cell phones, but is now in a position to foster many innovation solutions, including the blending of traffic information, location-based information and perhaps even advertising to redefine business models for the navigation space. Going forward, navigation will become a service available on multiple technology platforms, especially cell phones.

By acquiring Navteq, Nokia is supplementing its ability to develop an end-to-end solution in-house. During 2006, it purchased gate5, a navigation application developer. Now, Nokia will be able to focus its resources on innovative features such as additional vehicle-centric information and communication offerings as well location-based offerings and business models.

This move suggests that Nokia is considering a different business model to support navigation, possibly one that will be free or low-cost to consumers. Costs could be offset by location-specific advertising and marketing, with the consumer agreeing to allow relevant, location-based information — such as traffic information or personalized points of interest — to accompany the navigation data. By combining search engine functionality with location-based information, Nokia can create a powerful location-based service experience.

### RECOMMENDATIONS

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- **Vehicle manufacturers and automotive suppliers:** Take an opportunistic approach. You will likely lose business opportunities from embedded vehicle-centric systems as alternative, device-based solutions continue to evolve. Recover revenue by embracing innovative device-to-vehicle integration solutions. Explore ways to partner with Nokia and create intuitive solutions that leverage the navigation information from cell phones to be used while driving. For example, take advantage of the much larger auto dashboard screen to display navigation information and develop voice control interfaces that access the application on the phone.
- **PND manufacturers:** Develop a device strategy to address the growing phone-based navigation market. Target heavy users of navigation services with dedicated PND solutions. Start thinking about how to embrace the cell phone as a device platform to offer navigation to sporadic users, and to develop connected services that leverage a wireless network (for example, traffic information and dynamic points of interest).

## RECOMMENDED READING

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- "TomTom/Tele Atlas Deal Redefines Navigation Solutions' Value" — TomTom's Tele Atlas acquisition underlines the need for navigation industry players to develop stronger value propositions via innovation. **By Thilo Koslowski**
- "Fujitsu Ten and TomTom Realize Navigation Device Integration" — A jointly developed offering combines the flexibility of a personal navigation device with the seamless audio and user interface integration of an embedded solution. **By Thilo Koslowski**

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