

From Sat Nav to Driverless Cars



Sat Nav manufacturer TomTom diversifies to survive.

Dutch manufacturer TomTom's fortunes dived in 2008 with sales down 36 per cent to €959m (2014) and profits down 71 per cent to €25.4m (2014). From its peak of \$15bn, multinational TomTom's market value was just €2.3bn by 2015. How did this decline come about and what could management do about it?

Originally a software developer for business-to-business mobile applications and personal digital assistants (PDAs), TomTom became market leader in PDA software in just two years with satellite navigation (Sat-Nav) applications RoutePlanner and Citymaps. In 2002 the TomTom Navigator was launched, providing European customers with an easy-to-use, affordable, portable navigation device (PND) for the first time. Demand was strong for the PND, which was not just a new product but an entirely new consumer electronics category. TomTom GO, launched in 2004, revolutionised the way millions of drivers got from A to B. Affordable and accessible to everyone, it became the fastest selling consumer technology device ever. Since then, over 75m devices have been sold in 35 countries, guiding drivers over 280bn kilometres.

During 2008 TomTom's sales fell dramatically due to an increasingly saturated sat nav market, plus smartphone alternatives from Google and Nokia. TomTom was forced to reconsider its business and diversified into fleet management and vehicle telematics, where it is now a recognised leader. TomTom evolved from just a hardware business, selling sat navs to stick on windcreens, to a software and services provider that offered free mapping on smartphones and integrated traffic management systems used by governments to quell traffic and manage roads.

After partnering with Nike on the Nike+ SportWatch, TomTom launched its own TomTom Runner and TomTom Multi-Sport watches in 2013, to help runners, cyclists and swimmers keep moving towards their fitness goals, by providing essential performance information at a glance. Both have GPS sensors, allowing them to tap into TomTom's navigation platform.

TomTom is now straying further from its roots by launching Bandit, an action camera, to challenge American market leader GoPro. It will contain GPS sensors allowing users to find and tag exciting moments in their video footage, based on speed, altitude, G-force and acceleration. Bandit's real selling point is its video editing and sharing capabilities.

Although SatNav devices, sports watches and action cameras may seem unlikely bedfellows, co-founder Vigreux, explains that TomTom is a collection of start-ups under one umbrella. Employees are actively encouraged to be entrepreneurial in product development. 'We're a tech brand at the end of the day – the only consumer electronic brand to come out of Europe in the last 15 years with a global footprint,' she said. If there is one thing that unites TomTom products it is that 'we make things easy for consumers'.

The decline in TomTom's valuation challenges their existing strategy. Nonetheless TomTom still feels there is a market for standalone Sat Nav for people to avoid roaming charges on mobile phones and the need to buy a new car if they want an in-built system. They are also working with car manufacturers to build embedded navigation systems into their vehicles as the era of the 'connected car' – where manufacturers do everything from updating car entertainment to suspension adjustment – has forced automakers into partnerships with technology companies. Competitive concerns mean manufacturers are unwilling to share data with rivals so rely on third parties for services such as traffic management as it is not always cost-effective for them to make the investment themselves. In 2019 TomTom announced the sale of its telematics business for £800m to enable it to reduce costs and fund further investments into real-time map updates for driverless cars in the face of tough competition from Google and Apple.

Questions:

1. Explain the ways in which relatedness informed TomTom's post-2008 strategy.
2. Were there alternative strategies open to TomTom post 2008?

Source:

- Whittington, R. et al., 2020. Exploring Strategy. 12 ed. Harlow: Pearson Education Limited.