SENA
ITS Strategies

15 August 2009

From: Michael L. Sena
To: Ven Pedro
Telematics Update
Ref: TwoSidedNetwork_TU_29JL7
Re: Proposed Article – Telematics as a Two-sided Network

The pain is not outweighing the gain for the main stakeholders in the telematics value chain. Sustainable businesses have an even distribution of stakeholders along the diagonal Pain/Gain access, each company having a relatively equal share of gain and pain, with pain equivalent to cost and gain equivalent to received value in service or revenue. Neither the telematics service providers nor the vehicle OEMs are generating revenues that are commensurate with their investments.

Part of the problem is that the vehicle OEMs, with the exception of General Motors with its OnStar division, have not yet recognised that they are <u>not</u> selling a product, or even a service like car repair, in which the customer pays directly for a visible result. Someone who purchases a simple safety-based telematics system may never use that system until he or she has an accident—which everyone hopes will be never. It is impossible to put a price tag on what saving a life is worth, but the customer will do so, and he or she will judge whether the price set by the OEM is, firstly, affordable, and secondly, worth the risk of not purchasing the system. The OEM can add more services beyond simple safety in order to make the value proposition more transparent for the system purchaser, but unless these services are used on a regular basis so that the customer appreciates their value, customers will not buy the system or pay for additional services beyond the standard safety option.

Telematics is a **Location- based Service** (LBS). The user of the service is somewhere, and needs either to be found (Find Me!) or to find something (Find It!). There are other types of LBS, including those that do not necessarily involve a person, such as floating car data delivery and information sent from the vehicle that is used for vehicle management (Take That!), and data delivery to the vehicle based on where the driver is located or what the driver needs at a particular moment (Fill 'er Up!).

The ideal model for **Location-based Services** is a *two-sided network*.   In the two-side network there are two user groups at any one time. One group has a service or product that they would like to sell (or deliver, as is the case with the public emergency services), and the other group wants (or needs) the service or product. In between,

A Two-sided Network
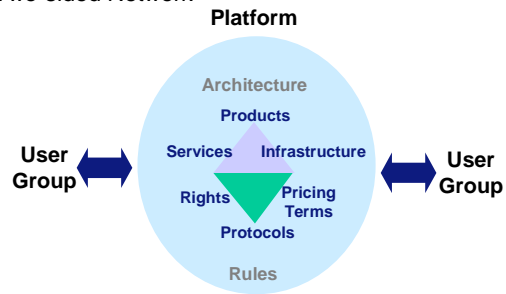
there is a platform that enables the two groups to communicate and then execute a transaction. One or the other group or a third party subsidises the platform that enables the communication and transactions. There are same-side effects and cross-side effects in a two-sided network. With same-side effects, increasing the number of users on one side makes the network more valuable to users on the same side. So the more people who use a particular brand of petrol for which a user has a credit card, the more petrol stations there will be when the user needs to fill up. With cross-side effects, more users generate more suppliers, and vice versa. The *Yellow Pages* is a perfect two-sided network.

  The telematics platform in the vehicle and at the service side should be a platform for transactions, whether those services are diagnosing an engine fault, help in finding places or services (i.e., the virtual Yellow Pages), or the more standard safety and security services. The operator handling voice calls should function as the interface to a range of services for which the telematics business owner sometimes charges the customer and sometimes doesn't. When it does not take margin on a service, such as a monthly vehicle and subscription status report like the one provided by OnStar to its customers, it is delivering value to the user in return for their continued subscription payments. The telematics platform should enable the connection to the services (i.e., the users on the other side of the two-sided network) desired by the user.

Two-sided Networks – Find me!

Volvo On Call Platform

Ambulance, Police, Rescue, Fire

Roadside Assistance

Vehicle Security Service

Architecture

Proprietary protocols provided by Volvo and Autoliv

Platform subsidised by Volvo and provided by WirelessCar

Proprietary platform provided to Mondial/Viking .

Rules

Customer pays one-time cost of system and service

Delivers data

CSC Operator

Vehicle Owner

Receives service with a single push of a button

This is not yet functioning as a perfect two-sided platform since service side is not realising enough value through their connection to the user side, and the platform provider (WirelessCar) is not yet delivering recognisable value to either side of the network.