CASE STUDY - TOMTOM

Introduction

“Today’s organizations are no longer constrained by traditional time and place barriers. Instead, information technology supports virtual organizations: flexible networks of independent, globally distributed entities (individuals or institutions) that share knowledge and resources and work toward a common goal.” [1]. DeSanctis and Monge (1999) come up with four characterizations of virtual organizations. Virtual organizations are characterized by (a) highly dynamic processes, (b) contractual relationships among entities, (c) edgeless, permeable boundaries, and (d) reconfigurable structures. These types of organizations are responding continuously to changes in modern technological market.

The adaptive cycle “It is meant to be a tool for thought. It focuses attention upon processes of destruction and reorganization, which are often neglected in favour of growth and conservation. Including these processes provides a more complete view of system dynamics that links together system organization, resilience, and dynamics.”[2].

With the emergence of smartphones and tables several organizations struggle to discovery strategies to keep their positions in the market, to gain higher market share or just to stay alive in the market. With these need they must analyse the situation properly and identify their own place within the adaptive cycle, in order to understand which the right next ‘move’ is. One of those companies is TomTom. Over the last few years Tomom has suffered severe market pressure and competitiveness. And it is precisely on this organization that this case study will focus. The aim is to analyse the company from the scope of virtual organizations and the adaptive cycle. In this case study, I will be researching the process in which TomTom tries to get back to the equilibrium phase and propose new combinations that can lead them to the equilibrium phase again.

TomTom’s Background

TomTom (Tom2) is a Dutch manufacturer of automotive navigation systems, leading the European market in portable navigation devices (PND’s). They provide navigation and location-based products and services. In 1991 TomTom was founded by Peter-Frans Pauwels, Pieter Geelen, Harold Goddijn and Corinne Vigreux. In that time the motivation was to develop software products for mobile devices. Began as a start-up company, Palmtop Software back then, which has been growing in the last 22 years to the multinational company known nowadays. Presented below are the solutions of this company for the market:

- Maps
- Traffic information and navigation technology power automotive in-dash systems
- Mobile devices
- Web based applications
- Government and business solutions
- Designs and manufactures its own location-based products

Some key facts retrieved from the official web site [3] are presented below, to have a higher insight of this company and it structure:

- 3,500 employees
• 57 offices in 35 countries worldwide
• Since 2004 sold over 70 million PNDs
• Real-time traffic information service is available in 33 countries
• Maps cover 113 countries reaching more than 3 billion people

As showed in the figure (Figure 1) below TomTom comprises four business units - Consumer, Automotive, Licensing and Business Solutions - creating a lean and agile structure enabling to stay close to the customers and substantially. These four business units are result of streamlining and integrating the organisation.

![Figure 1 – TomTom business units][4]

In the beginning, this company was highly successful and was constantly growing, especially at the time they launched the portable navigation device (PND), in 2002. Around 2008 a competition unexpectedly begins to appear on the market. The first smartphones equipped with GPS and navigation systems are released. Since 2009, TomTom has begun to face new competitors and failed to be responsive, entering a crisis (Figure 2). Sales and market share were weakening leading to a steady decline until the present day.

![Figure 2 – Main phases of TomTom within the adaptive cycle][5]

Nowadays the business units are divided according to the chart shown below (Figure 3). The products direct to the consumer remain the largest portion of the company, this year generating 62% of revenue breakdown, 1% less than last year in the equivalent quarterly.

![Figure 3 - Revenue Breakdown - quarterly][5]
**Problem**

Currently technological market is changing frequently. As stated before the emergence of smartphones and other devices was the big turnaround for automotive navigation systems. TomTom was severely affected and now face a huge problem: its value has plummeted and there is no apparent promising future for this company. The interesting thing is that despite several new combinations tried by TomTom, which were profitable, the company still unable to battle the rise of smartphones. That’s because its core business (PND’s) is directly affected by the smartphone. Therefore and contextualizing (Figure 4 supports), TomTom is now facing a Crisis, quadrant 2 in the Adaptive Cycle, and needs to move fast to the New Combinations phase. In this phase they must reorganize and restructure in order to respond to the market and hence to survive. Since 2009 until the present they have been trying diverse combinations, in order to move forward to the Entrepreneurship quadrant, to go back to the Equilibrium phase where once belonged. The case study will provide an explanation why TomTom is struggling and offers recommendations.

![Adaptive Cycle](image.png)

**Figure 4 - Adaptive Cycle [6]**

**Recommendations**

Since 2004 until 2008 TomTom was living the Equilibrium phase, and by 2009 up until the present they are passing through the crisis phase, in which they experimented various combinations. However these combinations, some of which actually have been developed and put on the market, that could have led the company to the entrepreneurial phase and even equilibrium have failed, leaving them in the crisis phase. In this case study I will focus on the New Combinations phase, as it is where new ideas are developed, which eventually lead to TomTom centring on delivering software solutions and being the best in the market.

After a careful analyse of the company and their current position within the Adaptive Cycle, in this section I will present some proposals of New Combinations that could help TomTom return to the position where once they have been, the Equilibrium phase. Listed below are my personal suggestions and recommendations concerning TomTom case study:

- **Reduce the time to market** of map changes and create a community of users in order to obtain their information improving the mapping service providing. They should invest in this segment to become pioneers distributors of traffic information and maps.

- **Create synergies** allying themselves with Apple; given that Android implements Google maps navigation. Create a virtual organization with Apple to start to implement TomTom navigation devices on their systems, such as in iPhone and iPad. Together they are able to compete directly with Google, both maps (Google Maps vs TomTom maps) as the level of technological devices (Apple vs Android). However, the goal would be to
completely replace the mapping service from Apple. Their service is far from what TomTom can offer, so integration would not be ideal but would be a full replacement.

- As Godijn said their firm needs to be “less dependent” on the PND market. Maybe they ought to invest in its share of the smartphone market. Their greater capacity to develop software is a competitive advantage to which they should grab and heavily invest. Moving away from the PND market where the losses keep piling up is a countless relief to investors. Not only integrate their services in other smartphones providers but also create their on cell phone in order to respond to market demands.

These new combinations illustrate a clear change in strategy, focusing on content delivery and services. The new strategy, suggest an imminent entrepreneurial phase in 2014, moving away from the extended crisis phase in which TomTom has been in for some years.

**Conclusion**

During this case study TomTom’s different phases were explained within the Adaptive Cycle concerning Virtual organizations. The most important dates and events regarding their evolution were presented and careful analyse. From 2004 until 2008 they lived the equilibrium phase were they were sharply growing. By 2009 and because of the emergence of Smartphones the crisis phase started until present days. During this phase different New Combinations were developed and release to the market but without the expected outcomes. Nowadays they still struggle to get out of this phase and move to the next.

In my personal view a possible solution for the current problems that TomTom is going thru is to complete shift their strategy in order to answer to market needs. Nowadays costumers require devices embodied with multifunction, in contrast to multiple devices equipped with only certain functions, e.g. today people want phones with embodied GPS and not tow different devices with different functions. Costumers also want the maximum features in the minimum number of devices. Following these guidelines TomTom could be able to move to the next phase, the entrepreneurial phase. In order to achieve this position a huge restructuring program must take place to adapt to the market of navigation, which has been undergoing major changes. TomTom should change to aligned to the current market. It’s an ongoing change that will never end.

**References**


“At the heart of the journey”