

U.S. Sound Byte

> GPS MARKET

COMPANIES DISCUSSED: BBY, CC, GRMN, HO FP, TOM2 NA

SOURCES & BACKGROUND

25 electronics department managers comprising 10 Best Buy Co. Inc., 10 Circuit City Stores Inc. and 5 Fry's Electronics Inc. managers

Averages Straight

Interviews Dec. 5-8

Objective To evaluate consumer demand and pricing trends in the GPS market during 4Q05 to date yy

"Our sales of GPS units have easily doubled over last year."

– Best Buy electronics manager

TomTom Gains Share

Sales of global positioning system (GPS) devices have been improving during 4Q05 to date yy, and most sources were meeting plan. Inventory levels were just right and experienced only minor fluctuations during the period. Shelf space remained steady for all brands, but **TomTom Group B.V.** products have gained market share, driven by brand recognition with increased advertising and sales associate training.

Key Data

4Q05 GPS Device Sales Meeting/Exceeding Plan (number of sources)

Exceeding	4
Meeting	21

Sales Improve

Decreased price points yy and improved ease of use have boosted sales of GPS units up an average 75% to 85% during 4Q05 to date yy, and most sources said sales were meeting plan. Most sources said the upswing started during the summer months and picked up quickly as new models were released in October and November. Overall inventory levels were just right, although during the Thanksgiving weekend some sources experienced sporadic, minor shortages, which were quickly corrected. No single brand or model stood out. "Our sales of GPS units have easily doubled over last year," one manager said. Even with the high yy increases, GPS devices were not one of the top three electronics categories for the period. Managers said the top three were MP3 players – specifically **Apple Computer Inc.'s** iPods – satellite radio, and LCD and plasma TVs.

TomTom on Top

Managers said recent sales of TomTom GPS products were higher than its competitors' and credited the strength to the company's heavy 4Q05 TV advertising. Sources said customers consistently want GPS products that are easy to use, and TomTom products meet that need. Many managers are well trained on the TomTom product lineup because company representatives have visited stores every other week during the holiday period to leave brochures, answer questions and give direction on selling the products. "I am selling way more

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"I do get complaints about high prices, but most customers are reasonable, and once you explain to them the why and the how of the situation, they calm down."

TomTom product than anything else over the last month or so," one manager said. Sources were not aware of any other competitor that brought representatives into stores for training purposes. Several sources admitted they pushed harder to sell TomTom because they were more comfortable explaining and demonstrating the products to customers because of the additional training. In addition, managers said TomTom is user friendly, has the fastest connect time to satellites, is offering \$50 rebates on several products and offers TomTom Plus service. The TomTom Plus service costs subscribers an additional \$6 a month, and one month is free with initial purchase. Subscribers get up-to-the-minute weather and traffic issues available across the country. Managers said the service is popular with customers.

Garmin Ltd.'s Garmin and **Thales S.A.**'s Magellan products followed close behind TomTom in brand popularity. Sources said Garmin has strong brand name recognition because of many years of producing dependable products in the electronics industry. Garmin devices were also praised for having faster connect times than other brands because of program recognition and the way the software is written. Sources said Magellan products have good customer feedback because it is the supplier of navigation equipment to a major car rental company, and many people are familiar with the use of these systems. However, managers have fielded customer complaints regarding Magellan units, citing longer-than-typical lag times and poor satellite connections.

Overall, the top-selling models were the TomTom GO 700 with Bluetooth compatibility, retailing for \$899, and the Garmin StreetPilot 2720 selling for \$999. The second most popular models were the Garmin StreetPilot c330 and TomTom GO 300, both retailing for \$699, followed by the Magellan RoadMate 760 for \$899. Although managers said price drops boosted sales, customers in the market for GPS systems were not deterred by prices. Overall shelf space remained steady for all brands.

Fifty-Fifty Split

Most customers seriously shopping for GPS units came into stores after extensive research on the products and were well informed on price and options, managers said. However, several had some customers who were very well informed on what they wanted but were surprised at how much it was going to cost. "I do get complaints about high prices, but most customers are reasonable, and once you explain to them the why and the how of the situation, they calm down," one source said. Many of these sources said 50% of customers who were surprised by the pricing would still buy, while the other 50% are waiting until next year, hoping prices will drop even further. Managers said many of these customers could easily purchase less-expensive units within their price ranges but instead decided to wait and get the options and information levels they want.

This report was researched and written by **Sharon Roe** for Off The Record Research LLC.



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ADDITIONAL QUOTES

On Sales ...

"I think it is going to be a while before GPS units start hitting the top three [best-selling holiday items] list." *Circuit City*

"TomTom makes it so easy to sell their products by giving us all we need and more to market them effectively." *Best Buy*

"I am selling way more TomTom product than anything else over the last month or so." *Fry's Electronics*

On Customer Response ...

"I hear a lot of comments from people about how much better the pricing is this year." *Circuit City*

"Most everyone who does not buy because of high prices this year will be back next year – if not before." *Fry's Electronics*

On Inventory ...

"We had some initial shortages right around Thanksgiving, but since then we have gotten everything back in, and we are looking good." *Fry's Electronics*

"We have just what we need right now, and if we run out, most companies can get us what we need in about five to seven days." *Best Buy*

"Everything is a better price and gives you more this year for your dollar over last [year]. Of course, we are selling a lot more." *Best Buy*



> GPS MARKET TALLY

1. Are sales of GPS devices increasing, decreasing or remaining the same during 4Q05 to date yy?

Up 100%-109%: 15

Up 50%-59%: 10

Average: *Up 75%-85%*

2. Are sales of GPS devices exceeding, meeting or falling below plan during 4Q05 to date?

Exceeding: 4

Meeting: 21

3. What range of price points of GPS units are selling best during 4Q05 to date?

\$700-\$1,000: 15

\$500-\$1,000: 10

4. Are inventory levels of your GPS devices too high, too low or just right during 4Q05 to date?

Just right: 25