

# AT&T Drive

## Internet of Everything (IoE): Connected Car



### EXECUTIVE SUMMARY

#### COMPANY OVERVIEW

- **Customer Name:** AT&T
- **Industry:** Telecommunications
- **Location:** Global

#### BUSINESS CHALLENGE/OPPORTUNITY

- Offer same experience across multiple connected devices, whether in homes or in cars, and to connect easily with one user's profile across both.
- Stay relevant and grow revenue from innovative mobile value-added services.

#### NETWORK SOLUTION

- The Drive is AT&T's connected car platform, a modular solution that automakers can use to choose solutions ranging from connectivity to billing solutions to data analytics. By making a connected car a device compatible with its mobile share plans, the option of connecting cars becomes feasible and appealing to a wider customer base.

#### BUSINESS RESULTS

- AT&T gains directly through adding cars to its mobile share value plans, as well as indirectly with automakers adding data connectivity to their car models.

### Overview

AT&T has launched Drive, its connected car platform, a modular solution that automakers can use to choose solutions ranging from connectivity to billing solutions to data analytics.

### Service Innovation

AT&T is partnering with automakers, vendors, and application developers to provide connectivity services, including telematics, infotainment, and data analytics. The AT&T connected car strategy is closely linked with its activities in wearable devices and home automation (i.e., AT&T Digital Life). It has also added mobile-enabled cars as devices compatible with its mobile share plans, meaning data from a customer's smartphone plan can be used in the car as well, effectively treating the car as another consumer device. This addition increases flexibility for customers, making the option of connecting cars feasible and appealing to a wider customer base.

### Opportunities

For providers the AT&T connected car platform opens up new markets and opportunities that include:

- **Wholesale telematics:** helps insurance companies keep track of how safely users are driving or monitors how customers' driving is affecting carbon dioxide emissions.
- **Infotainment market:** pushes content over the air to drivers and passengers, which can include traffic information, music, and parking-assistance applications.

- **Higher data tiers:** more broadly, including cars in mobile device data plans can help AT&T reduce churn and upsell customers to higher data tiers to take advantage of higher allowances.
- **Data analytics:** AT&T hopes to use data analytics to improve driving apps and learn more about drivers' habits to better target marketing and other relevant information. Similar to telematics, analytics can help refine insurance premiums for drivers, as well as giving city planners a view of traffic and road conditions at any given time.

## Challenges

Along with the opportunities the connect car platform provides, AT&T will need to resolve several challenges. While AT&T has one of the most widespread LTE networks in the United States, it is unlikely that drivers will have access to flawless coverage throughout their journeys, particularly longer trips. Excellent coverage is especially important for more data-intensive content for passengers, such as children watching video in back seats. Loss of network coverage can lead to buffering and freezing, diminishing the customer experience.

It also raises the issue of just how important certain forms of infotainment are to drivers. While apps, such as iHeartRadio and Streetline Parker, are useful for trips of any length, not all drivers take trips that are long enough to justify streaming video or web content for their passengers. Another key challenge is for AT&T to integrate its technology with car and device manufacturers in a way that offers the same experience across multiple connected devices, whether in homes or in cars, and to connect easily with one user's profile across both.

## Strategic Partnerships

AT&T partnerships for this innovative service include:

- Car manufacturers GM, Audi, and Tesla to integrate its solution for wireless connectivity into their cars.
- Cisco<sup>®</sup> sponsorship of the AT&T Foundry innovation center in Atlanta, which will focus on the Digital Life home automation service as well as connected car, emerging devices, and broader Internet of Things (IoT) opportunities. The Foundry initiative supports startups with promising technology and/or services, and opens up possibilities for acquisitions. Cisco also partners with AT&T for its U-verse set-top box, as well as media gateways and network equipment.
- Ericsson for the global application delivery framework.
- Accenture for telematics and big-data analytics.
- Amdocs for customized billing solutions.
- AccuWeather, iHeartRadio (for music), and Streetline (Parker) for apps for the AT&T Drive platform.

“The connected car space is truly a global business opportunity for us.”

— Joe Mosele, Vice President of Business Development, AT&T

## Monetization

The connected car solution provides the following monetization opportunities to AT&T:

- **Wholesale telematics with OEM:** The number of agreements signed with carmakers is one of AT&T's most important metrics for monetization and success, because it determines the reach of the U.S. and global car market the company can reach. AT&T has eight agreements in place, more than any other provider.
- **Monthly fees for mobile share plans:** With smartphone penetration nearing 80 percent, demand for data is high. With the Mobile Share Value plans, users can add more devices for \$10 per device per month on top of existing mobile plan charges. AT&T effectively treats the car as another mobile device, giving it an extra boost to the average revenue per user (ARPU) by providing connectivity to drivers.
- **Analytics:** AT&T is also targeting analytics as a source of income for the connected car. Similar to its telematics agreements, AT&T would sign deals with third parties, whether advertisers or local governments, to gather and use information about driving habits and routes.

“The future of the connected car space is going to be amazing. And the AT&T Drive Studio is where we will reinvent and reimagine the car of tomorrow.”

— Ralph de la Vega, President and CEO Mobile and Business Solutions, AT&T

## Success Metrics

Although the service is still in its early phase, AT&T is bullish about its prospects, and expects to connect more than 10 million cars by end of 2017. This is in line with Ovum machine-to-machine (M2M) forecasts, which predict 12.1 million connections across the United States and Canada in the transport sector by the end of 2017. Revenues for the sector are forecast at \$1.3 billion by 2017.

For Q2FY14, AT&T reported 14.6 million AT&T Mobile Share accounts, with more than 41 million connected devices, accounting for 56 percent of postpaid subscribers. In Q2FY13 the company reported 18 percent of postpaid customers were taking Mobile Share accounts, or 12.9 million connections.

The number of Mobile Share accounts taking data plans of 10 GB, or higher, has almost doubled in the same period, from 25 percent in 2Q13 to 49 percent in 2Q14.

## For More Information

For more information about the AT&T Drive platform, visit [http://about.att.com/newsroom/connected\\_car.html](http://about.att.com/newsroom/connected_car.html).



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