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E-Commerce (A Special Report): Interview

Picking Up Speed:
The head of a Ford-Qualcomm venture sees wireless services as an
integral part of driving -- and owning -- a car
By Gregory L. White

The fast lane of mobile commerce could get a lot faster soon.

The idea of offering wireless services specifically geared for drivers was one that auto makers were slow to pick up on at first. Most in-car-communications offerings are still pretty basic: usually a built-in phone that links the driver to operators in a service center who can provide emergency assistance, directions or other basic travel information.

But in the not-so-distant future, industry insiders say, a wireless handset built for your car will be able to monitor the car's performance, carry out financial transactions and e-shopping, and deliver news, weather, stock prices and other information from the Internet, not to mention traffic reports customized to your location (using global-positioning satellites).

Few in the race to design wireless technology for automotive uses are hugging the curves as closely as Harel Kodesh, president and chief executive of Wingcast, a San Diego-based joint venture set up last summer by Ford Motor Co. and Qualcomm Inc. to deliver wireless service to cars.

Though Mr. Kodesh is full of ideas -- his past job with Microsoft Corp. had him finding ways to put computers in dashboards -- Wingcast's first products are still about two years from auto showrooms. Among the possible capabilities: downloading music, finding the best route to the nearest gas station, and letting you pay for the fuel without reaching for your wallet -- all performed through a removable handset that won't be limited to automotive uses.

The Wall Street Journal recently talked with Mr. Kodesh about the ways wireless communications may change our expectations about how a car performs, and how well Wingcast is positioned to compete in the next wave of the automobile's future.

THE WALL STREET JOURNAL: How big a deal is mobile commerce in the car?

MR. KODESH: The expectations from m-commerce overall are pretty big. The problem is that even e-commerce is not completely understood, so m-commerce is uncharted territory. The biggest thing you'll see over the next three years is really change. I'll bet a large amount of money that if we were to sit here in three years, you and I would have a completely different picture of what m-commerce is about. I think that what you see today are just some interesting ways to move e-commerce to a mobile environment, but the actual power for m-commerce is not even thought through yet. Some of that is just removing technological obstacles.

Once technology is available, people are going to look at the problems differently and say, "Now I can do a bunch of things I couldn't do before."

WSJ: These technological transformations of familiar devices have run into trouble before, despite lots of hype. Interactive TV comes to mind. What's different here?

MR. KODESH: There's a bunch of cases of transformations; some were very successful, some were not. The question is, do you match the scenario [for providing a particular service] with the venue? I think when you talk about e-commerce in the car, the match is probably better than most.

When you operate the vehicle, there is some idle time. There is kind of a hole in time when you don't do the things you usually do. If you match the user experience with the services you need to get done, you can [have a successful transformation] pretty much the same way that the transformation of a desktop phone into a wireless phone was very successful. I think there's a real customer need that's solved. I also think it allows you to increase the safety and security that you experience when you operate the vehicle.

WSJ: Are customers ready for this now, or will there be a period of demonstrating what it's about?

MR. KODESH: If you asked people if they were ready for cell phones or the Windows operating system before you gave it to them, they probably would have said they're not going to fall over themselves to get that. The onus is on us to provide the compelling scenario that can be sold. If you provide the compelling scenario, then people will say, "I've got to have it."

WSJ: What are the compelling m-commerce scenarios?

MR. KODESH: There are a bunch of things. One is the whole economy around owning the vehicle. [With m-commerce,] the car can identify what's wrong with itself and start the whole system of making sure that there's an appointment for you at the dealership, that the parts are ready, etc. That's one of the major areas of m-commerce that we intend to support. Then there's the normal consumer m-commerce: How do you order something before you get there? Once you put the basic technology in place, I think we'll be able to use it for a bunch of other scenarios. You should be able to say, "Look, I owe Greg $10, pay it." Without any checkbook, without any cash, you solve the problem.

You'll see some scenarios where people say, "Yeah, that's something I need," to ones that they say, "Wow, I never thought of that before." Some people will scratch their heads, but if we do it right and work with customers, we'll zero in on the right needs.

WSJ: The fulfillment side of e-commerce relies on existing infrastructure -- FedEx and the Post Office, mainly. How much infrastructure needs to be built for m-commerce? Do you need to have an alliance and a wire to every gas station or 7-11?

MR. KODESH: M-commerce is not completely separate from e-commerce. I define m-commerce as part of the commerce chain that's done while you're mobile. Obviously you can pay for a song and get it played for you on your car radio. But you can envision a chain that winds up with a package being delivered to your home. Some of the infrastructure is in place. You have commerce tools, credit cards, etc. Most of them do not need a brand-new infrastructure.

Of course, there are a bunch of applications that you do need infrastructure for, and I think they will be slower to arrive. To buy gas in a gas station, it's not clear how many new [switch] boxes you need to do that. If you're smart enough, you can use existing processes.

These are the areas that we'll try to tackle first.

WSJ: How important is the car as a platform for m-commerce?

MR. KODESH: The car as a habitat is super-important for the American public. You have people sitting in their offices and their homes and they're set up with a DSL [high-speed Internet service] running back and forth, but the car is a kind of bubble. The only communication that's coming out is talking on the phone and listening to the radio. That sounds like a huge discrepancy between what they need,

what they can get and what they have. The car will be an extremely important platform, particularly for us.

We are not looking at the car as the only place we are going to provide service. The idea is that you support the customer across the board. The car is the ultimate transit vehicle.

WSJ: Does the car give you an advantage as you compete with other potential mobile-commerce providers such as wireless service providers?

MR. KODESH: The car gives us a twist. We definitely work better with the auto makers than other people. It's not in the bag just because we are a Ford [and Qualcomm] joint venture. But it allows us to understand the needs of the customer better than other people and act on that.

WSJ: But can't the technology and wireless service providers move faster? Won't you be able to talk to your Palm VII and order a book or change a flight sooner than Wingcast will be able to offer that?

MR. KODESH: Our differentiation isn't that we are building a consumer device that you can take into the car. The consumer device we are building is wired into the car, so there's a bunch of things you can do that are integrated with the vehicle.

The car is one of the most expensive purchases you've made, so there's real value in being able to protect and preserve this investment. One of the things that Wingcast will do is make sure that some of the services we have are going to be automotive-related services. Of course, you can call your dealer from your cell phone and schedule an appointment. But this isn't about scheduling an appointment, it's about getting to the appointment with data from the car already available to the mechanic. The integration of the automotive side is really going to give us the edge.

WSJ: But with cars more reliable these days, focusing around the service experience doesn't give you very many touch points with the consumer.

MR. KODESH: I'm talking about the whole chain. Think about how much money you spend on vehicle-related activities, be it parking lots, insurance, maintenance. It's true the cars don't break down all that often, but every time you go to the shop, there's actually a better experience you can get from that. This is one group of services you would like to optimize.

There's another group of services, which is what you consume while you're in the car. They should be integrated into the experience of driving the car. When you get a phone call, you don't want the radio to play. These are other types of activities that we'll be very active on.

There's a third area which I'd rather not talk about, fairly cool services that you say, "This is something that I really needed to have and I couldn't do it until today just because I didn't have the connectivity."

WSJ: Can you give us a rough idea?

MR. KODESH: No.

WSJ: Consumers expect an almost flawless experience from anything that's connected to the vehicle, in contrast to what they're willing to expect from computers or wireless devices. How much harder for you is it to execute to this higher standard than it is for rivals like the wireless service providers?

MR. KODESH: It's definitely a challenge because we come across as an accessory in the car. People expect that this wireless communication will be as reliable as turning a switch. Of course, if you get into [non]coverage areas, underground garages, you're not going to have the same reliability or ability to connect. It's more an issue of education than it is a real technological problem to solve. We will spend a lot of money and we will educate consumers on what they can expect when they have this **telematics** device in the car. The fact is that when you drive into an underground garage, your FM transmission is cut off. You hear all this horrible noise, but people don't take the radio to the dealer and say it doesn't work.

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WSJ: As you look at the business opportunity for Wingcast, how big is the piece of the pie that you assign to m-commerce?

MR. KODESH: We see m-commerce as one of the major tenets of what we do. At a certain point, there's going to be a lot of services that we offer. Some of the basic services will be available for free. At the beginning of the Internet, there were a bunch of sites that tried to charge for stock quotes and weather reports. That didn't prove to be a great money maker.

Some of the services we're talking about, we're fully prepared to make a must-have, not something you can charge for.

M-commerce is one of the services we're looking at that we assume will always be an added value to consumers, and I believe we'll be able to make money on that.

WSJ: Does most of that money come from the consumer directly?

MR. KODESH: It doesn't have to come from the consumer; that's the beauty of it. As we look at m-commerce, there's a different system. We would like to make money, but we don't have to charge the consumer for all of that. There is such a vast array of merchants and a bunch of other people [who will want to be suppliers in the m-commerce chain] that I believe we'll be able to build a system such that the consumer is not the only one paying for all the goods and services.

WSJ: So you'll sell your consumers to companies who want access to them?

MR. KODESH: Selling our consumers sounds pretty bad. But we participate in the commerce process, and that doesn't put all the burden on the consumer.

WSJ: That leads to the privacy question. As you collect the location information and carry their personal profiles, is there a concern that people aren't going to want this level of information about themselves available?

MR. KODESH: There is definitely a concern, and we will have to resolve it in two ways. One, privacy is very important, so we are committed to making sure that those things do not go anywhere else. If you consume location-based services, we are going to make sure that, although there are many people who would want to buy this information, we protect it the same way that your credit-card transactions aren't sold along with the aggregate data [about you]. There are things that are going to stay only in our data center.

The second thing is we have to make sure that people understand what they are getting. People have the right to be very paranoid about devices that keep track of them, but sometimes we want to keep track of your car, not keep track of you. In order to do that, if you accept the fact that this is something that can increase your safety and security, then this is something you have to understand is required to do our job. It comes down to educating the consumer on the fact that we are not going to do commerce with that location-based information and to make sure that people understand what they are getting for the information.

When you talk on the cell phone, it has your location. People look at that and say, "I know that the carrier can check this out, but the fact is that I need this to communicate." When you use a credit card, you can be tracked down, yet people don't think about that.

We intend to make it as transparent to the user.

WSJ: How important is advertising to the business model?

MR. KODESH: The more advertising we can have -- and we will deliver it in a way that doesn't

compromise the operation of the vehicle -- the less the consumer will have to pay. It's very important to make it compelling.

WSJ: Is the advertising world ready for this kind of targeted information? On the Internet, we've seen how sites can offer specific groups of consumers, yet advertisers use lots of banner ads.

MR. KODESH: We will have to think through the advertising proposition, but the fact is that when you have an FM radio, some people use rock stations, others use news. If we do it right, we'll be able to go to a much higher resolution [a more targeted demographic group].

WSJ: How big a threat is safety regulation, given all the attention in Washington on driver distraction?

MR. KODESH: It's definitely something we monitor. There is an increasing concern about safety and security while operating your vehicle. At the same time, we have to explain what this thing does. The fact is that what we have in terms of safety while operating the vehicle is probably a step up from what you have today, when people basically glue their handsets to their ears and really compromise their ability to drive.

Most countries in the world are legislating that you need to have a hands-free system to operate a cell phone in the car. Our technology plays exactly to that need. I think that people will find the experience of conducting wireless communication while driving a vehicle much safer with a Wingcast system than if you just drive with a cell phone.

WSJ: Overall, what are the biggest challenges to putting this business together?

MR. KODESH: The biggest challenge is really the difference in opinions, processes and objectives between the consumer-electronics and the telecommunications industries and the automotive industry. The automotive industry, for a variety of reasons, has a process that's much longer and looks different from the one that develops, let's say, a cell phone. As a result, you can see some pretty good cars with pretty old phones. The discrepancy between the telecommunications part and the automotive part is something we definitely have to solve.

We are in a pretty unique position because we do work with the automotive industry. There's a lot of improvement from some time ago in terms of how the automotive industry is looking at and waking up to how to take advantage of telecommunications.

WSJ: When do we begin to see some of these m-commerce applications in cars?

MR. KODESH: Some of the commerce applications will be there when we launch the system in 2002-2003. The interesting aspect of the system is that we will be able to introduce new services once the system is installed. It's not something that is hard-wired into the car. It pretty much follows the Internet model, where if you have what I need to give you services, then I can offer you services in the car.

WSJ: Who are the competitors that you're most concerned about?

MR. KODESH: We and probably the wireless carriers are equipped to do the same thing, so you can argue that they are probably the biggest competitors. They are going after the same market: value-added services for wireless users. We look at it the same way. At first blush, there may be competition, but if we play the game, there could be partnership. We will try to eliminate any reason to be competitive in their space to work with [wireless service providers] to make sure that the kinds of services we have don't put us in competition with them. After all, we don't have antennas and towers.

If we win, it doesn't mean they lose.

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