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IN THE DRIVER'S SEAT

Catching Up With OnStar

By Pam Baker

Interview With Chet Huber, CEO of OnStar

OnStar just took the wraps off a new service offering, called OnStar Vehicle Diagnostics. The service automatically performs hundreds of diagnostic checks on four key GM vehicle operating systems: the engine/transmission, antilock brakes, airbag and OnStar and reports the results via e-mail to the vehicle's owner. To get more information on the new service as well as some insight into what else lies down the pike, Telematics Journal spoke to OnStar CEO, Chet Huber.

T *Do you really count on this new service as being a solid value-add service for the customer or do you expect customers not to opt in for fear that their information will be sold to other people?*

CH: All of our research, and the research of third parties like J.D. Powers, suggests that the public perception of OnStar is very high and people feel protected by the service. We've known since Day 1 that we would have to add services of great value, if we added any services at all, and we would have to respect both our customers' privacy and our relationship with them if we were going to keep them as customers and keep our reputation and lead in the market.

The vehicle is smart enough to call for help if there is an accident; now it is smart enough to respectfully check in with its owner and say 'Hello, how are you; I am fine' or 'Excuse me, I have a problem that needs your attention.' That is a great value. Forewarned is forearmed, as they say.

T *Will OnStar be selling vehicle performance data back to GM or a third*

party?

CH: I think it is everyone's desire to do everything possible here to ensure the utmost quality in GM products. Use of this info presents a great opportunity for GM's engineering and manufacturing people to do exactly that.

I don't see this info as something to be brokered. There's no future for that here as we are very committed to our customers and their protection. That includes protecting their information.

However, we do give customers options to make their life easier. For example, as a separate opt-in, customers can elect for us to share the information we have gathered about their vehicle with their servicing dealer to ease the repair process. But, I must emphasize, the customer has to initiate that. They have to opt-in and opt-in separately from the overall diagnostics service. It is not an automatic or accidental action when opting in for the service -- customers have to deliberately opt-in for this function.

Coming soon, customers will also be able to opt-in on an insurance related service where we will validate mileage and the like so that customers can take advantage of reduced car insurance premiums. Such as if a customer has a car at a vacation home and wants to get the lower mileage insurance premium; who wants to pay for full time coverage for a car you are only driving a few weeks or months in the year? -- we can help them do that. But, that too, will be at the customer's discretion.

J *Some analysts believe this new service will benefit GM much more than OnStar customers because actual vehicle performance data can be sent back to GM for analysis by their engineers and also their service can serve as a way to quietly bring customers to the dealer for repairs in order to avoid a sticky mass recall and its associated negative PR effects. Is that the case?*

CH: If you mean, will the service alert us to problems and trends earlier than the normal warranty process, then you are right. We will be able to find and repair problems earlier and to alert manufacturing so that fewer new vehicles repeat the problem.

But, if you mean will that allow us to avoid public disclosure -- the answer is no, it won't. There are numerous rules and regulations governing how recalls are administered. Federal regulations apply that require any vehicle manufacturer to make the problem widely and publicly known.

J *How many OnStar subscribers are there right now and how many are renewing their subscriptions?*

CH: We are rapidly approaching 4 million subscribers with an overall retention rate of 65%. Both our subscriptions and retention numbers are growing we think in part due to growing word-of-mouth as more people use OnStar, and partly because our branding efforts have successfully raised brand awareness -- a fact that is showing clearly in independent research.

It's a circle: The service reinforces loyalty to the vehicle which, in turn, reinforces loyalty to the service.

J *GM plans to offer OnStar and electronic stability control as standard on all GM models by 2007: Does OnStar feel threatened that Japanese automakers are already starting to make more and more safety features such as ABS, stability control and side airbags as standard on their own vehicles and that offering a telematics service will be the next major service to be added to those vehicles, or do they see this as an opportunity because OnStar is a service provider itself (although they are owned by GM)?*

CH: We're not worried, ten years experience is tough to beat. But we won't rest on our laurels either. Everyone else will be playing catch-up and we're working hard to keep it that way by continuously producing more and better services and products. But, yes, we do expect competitive action. The more we build on the edges of OnStar, the more people will have to enter the space in order to sell their cars at all, especially in North America.

J *Will OnStar ever be spun-off from GM?*

CH: 'Ever' is a long time. But, no, I don't see that happening, at least not in the foreseeable future. There is a tremendous synergy in being deeply integrated with the largest vehicle manufacturer in the world. Because of that, OnStar enjoys a lot of advantages from increased financial stability, faster progress, information gleaned from inside vehicle development. And, I think GM enjoys owning OnStar. There's a little bit of a pride issue; the pride of a great product in a great product.

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