

BMW is going all-in on in-car microtransactions

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BMW has detailed an overhaul to the digital systems that power its luxury vehicles, including a new map and navigation system, a revamped digital assistant, a “digital key” (first shown off at Apple’s annual developer conference last week), and wireless Android Auto. But the most interesting thing BMW shared about the changes is that the company is going all-in on in-car microtransactions.

Cars are more full of computers and software than ever before, which has made it possible for automakers to add new features or patch problems on the fly with over-the-air software updates. This has also presented these automakers with new ways of making money. Take Tesla, which pioneered them and currently sells access to a variety of features after purchase. It even used to ship cars with battery packs that had their range limited by software, and owners could pay a fee unlock the full capacity.

BMW now wants to take this to a far more specific level. The German automaker announced on Wednesday that all cars equipped with its newest “Operating System 7” software will soon receive an update that makes it possible for the company to tinker with all sorts of functions in the car, like access to heated seats and driving assist features like automatic high beams or adaptive cruise control. And the company unsurprisingly plans to use this ability to make money.

This would work in a few different ways, according to BMW. The most straightforward is that an owner can, at some point, pay to access certain features that they didn't initially buy with the car. This could also work the other way, though. Don't particularly feel the need for heated seats anymore? Go ahead and turn off the feature. BMW didn't go into too much detail about pricing or terms, but Roadshow reports that the automaker is planning to make it so owners can "subscribe" to certain features for as little as three months.

"You'll be able to "subscribe" to heated seats, for example"

It will likely cost BMW more up front to build all of these features into every car, though the manufacturing process may go more smoothly with less differentiation. But BMW could make some of that money back from secondary owners of these cars. People buying them on the used car market — or, as is more likely with BMW, picking them up on a three-year lease — will be able to configure the car to their liking in a way that wasn't possible with the company's previous vehicles.

How all this plays out will depend a lot on what BMW charges for access to these various features. The company's history here is not necessarily encouraging, as it used to charge for access to CarPlay (first as a \$300 option and then as an \$80-per-year fee).

But BMW is not alone when it comes to trying to make in-car purchases a reliable source of revenue. Tesla has been doing it for years, offering features like Autopilot and a "premium connectivity package" for purchase after an owner takes delivery of their car. Tesla has also helped illustrate how bumpy the rollout of selling software services in a car can be, as some owners who bought their cars used have said they were promised features that were disabled.

This idea won't just stop with BMW and Tesla, though, as cars become increasingly connected. Even Ford recently spoke about how the new 2021 F-150 will have over-the-air updates that cover the car from "bumper to bumper," which could theoretically allow the company to charge for access to certain features. Other automakers, like General Motors, have been tinkering with in-car shopping as a revenue service.

Tech giants like Apple have carved out huge new sources of recurring revenue in recent years by leaning harder on selling software services, so it's no surprise that the auto industry — which behaves more and more like the tech industry with each passing day — is trying to find a way to get in on the action, too.
