



ORGANISING FOR VALUE

The need for a transition in telematics

Providers of traditional telematics services are facing an increasingly commoditised market. A transition to offering

big-data systems

could provide a way out of cut-throat competition, but this will require a major restructuring of their marketing approach – and indeed mentality – as well as investments in new capabilities.





PROMISING TARGETS FOR BIG-DATA SERVICES

‘Telematics’ – capturing and transmitting real-time operational data from business operations – includes everything from basic vehicle tracking solutions to complex fleet management systems (FMS), including insurance, optimisation and driver/operator performance management. As technologies are evolving and costs declining substantially, telematics is penetrating into many markets and industries. Most companies, whether they have already adopted basic tracking systems or not, seem convinced of the benefits of collecting operational data.

But basic telematics is increasingly becoming a commodity which other companies, such as telecommunications providers, can also offer. Providers of telematics systems will therefore need to tap into new sources of value creation. Systems for analysing ‘big data’ would seem to be the way forward, but these make a hard sell, as we found in an international study on ‘telematics’ which we recently conducted.¹

In this article, we discuss who the most promising target customers for ‘big data’-based services might be, and how telematics service providers could adjust their offering in order to meet the concerns and evolving needs of such potential customers. We focus in particular on providers of FMS, which have powerful tools for analysing data on a wide range of vehicle metrics (such as operating hours, temperature, fuel consumption, speed, fuel levels and tire pressure) captured by sensors.

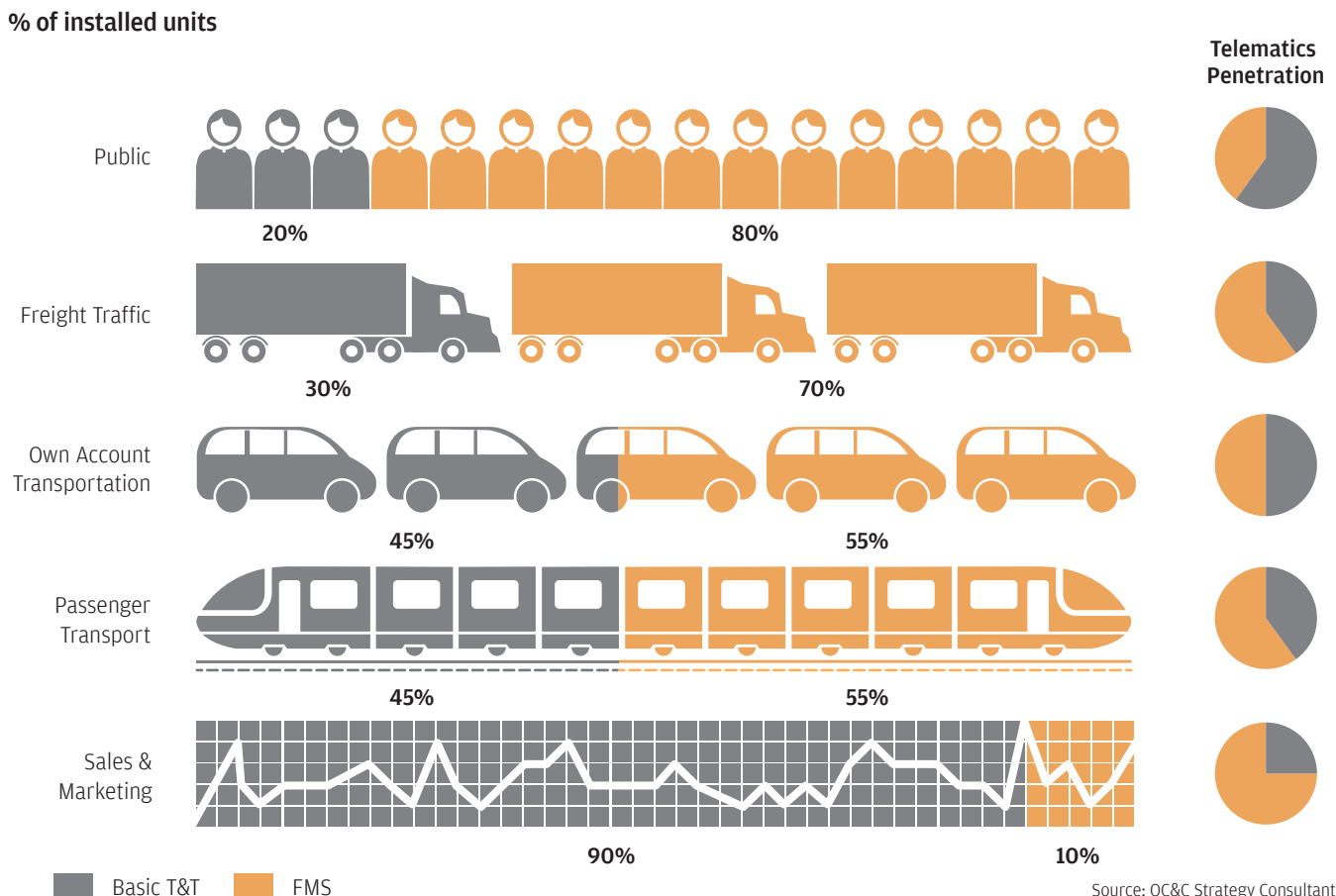
SYSTEMS FOR ANALYSING ‘BIG DATA’ WOULD SEEM TO BE THE WAY FORWARD

¹ Countries included: Turkey, Middle East (UAE and KSA) & Western Europe (Germany). 200+ phone interviews with companies from different sectors (FMCG, banking, wholesalers, retailers, industrial products, tech companies) and with different fleet sizes (from 2 to 1,000 vehicles).

PROVIDERS OF TELEMATICS SYSTEMS ARE FACING A TOUGH MARKETING CHALLENGE

In our study, we found that the penetration of telematics in general and the use of different telematics functions vary between but also within specific industries (Figure 1). That said, some sectors, such as public and freight traffic, make far more promising targets for big data-based offerings than others.

FIGURE 1: USE OF TELEMATICS BY FUNCTION AND TYPE OF CUSTOMER, 2014

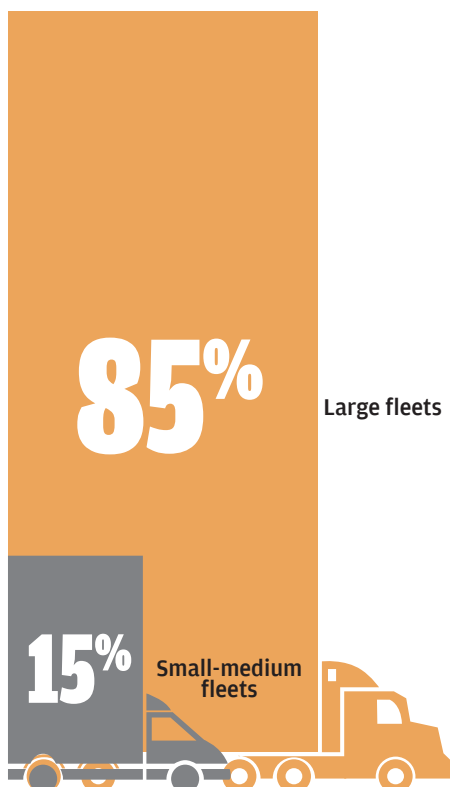


SUPPLIERS OF TELEMATICS SERVICES AND SYSTEMS WILL NEED TO CHANGE THEIR MARKETING APPROACH

What's more, our study shows that the need for more 'data' widely differs from company to company, even within the same sector. In fact, many potential customers feel overwhelmed by the many different options made possible by technology. The ever-increasing variety in telematics offers – combined with developments in systems and the capabilities of customers – is creating an additional challenge for big data suppliers. Potential customers – end-users of telematics systems such as hauliers, distribution companies and auto leasing companies – question both the need for big data systems and the major investment in tech-savvy operators that such systems require.

TELEMATICS USAGE BY FLEET SIZE, 2014

% of installed units



Add to this the uncertain approach of mobile telco operators towards FMS: will they develop their own telematics solutions, partner with telematics operators and sell bundled products, or become a competitor? As a result, companies that should be able to benefit from telematics are facing an ever more complex and confusing supplier environment at a time when clarity and simplicity are needed for new applications to deliver added value.

In our research, we have identified several obstacles to successful marketing of more sophisticated, big data-based fleet management solutions. First of all, while customers are generally aware of the broad capabilities of telematics, they have yet to be convinced of the operational benefits of more sophisticated solutions. Particularly SMEs with smaller fleets, which still account for around 85% of the overall telematics market in Turkey, have expressed disappointment, mentioning almost all of the issues stated above. They still need to be convinced of the value of services that go beyond basic vehicle tracking and fuel economy. Also, our survey shows that over 65% of respondents in larger companies have yet to integrate telematics data into their back office operations – which is not exactly an encouraging finding for providers of FMS with the ambition of persuading their customers to move towards more sophisticated uses of data than merely measuring fuel efficiency.

The ignorance among customers of the potential benefits of more advanced systems can be attributed in large part to the dominant sales mentality among suppliers of telematics systems and their dealers. As these still tend to use sales models geared towards installing systems, their sales staff are effectively discouraged from developing tailored solutions which could convince customers of the added value of upgrading to big data.

Also, the current sales model drives suppliers to sell complex—products indiscriminately to whoever will take them – without questioning whether customers really need them. As a result, many customers who do 'take the bite' end up with expensive and overly complex systems that don't live up to their promise. The industry's current sales model thus holds the risk of low adoption rates of subscription-based contracts for big-data services.

Another important obstacle to the adoption of more advanced telematics systems is that customers have serious difficulties in interpreting incoming streams of operational data and translating this information into actionable strategies. 'Information dumps' tend to make matters worse, creating stacks of reports that customers don't use. Also, quite a number of customers are finding it difficult to integrate telematics data into their in-house enterprise systems – a challenge which is often ignored by telematics companies. Furthermore, the responsibilities of the supplier and the customer are often unclear, for example when maintenance of large telematics systems is required.

Our research shows that customers who do try advanced (big data-based) telematics, but do not find the added service useful, either switch to another service provider or eventually terminate the contract for extra features and fall back on basic functions such as vehicle tracking and monitoring fuel efficiency. In fact, customers tell us that the telematics industry's lack of customer focus threatens the further penetration of telematics into SMEs – one of the most important segments for continued growth.



MAKING THE CHANGE

Undoubtedly, big data offers considerable potential. The key to sustained growth lies in the fact that different customers have different expectations (and capabilities), which affects their use of big data. This means that providers must differentiate their offerings and target specific customer segments.

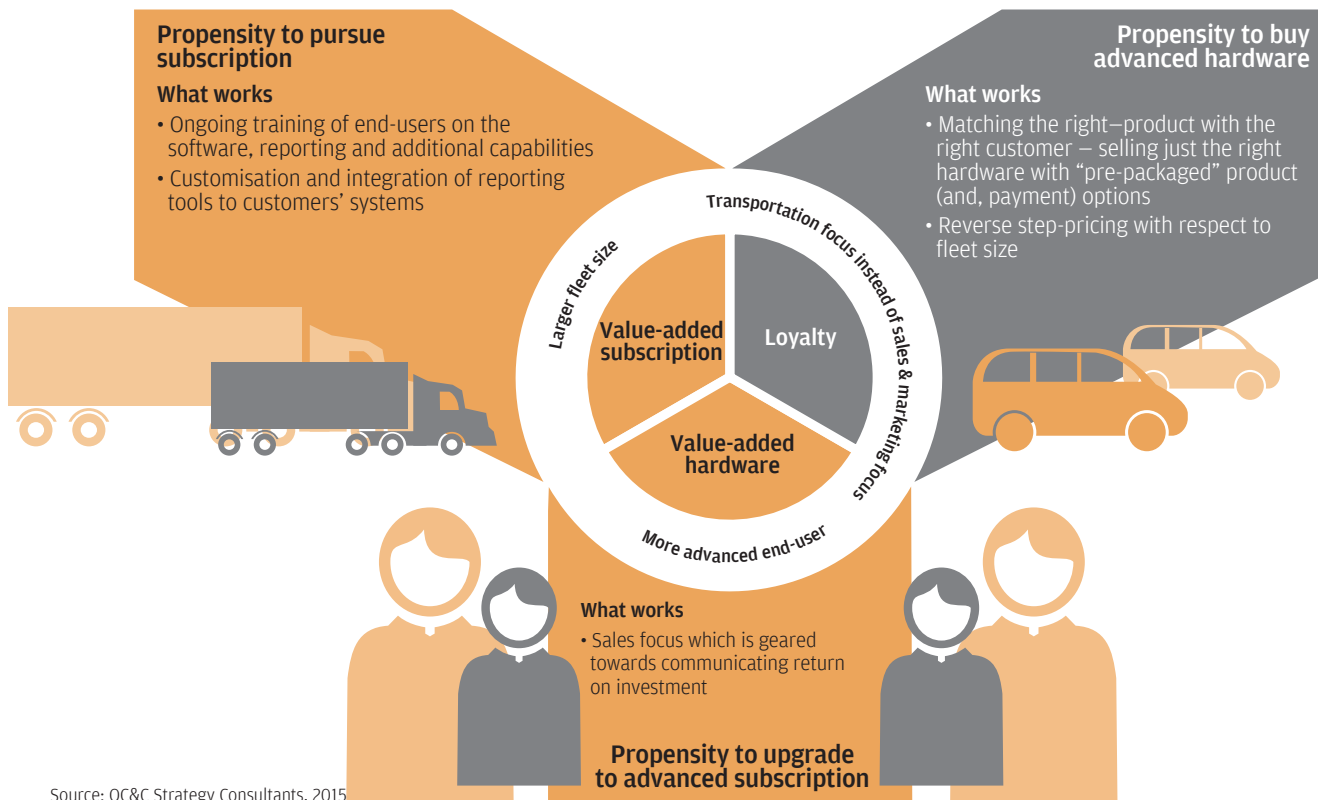
When looking at the obstacles to the adoption of more advanced telematics services, it's important that potential customers can define the key performance indicators which a new telematics system should address. This suggests that telematics providers should focus more on marketing, sales and after-sales, especially the promotion of big data-related, high value-added services. Our research findings suggest that, in order to address the concerns of potential customers, suppliers of telematics services and systems will need to change their marketing approach in three ways.

First, they must focus on opportunities that create value. Providers of FMS in particular have a tendency to concentrate on larger fleet operators. But these appear least inclined to switch to new big data-based telematics solutions because they have often developed their own in-house systems, typically based on hand-held devices for tracking shipments and integrating the data in company systems. Companies and institutions in the public sector might make more promising targets. Figure 2 presents a high-level framework for categorising customers' predisposition to go for various types of offers.

PROVIDERS MUST DIFFERENTIATE THEIR OFFERINGS AND TARGET SPECIFIC CUSTOMER SEGMENTS

FIGURE 2: PROPENSITY FOR ADVANCED SERVICES

Route to value – The customer perspective



Source: OC&C Strategy Consultants, 2015

Secondly, telematics providers should focus on helping target customers to see the broad picture, rather than simply presenting products. This applies to sector specialists, such as providers of telematics to government, healthcare or transport, and generalists alike. Both should narrow the range of options by tailoring bundles of telematics/big data services to customer needs and explaining how customers can use these services to create value.

This is a substantial challenge for many suppliers, which still tend to operate like ‘engineering R&D engines’ – focusing on reducing their own input costs while growing the volume of ‘one size fits all’ subscriptions marketed in a standardised way. To move to a more sophisticated proposition, they will need to replace their traditional product and volume-based approach with a more balanced ‘volume/value’ approach targeted at specific customer segments. Pricing schemes based on fixed monthly subscription fees will need to be adjusted in order to accommodate telematics offerings based on big data. And specialised sales teams will need to be put in place to develop and market the new segment-specific products.

Thirdly, providers of FMS should be able to interpret available data that relates to customers. Before visiting a major potential customer, in the healthcare sector for example, with a view to offering value-added services, successful service providers should spend time on evaluating data already in their possession and create specific offers, including the ability to process real-time information on behalf of the customer, if requested.

To do this ‘homework’, providers will also need to collaborate more effectively with their distribution channel partners (e.g. dealers, service stations, etc. in the haulage sector). Such collaboration is a great way to capture value growth. So far, however, channel partners have typically focused on installation and maintenance. Our research shows that information gained in after-sales operations (i.e. from dealers) often does not get relayed back to head office. This applies especially to opportunities for selling value-added services. It’s important that the entire channel identifies further sales opportunities. The same applies to strategic partnerships, for example with retailers or mobile operators.

Fourth and last, providers will need to improve their customer support. Many respondents in our survey (companies already using or planning to use FMS) seem ill-prepared internally to exploit the full benefits of available data. While their initial focus is usually on fuel efficiency, for example, and this is used to evaluate the potential return on investment of investments in telematics, companies do not effectively integrate the full range of available data into their operations. We’ve seen successful models where specialised providers of FMS compile data on behalf of their customers, presenting monthly reports outlining how the operations of these customers compare with comparable competitors.

So telematics providers need to better understand and effectively target selected customer groups with more relevant services. The most successful will not necessarily be those offering the most technologically superior products, but those that have been able to identify customer segments, develop offers with competitive pricing models and offer excellent customer service (proving the value of the service). Making the necessary transition in their marketing approach will require them to change from a mainly systems-based mentality towards a more commercial (product development and pricing expertise) mentality. As technology becomes more of a commodity in this sector, bringing new entrants into the market, it’s the intangibles that will make the difference.

PROVIDERS WILL NEED TO MOVE FROM A MAINLY SYSTEMS-BASED APPROACH TOWARDS A MORE COMMERCIAL MENTALITY

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