

Why telematics is moving into the realm of transforming technologies

By Umar Riaz, Joel A. Osman, Margo R. Gorra-Stockman and Christopher A. Shoup

Telematics—the ability to wirelessly provide information to or extract information from vehicles and industrial equipment, such as generators, pumps, and heating and cooling systems—has been steadily evolving over the past decade. But with advances such as improvements in voice recognition and the emergence of wireless data services, signs now point to a rapid take-up of telematics.

Telematics applications in the automotive industry have received the most attention as car companies provide more in-vehicle services to their customers. However, even the automotive industry is realizing only a fraction of the potential benefits that telematics can offer. Until now, car companies have focused primarily on the “push” aspects of telematics—sending information such as directions, traffic information and “infotainment” to the car and its occupants.

But the tremendous untapped potential of telematics revolves around the “pull” ability of telematics. This is true not just for the automotive industry but also for any company involved with industrial equipment—whether in producing it, selling it or maintaining it.

Telematics means never saying good-bye to the customer

In the automotive and industrial equipment industry, original equipment manufacturers (OEMs) have only sporadic contact with their customers after the initial sale. Telematics enables OEMs to wirelessly gather a wide range of data, from position and usage patterns to maintenance needs and performance information. This ongoing ability to pull data from their product offers OEMs the opportunity to stay connected with their products and customers long after the initial sale.

Because there is so much potential for adding value through greater customer insight and interaction, Accenture believes telematics could redefine the automotive and industrial equipment industry's products and their value propositions for customers. Going even further, Accenture considers telematics

to be a transformational technology across industries with the potential to have an economy-wide impact.

Companies having difficulty justifying the cost of providing wireless services to their customers should evaluate both the push and pull aspects of telematics. This could mean the difference between making telematics a profitable undertaking and not utilizing telematics at all and being left behind.

All in all, telematics can help companies achieve their strategic objectives by creating much stronger relationships with their customers. With the exception of credit-card and phone companies, which have instant access to a wide range of data about their customers, most companies know very little about how their customers interact with and use their products. Telematics opens up the possibility of truly understanding customers' needs, wants and habits. Access to this kind of information provides a direct personalized marketing channel and can also lead to the development of new products.

Three telematics business models

There are three basic telematics business models:

- **Business-to-consumer telematics.** This is by far the most common use of telematics today. Customers subscribe to services such as navigation assistance, traffic information and infotainment content, such as sports scores.
- **Business-to-product telematics.** In this emerging telematics model, the company selling the machine pulls information from the machine to track usage and offer preventive maintenance. This model provides significant cost-reduction opportunities through early warranty problem detection and lower recall and product liability costs.
- **Business-to-business telematics.** This telematics model is only now getting serious consideration, yet it is potentially the model with the largest revenue opportunities. Telematics can create new revenue streams as data is collected and sold to other companies. This means third parties can offer specialized products or services tailored to the customer or use the data as intelligence for new product development.

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Telematics strategy must encompass wide-ranging implications

"Car insurance by the mile" illustrates the far-ranging impact of telematics. Who owns the data being transmitted by the car? Would it be owned by the car manufacturer and sold to the insurance company? Or would the car company contract with the insurance company to manage the flow of data? Would it track just usage or also routes taken? Might consumers choose from certain levels of data tracking?

What are the privacy issues associated with the collection of data no one has ever collected before? Could it be used by law enforcement to monitor speed and issue tickets?

What about other interested parties? Federal and local transportation departments might be interested in the data to help with traffic planning. Petroleum companies might use the data to analyze how their products perform in different types of cars under different driving conditions.

As companies consider telematics for their products and industries, they must ask and answer these questions as part of their overall telematics strategy. But facing these complex and, in some cases, difficult issues will pay off, for the beauty of telematics is its potential to enhance the value of a multitude of mature and emerging products and services in any number of innovative ways.

Developing a telematics strategy

Whatever the business model and no matter how attractive telematics is to companies and their customers, the business and technology complexities and challenges inherent in telematics are formidable. Complete telematics solutions include customer service, support, billing, technology infrastructure, application integration, and data mining and management.

This usually requires revamping back-end infrastructure and establishing alliances with technology and service providers. Choosing between the various technologies and alliance partners requires extensive evaluation.

It is difficult, if not impossible, to implement everything required by comprehensive telematics solutions at the same time. As a first step, companies should develop a telematics strategy and a

reasonable migration plan for technologies and service offerings over the next one to five years. The telematics strategy should encompass:

- A list of telematics-related customer services organized by priority and target time frame.
- A comprehensive business case, including the expected cost of implementing telematics, which is not only the cost of "on-board" technology but also the cost of the back-end infrastructure and processes, such as data mining and billing.
- A comprehensive map of the alliances and partnerships required to implement telematics, and a perspective on what elements of the telematics solution should be developed in-house and which should be outsourced.

Telematics will be a transformational technology in the automotive and industrial equipment industry. The convergence of a diverse set of technologies, such as those for voice recognition and wireless data, coupled with growing customer interest and compelling value proposition for OEMs will make telematics a key strategic priority for most OEMs and their suppliers.

This growth will inevitably lead to a battle among the different players on how to divvy up the telematics pie. OEMs must take the lead and not allow third parties to define the telematics industry. If they do, OEMs may find that they are no longer in the driver's seat of their relationships with customers.

Umar Riaz, partner—Accenture Automotive industry group, is based in New York City. He can be reached at umar.riaz@accenture.com.

Joel A. Osman, senior manager—Accenture Technology Labs, is based in Chicago. He can be reached at joel.a.osman@accenture.com.

Margo R. Gorra-Stockman, senior manager—Accenture Strategy & Business Architecture, Automotive industry group, is based in Reston, Virginia. She can be reached at margo.r.gorra-stockman@accenture.com.

Christopher A. Shoup, partner—Strategy & Business Architecture, Industrial Equipment industry group, is based in Chicago. He can be reached at christopher.a.shoup@accenture.com.