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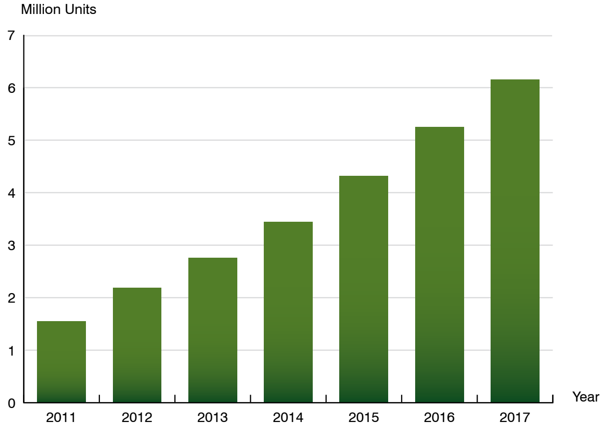
BERG INSIGHT

Good times ahead for the fleet management market in Russia and Eastern Europe

Fleet management (FM) is an ambiguous term used in reference to a wide range of solutions for different vehicle-related applications. Berg Insight's definition of a fleet management solution is a vehicle-based system that incorporates data logging, satellite positioning and data communication to a backoffice application. The history of fleet management solutions goes back several decades. On-board vehicle computers first emerged in the 1980s and were soon connected to various satellite and terrestrial wireless networks. Today mobile networks can provide ubiquitous online connectivity in many regions at a reasonable cost and mobile computing technology delivers very high performance, as well as excellent usability. All of these components combined enable the delivery of vehicle management, transport management, driver management and mobile workforce management applications linking vehicles and enterprise IT systems.

Commercial vehicle fleets play an essential role in the economy in the CIS and Eastern Europe, where several countries are part of important Pan-European transport corridors. The total of around 9 million trucks in the region account for a major share of all inland transports. Motor vehicles are for example involved in about 70 percent of all inland transports in Russia. In Europe, medium and heavy trucks account for more than 75 percent of all inland transports, forming a € 250 billion industry. Moreover, the greater part of the total 13 million light commercial vehicles (LCVs) in Eastern Europe and the CIS are used by mobile workers and for activities such as distribution of goods and parcels.

Berg Insight is of the opinion that the fleet management market in the CIS and Eastern Europe has entered a growth period that will last for several years to come. Key drivers include cost reductions related to fuel savings and regulatory developments such as ERA-GLONASS. The number of fleet management systems in active use in the region is forecasted to grow at a compound annual growth rate of 22.6 percent from 2.2 million units at the end of 2012 to 6.1 million by 2017. The penetration rate in the total population of non-privately owned commercial vehicles is estimated to increase from 10.0 percent in 2012 to 23.8 percent in 2017. The Russian market accounts for a significant share of the region's total installed base and is forecasted to grow from 850,000 active FM units at the end of 2012 to 2.5 million by 2017.



Installed base of active fleet management units (Russia/CIS & Eastern Europe 2011–2017)

The leading FM providers in terms of installed base in the CIS and Eastern Europe include diverse players from a number of countries. Belarus-based Gurtam is established as the leading FM software provider active across most countries in the region with more than 220,000 vehicles managed through its Wialon platform. Arvento Mobile Systems from Turkey and TechnoKom from Russia are moreover important telematics players on their respective domestic markets, with presence also in additional countries in both the CIS and Eastern Europe. The Russian solution providers M2M Telematics, ENDS and Russian Navigation Technologies furthermore all have estimated installed bases in the range of 60,000–85,000 active units. The large dealer networks of these companies also cover other CIS countries whereas the international ambitions in for example Eastern Europe generally are low. Additional significant players include Mobiliz, Fort-Telecom, Scout and Omnicomm. Notable is the fact that none of the major international solution providers have managed to capture any significant market shares in this region.

The expectations for the future FM market in Eastern Europe and the CIS include a gradual convergence with the developments in Western Europe. Eastern Europe is already tracing the most developed European markets closely in terms of system functionality and service models. The major Russian providers are instead still primarily serving large corporations with standalone systems, whereas subscription services are mainly adopted by SMBs. Cloud services based on recurring service fees are however anticipated to become a greater focus also for major enterprise fleets on the Russian market in the near term. Another key trend on the European market is factory-fitment of OEM truck telematics. The local Russian truck manufacturers have however not yet embraced this development and the OEM telematics activities remain limited. Ultimately, these OEMs are also expected to gradually introduce proprietary telematics systems including vehicle tracking, remote diagnostics and fleet management functionality. Market dynamics will foster this development, not the least due to the increasing competition from Western European commercial vehicle OEMs.

This report answers the following questions:

- How do the fleet management markets in the CIS and Eastern Europe compare with Western markets?
- Will the FM industry consolidate further during 2013 and 2014?
- What is the geographical and ownership structure of commercial vehicle fleets in the CIS and Eastern Europe?
- Who are the leading international, regional and local providers of aftermarket fleet management solutions in the CIS and Eastern Europe?
- What offerings are available from truck OEMs?
- What impact will the launch of standard factory installed FM systems from the OEMs have on the market?
- How will the regulatory developments in this region affect the fleet management industry?
- How will the commercial vehicle telematics industry evolve in the future?

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About the Authors

Rickard Andersson is a Senior Analyst with a Master's degree in Industrial Engineering and Management from Chalmers University of Technology. He joined Berg Insight in 2010 and his areas of expertise include LBS, commercial vehicle telematics and mobile VAS.

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