M2M Research Series

Fleet Management in Russia/CIS and Eastern Europe

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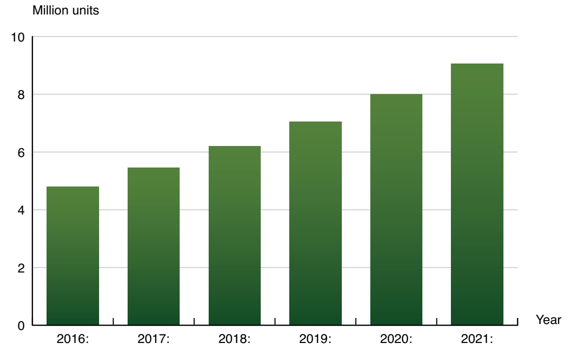
BERG INSIGHT

The installed base of fleet management systems in Eastern Europe and the CIS to reach 9.1 million units by 2021

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 communications 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 10 million heavy commercial vehicles in the region account for a major share of the inland transports. Motor vehicles are for example involved in about 70 percent of the total inland transportation in Russia. In Europe, medium and heavy trucks account for over 75 percent of all inland transports, forming a € 250 billion industry. Moreover, the greater part of the total 15 million light commercial vehicles in the CIS and Eastern Europe 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 industry is in a long-term growth phase. Key drivers in Eastern Europe and the CIS include cost reductions related to fuel savings and regulatory developments such as ERA-GLONASS and the Platon electronic toll collection system which increase the awareness of telematics. The number of fleet management systems in active use in the region is forecasted to grow at a compound annual growth rate of 13.5 percent from 4.8 million units at the end of 2016 to 9.1 million by 2021. The penetration rate in the total population of non-privately owned commercial vehicles is estimated to increase from 14.2 percent in 2016 to 24.2 percent in 2021. The Russian market accounts for a significant share of the region's total installed base and is forecasted to grow from 2.1 million active FM units at the end of 2016 to 3.5 million units by 2021.



Installed base of active fleet management units (Russia/CIS & Eastern Europe 2016–2021)

The leading FM solution providers in terms of installed base in the CIS and Eastern Europe include diverse players from a number of countries. Belarus-based Gurtam is the leading FM software provider, having surpassed the milestone of 500,000 vehicles under management in the region. Arvento Mobile Systems from Turkey and TechnoKom based in Russia are the first and second runners-up, followed by Turkish Mobiliz and the Russian players NIS (MTS), SCOUT and Navigator Group. Additional top-15 players include Russia-based Omnicomm which has around 100,000 active FM units, as well as Infotech in Turkey, Fort Telecom and SpaceTeam in Russia, the European market leader TomTom Telematics, Princip in the Czech Republic, the major truck OEM Scania and Secret Control which is based in Hungary. With the exception of TomTom Telematics and Scania, the major international solution providers based in Western Europe, North America or South Africa are yet to reach the top-15 list for this region.

The expectations for the future fleet management 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 solution providers have historically mainly served large corporations with standalone software systems which are paid upfront and hosted in-house, whereas subscription services traditionally mainly have been adopted by SMBs. Cloud services based on recurring service fees have however now become a greater focus also for major enterprise fleets on the Russian market and the domestic FM solution providers are increasingly pushing for a transition towards SaaS-based models. Another key trend on the European market is factory-fitment of OEM telematics, which is offered by most of the major truck manufacturers. The local manufacturers in Russia/CIS have however not yet fully embraced this development and the OEM fleet telematics activities remain comparably limited in the region. The local commercial vehicle manufacturers in the CIS market are also expected to gradually introduce proprietary telematics systems including vehicle tracking, remote diagnostics and other fleet management functionality, driven by regulatory developments and increasing competition from Western truck OEMs.

This report answers the following questions:

- How do the FMS markets in the CIS and Eastern Europe compare with Western markets?
- Will the FM industry consolidate further during 2018–2019?
- What is the geographical and ownership structure of commercial vehicle fleets in the CIS and Eastern Europe?
- Which 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?
- 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 fleet management for commercial vehicles and construction equipment telematics.

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