Summary

Executive summary

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 10 million HCVs in the region account for a major share of the 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 over 75 percent of all inland transports, forming a € 250 billion industry. Moreover, the greater part of the total 14 million 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 and the Russian tachograph mandate. The number of fleet management systems in active use in the region is forecasted to grow at a compound annual growth rate of 15.7 percent from 2.9 million units at the end of 2013 to 5.9 million by 2018. The penetration rate in the total population of non-privately owned commercial vehicles is estimated to increase from

12.1 percent in 2013 to 21.7 percent in 2018. The Russian market accounts for a significant share of the region's total installed base and is forecasted to grow from 1.3 million active FM units at the end of 2013 to 2.6 million by 2018.

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 the leading FM software provider active in most countries in the region and it has more than 300,000 commercial vehicles under management. The Russian incumbents ENDS and NIS group which includes M2M Telematics are the first runner-ups. Arvento Mobile Systems from Turkey and TechnoKom from Russia which are both estimated to have surpassed 100,000 active FM units are moreover important telematics players on their respective domestic markets, with presence also in other countries in both the CIS and Eastern Europe. Additional significant players include SCOUT, Mobiliz, Omnicomm and Fort-Telecom. The Russian newcomer SpaceTeam has also established a strong position after one year on the market. The Russian FM vendor landscape has seen some significant shifts in recent time. Both M2M Telematics and Russian Navigation Technologies have lost many employees and the latter even filed for bankruptcy in 2014. Interestingly, none of the major international solution providers have so far managed to capture any significant market shares in this region.

The fleet management markets in Eastern Europe and the CIS are expected to converge with the developments in Western Europe. Eastern Europe is already tracing the most developed European markets closely in terms of FM system functionality and service models. The major Russian providers are instead still primarily serving large corporations with standalone systems, whereas subscription services up to this point mainly have been adopted by SMBs. Cloud services based on recurring service fees have however in recent years started to become a greater focus also for major Russian enterprise fleets and their domestic FM solution providers. Another key trend on the European market is factory-fitment of OEM truck telematics. The local Russian truck manufacturers have however not yet fully embraced this development and the OEM telematics activities remain comparably limited. Ultimately, the OEMs in the CIS are also expected to gradually introduce proprietary telematics systems including vehicle tracking, remote diagnostics and other fleet management functionality. Legal mandates and the increasing competition from Western European commercial vehicle OEMs will propel this development.