



## Automotive

### Insight

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Telematics:

Realizing the Promise for OEMs

Although the furor surrounding the potential of telematics has subsided—revenue projections for 2010 are roughly half of what they were a year ago—potential long-term returns are still viewed as significant for Original Equipment Manufacturers (OEMs). So much so that the production of telematics-ready vehicles—from mid-range to luxury US, European and Asian cars—continues to grow as new models roll out.

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**And suppliers from outside the industry—in the form of wireless carriers and application providers—continue to try to stake their claims in the automotive marketplace.**

Within the industry, companies including GM, DaimlerChrysler, and Volvo are all involved in telematics. Some OEMs are even joining forces resulting in new players like SIGNANT, a recent joint venture between Ford, PSA, and Renault.

Despite the continued activity surrounding it, one question remains: How can carmakers best capture the promise of telematics in terms of cost reduction, productivity improvements and enhanced customer relationships?

## The Promise for OEMs

Right now, the most common business model employed by OEMs surrounding telematics has involved a business-to-consumer (B2C) approach. B2C involves the collection of a monthly subscription fee from a base of users who, in turn, receive services that usually include navigation applications or safety/security features.

But the greatest value of telematics extends far beyond providing consumers with in-car services. Telematics can be used to extract data from individual vehicles that provide insight into everything from driver habits to the condition and performance of the automobile.

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With competition to attract and retain customers heating up, telematics offers automotive manufacturers the opportunity for enhanced customer relationship management. Unlike credit card companies that have instant access to a wide range of data about users, automakers know very little about how their customers interact with their cars. Telematics makes it possible for them to understand their customers' individual needs and provides a direct marketing channel to offer a personal service "experience." Through in-car devices, OEMs can transmit information to drivers like service reminders, traffic alerts or special offers on model upgrades.

## Business-to-Vehicle

Consider this: With billions spent on warranty repair costs, not to mention recall and product liability costs, savings for OEMs can equal up to several hundred dollars per vehicle. With telematics, the ongoing wireless data transfer from the automobile allows for immediate alert in the event of vehicle component malfunctions, providing the OEM with specific information to allow for earlier modification of future vehicles on a given platform.

Remote diagnostics also enables OEMs and their dealers to anticipate potential problems, order replacement parts and schedule servicing with customers—before they require major repair. The proactive service response enabled through telematics could also stem the tide of customers taking their repairs into independent shops—thus creating greater "parts pull" revenue for OEMs.

## Business-to-Business

There is also a business-to-business (B2B) component to telematics that is beginning to be exploited to create new revenue streams for OEMs. Other industry sectors have leveraged telematics to gather data on—for instance—the performance of jet engines and have sold the information back to the aircraft manufacturer. The same could be done in automotive with OEMs identifying critical input which could then be sold to third parties like insurance companies who need the information to develop actuarial tables and the like.

## The Implementation Challenge

Although potential benefits to customers and OEMs are attractive, the challenges inherent in mounting a telematics strategy can be daunting. Regardless of the sophistication of

telematics services, any complete solution requires OEMs to develop new business processes and capabilities, as well as a new and complex technology architecture. Components of a robust telematics solution include customer service and support, billing, technology infrastructure, application integration, and data mining and management.

The OEM's back-end infrastructure must be revamped to support new components and appropriate alliances need to be established with technology platform and in-car service providers. There is a hierarchy of alliance partners that range from providers of commoditized "bolt on" elements of a telematics solution such as GPS receivers, to companies that will help erect competitive barriers through the provision of sophisticated services. Prospective partners should be evaluated by their ability to not only support immediate goals, but also to grow and meet the demands of ever-expanding goals. In this, the advantage will go to partners who are able to implement flexible, open platforms that will allow for the integration of emerging applications and technologies.

In response to the complexities of undertaking telematics, Accenture launched the Services Bureau for Automotive Telematics and has been working with a network of businesses to support an ever-widening suite of applications. OEMs can leverage the Bureau to support specific solutions—like billing for instance—or can outsource telematics functions entirely. (Figure 1)

Figure 1.

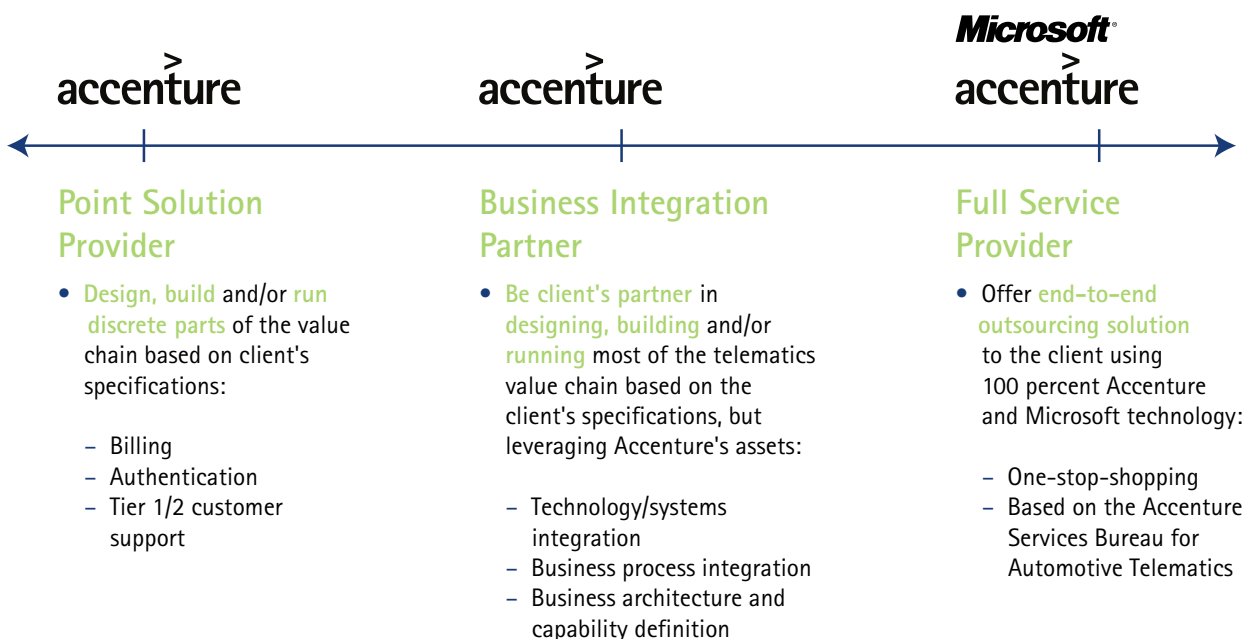
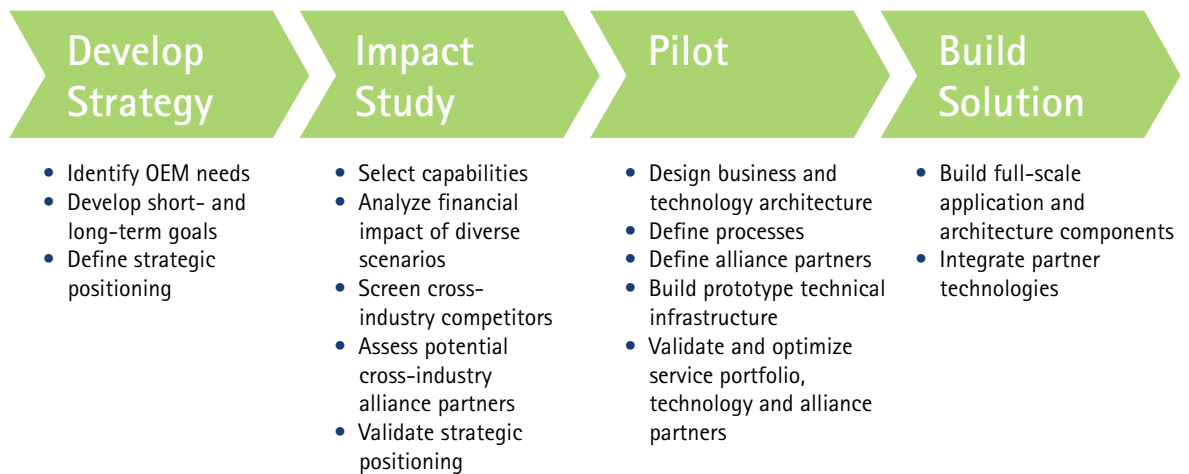


Figure 2. Telematics Solution Development and Delivery



## Strategic Choices

The strategies OEMs pursue vis a vis telematics, depend on their current view of the market—from a “fast follower” to a “value creator.” What is clear is that regardless of chosen strategy, the real winners will be those companies able to design a solution viewed as the most “innovative” by their target customer segments. Innovative telematics solutions are comprised of a unique combination of features, form, and value.

- Features involve understanding what the “killer apps” will be for both consumers (e.g. safety/security versus navigation or entertainment) as well as OEMs (e.g., remote diagnostics or B2B models).
- Form involves choosing the best delivery model (e.g., embedded versus mobile, etc.)
- Value involves designing a solution whose cost is both attractive to consumers as well as to OEMs.

This will differ by OEM and target strategy—for example General Motors, a telematics value creator through OnStar, considers its call center to be one of its key killer apps. While some consider call centers to be a costly, time consuming

“necessary evil” to support telematics, OnStar uses its call center to gain invaluable, real-time consumer insights from its telematics subscribers—often having senior company executives sit in on calls.

## Getting Started

Getting started involves four main phases of telematics solution development and delivery. (Figure 2) These phases are designed to: develop a telematics strategy, create an impact study to help identify necessary capabilities, design a pilot business infrastructure and field test—which will lead to the fourth step—building the solution.

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## Making the Promise Reality

Telematics holds a great deal of promise for OEMs: reduced cost through enhanced product design and early warranty problem detection, more intimate knowledge of the end customer, competitive advantage through personalized service, and new revenue streams through the subscriptions and the sale of vehicle data.

The key to making the promise a reality lies in understanding the full potential held within telematics, and how to extract value from it. Because of the complexity of the infrastructures and alliances that make for a robust telematics solution, Accenture's Telematics Services can support everything from the most specific solutions to the outsourcing of the entire function. We help to translate the potential of telematics into real bottom line returns.

## About Accenture

Accenture is the world's leading management and technology consulting organization. Through its network of businesses approach—in which the company enhances its consulting and outsourcing expertise through alliances, ventures and other capabilities—Accenture delivers innovations that help clients across all industries quickly realize their visions. With more than 75,000 people in 46 countries, the company generated net revenues of \$11.44 billion for the fiscal year ended August 31, 2001. Its home page is [www.accenture.com](http://www.accenture.com).

## About Accenture's Telematics Expertise

Accenture has been developing mobile technologies for several years and has been involved in the telematics space for more than five. The company recently announced a new telematics initiative with Microsoft, which will be anchored by the Accenture Services Bureau for Automotive Telematics—formed to help automotive manufacturers, suppliers and telematics services providers implement and maintain leading-edge solutions. The bureau is led by industry professionals with deep expertise in mobile communications and commerce and will work with Accenture's network of business to deliver solutions around a broad array of technology platforms.

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