



Connected Living

Telefónica helps car rental firms boost revenue

Summary

Telefónica has developed a specialist telematics solution to enable car rental companies to maximise both the time vehicles are on hire and the resale value of their fleet. Part of Telefónica's Fleet Management portfolio, the solution is being used by car rental companies in both Europe and Latin America to increase efficiency and productivity. Telefónica says that some of the customers using its fleet management solution have generated a return of four times their original investment.



Telematics in the Car Rental Market

Worth almost US\$37 billion in 2013, the global car rental market is growing almost 14% per annum and is set to be worth almost US\$80 billion in 2019. In the US alone, revenues were over US\$26 billion in 2014 and there are more than two million rental vehicles in service. The mobile industry is adding value to this substantial market by providing in-vehicle telematics services that collect usage data, identifying opportunities to reduce costs and increase vehicle usage, enabling rental car companies to offer more competitive rates and/or improve profit margins.

While the US car rental industry is already making extensive use of telematics solutions, its counterparts in Europe and Latin America are in the early stages of adoption. Telefónica, a mobile operator group based in Madrid, is aiming to help car rental companies in Europe and Latin America improve their efficiency and productivity through the use of cellular-enabled telematics. Operating in a highly competitive and price-driven industry, car rental companies are keen to embrace solutions that will give them a competitive edge.

FIGURE 1: Telefónica's connectivity module



Driving Efficiency and Productivity

Having launched a tailored solution for the car rental industry in 2014, Telefónica was one of the first mobile operators to enter this market with an industry-specific proposition. At a high level, Telefónica's telematics solution is designed to allow car rental companies to:

- 1. Maximise revenue from rentals in the first 12 to 18 months of a vehicle's lifespan.**
- 2. Sell vehicles at the right time to maximise residual value, drawing on data analytics that takes into account the make, model, mileage and age of the cars.**

The key component of Telefónica's solution is a connectivity module placed in the vehicle, which syncs with the on-board diagnostic port and doesn't require professional installation.

The module contains a SIM, which can be registered and activated remotely, providing for agility, flexibility and security. Through application programming interfaces (APIs) provided by Telefónica, the car rental company can read accelerometer and engine data collected by the module.

Telefónica uses data collected via the in-vehicle modules to help rental car companies optimise the utilisation of their fleet, maximising the time that vehicles are on hire and, therefore, revenues. For example, it can help rental companies quickly turn around returned vehicles so they are available to the next customer. Instead of manually collecting data, such as fuel and mileage, during the drop-off process, the Telefónica's telematics solution can automatically retrieve this information (see Figure 2). As automation saves time and labour, car rental companies benefit from cost efficiencies. The car rental company can also charge or credit customers on the spot, as appropriate, leading to greater customer satisfaction.

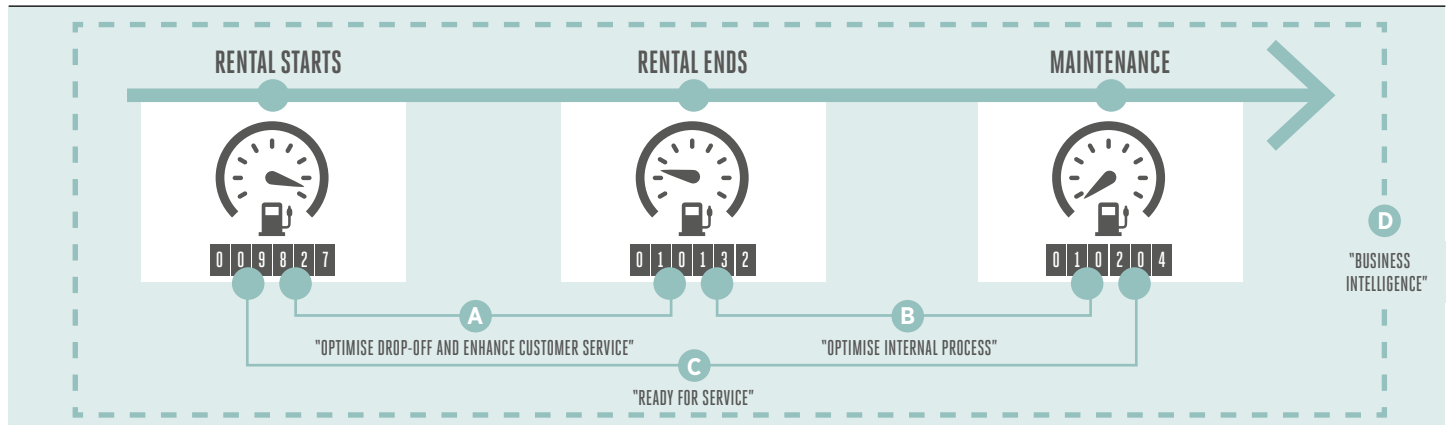
Telefónica's telematics solution also enables real time inventory management of the fleet, enabling car rental companies to quickly identify and rectify inefficiencies in their operational models. The data collected by the modules can also signal when a vehicle needs to be serviced or repaired.

As it provides detailed tracking of a vehicle's mileage, maintenance record and depreciation, Telefónica can also help the rental car company to determine when is the best time to sell each individual vehicle in order to achieve maximum residual value.

"In general, telematics opens a wide range of opportunities for our customers and can achieve a positive return on investment from the first month of service," explains José Manuel Caramés Pons, Global Head of M2M - Transport Telematics, Telefónica. "We foresee a significant change in the rent-a-car industry in the next five years due to telematics, increasing competitiveness, especially between rent-a-car companies that have decided to embrace digitisation through on-boarding telematics and those who do not take that step."

José Manuel Caramés Pons, Global Head of M2M - Transport Telematics, Telefónica

FIGURE 2: Operational Model of the Rental Car Service



Privacy, Safety and Security

Any solution that draws insight from data relating to individual consumers needs to respect consumers’ privacy and protect their data. The GSMA has published a set of privacy principles and design guidance setting out best practice in this respect. Telefónica’s telematics solution addresses data privacy concerns through built-in features, such as the disabling of GPS data collection whilst the vehicle is ‘on rental’. Although the customer’s location data will not be collected by default, in the event of an accident, breakdown or theft, location tracking can be switched on remotely, helping emergency services to reach the vehicle quickly.

It is not just GPS location data that can help improve the efficiency of responses in an emergency. In the case of a breakdown or accident, transmitting engine failure codes and accident data to the emergency services or roadside assistance can ensure that the right type of help is dispatched and that assistance arrives in a timely manner and is more likely to be able to get the vehicle back on the road.

Telefónica – Delivering an End-to-End service

Offering fleet management and asset tracking solutions for multiple industries, Telefónica offers a range of value added services, as well as connectivity, that bring machine-to-machine (M2M) and the Internet of Things (IoT) technologies to life.

Telefónica aims to provide customers with an end-to-end solution, strengthening the business case and the return on investment (ROI). To encourage innovation, Telefónica’s solution enables customers and partners to use APIs to integrate third party services.

To that end, Telefónica has created an ecosystem of specialist partners that enables it to serve customers across its international footprint. Fleet management solutions under the Telefónica, Movistar, O2 or VIVO brands are live in 12 countries. The solutions are designed to be easy-to-implement and give multiple insights into a customer’s business through the data generated by telematics. The customer typically pays upfront for the hardware, plus a monthly fee for each vehicle covered by the solution. But the business model varies from market to market.

Telefónica says that some customers have made a return of four times their original investment, while the typical return on the fleet management solution is 2.5 times the investment.

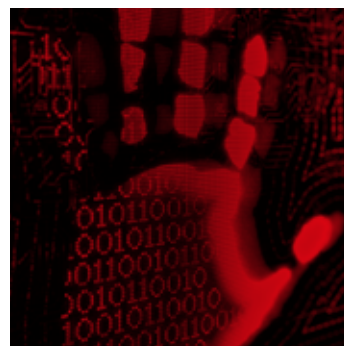
In summary, Telefónica is demonstrating how mobile operators can provide end-to-end solutions, which go well beyond connectivity, that address key challenges faced by specific industries. For car rental companies, Telefónica’s telematics solution is increasing efficiency, enhancing the customer experience and improving the underlying economics. It is also sufficiently versatile to support a variety of partnerships and business models, enabling the best go-to-market strategy to be adopted for each commercial deployment.



Connected Living

About the Connected Living Programme

The GSMA's Connected Living programme focuses on enabling a world where consumers and businesses can benefit from rich new services across many different devices – securely connected to the Internet via ubiquitous mobile networks. For more information, visit the programme's website at www.gsma.com/connectedliving.



Floor 2, The Walbrook Building
25 Walbrook, London EC4N 8AF UK
Tel: +44 (0)207 356 0600

connectedliving@gsma.com
www.gsma.com

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