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Digital Transformation of the Fleet, Lease & Rental Sector

How Software-Defined Vehicles Will Unlock Innovation

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Digital Transformation:

What's holding the fleet sector back?

Retrofit application of Fleet Management Services (FMS) in the aftermarket is currently generating SAAS revenues of over \$30Bn annually and has been growing at 15% CAGR for several years.

Despite these impressive figures, the market is still heavily centred around commercial vehicles rather than passenger cars even though the fleet volume of passenger cars (e.g. those which are lease-operated) is significantly larger than the LCV fleet.

In the LCV sector, OEM fleet management solutions have been largely ignored by fleet managers because the OEMs have been offering OEM-brand only solutions which aren't fully compatible with competing brands. Fleet managers don't take kindly to brand lock-in.

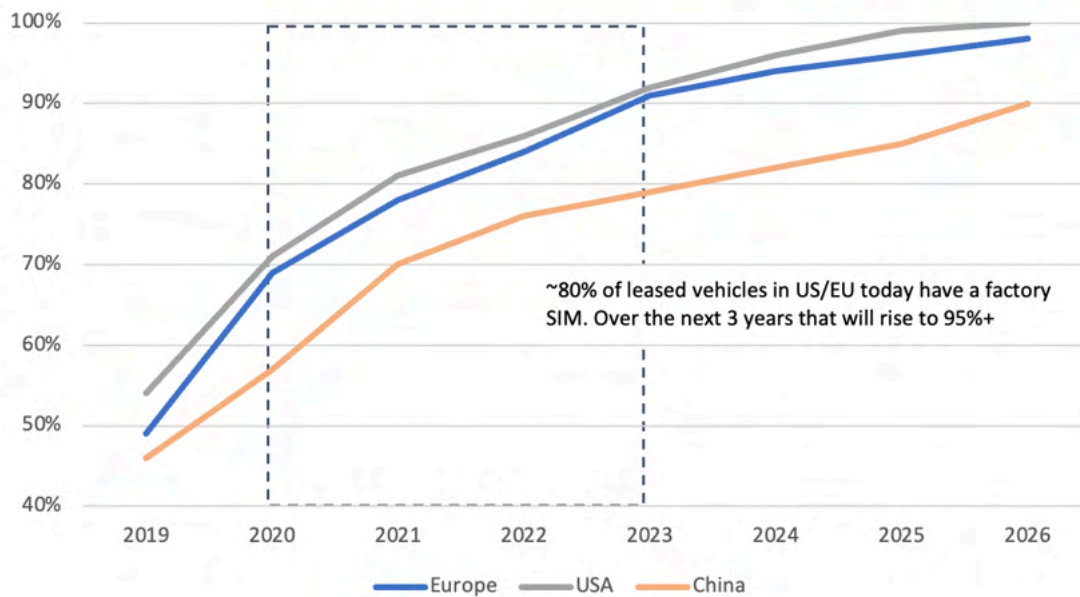
With fleet managers willing to pay per-VIN annual revenues of up to \$400 for these services, it comes as no surprise that there are over 200 SAAS companies competing for this business. Managers operating LCVs as part of their business typically cite a return on investment from these services in fuel savings,

driver safety improvement and operational efficiency gains. The competitive landscape could be ready for change though, especially when we consider that there are less than 20 significant LCV manufacturers, and that most of them offer embedded connectivity straight from the factory, rather than having to retrofit the communications device to pull data from the vehicle. This 'cost saving' of built-in comms immediately puts the OEM at a competitive advantage, but there's more to offering FMS than simply connecting the vehicles.

If the return on investment for aftermarket FMS in the LCV sector is proved, the case is not proved in the passenger car sector of fleet operators. While lease operators could gain operational efficiencies from having remote access to vehicle health and status data, the ROI is far less compelling than it is for LCVs. Therefore, despite its huge fleet size, the lease and rental sector is barely penetrated with FMS services. The financial viability of retrofitting comms devices and paying for SAAS services simply does not translate into compelling ROI for those fleet managers.

Preface

New vehicle sales with factory embedded SIM

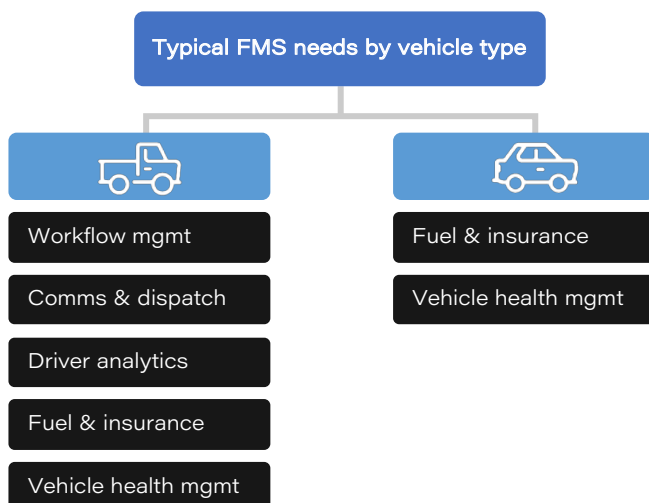


The reasons behind the contrast in ROI of fleet management services between LCVs and passenger cars amounts to the use cases that the fleet managers of these sectors require. Both vehicle fleets are operated as 'assets' within their businesses; meaning that the management of vehicle health, repairs and maintenance, plus insurance and fuel/EV charge cards are the common needs of both sectors. However, in the case of LCVs, the management of actual business activities similarly plays a role in the FMS products – for example, managing a driver's jobs, sending location details on where their next delivery will be picked up from, handling company-specific workflows, and even timesheet management.

So, the complexity of FMS use cases is typically smaller, and worth less than an annual SAAS subscription to the fleet manager of passenger cars than the LCV manager - \$40 would be the annual charge that starts to attract lease/rental operators for basic fleet management services. While this is not a viable price point for the aftermarket to retrofit comms devices, a change takes place when comms come equipped as standard from the factory.

Factory-fitted embedded connectivity is becoming standardised across LCVs and passenger cars thanks, in part, to the eCall mandate. That doesn't mean it's game over for the aftermarket FMS companies, though. There's more to the tech-stack than comms alone. Cloud services for vehicle monitoring, reporting, alerting, and custom reporting are complex in the fleet industry – they need to be in order to meet the varying needs of so many different types of fleet managers trying to drive digital transformation into their businesses. However, OEMs are used to managing data securely in own their managed cloud systems while providing portal-based access to users inside and outside their brands.

The more significant challenge for OEMs is to keep pace with the aftermarket SAAS companies who mastered the quick, agile, development of in-vehicle software, configuration-based services, FAAS and OTA over a decade ago.



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