

Advanced services in the road transport industry...

Dr. Ali Bigdeli and Eleanor Musson of the Aston Business School explain why Advanced Services maybe the road transport industries only hope...

The road transport industry is crucial to the UK economy; 68% of freight goods are moved by road. But the industry faces the challenges of fuel costs, driver shortages, congestion and regulation.

Moreover changing consumer behaviour in the UK is turning the industry on its head; 74% of adults bought goods or services online in 2014, compared with 53% in 2008 and the demand for flexible, fast delivery is growing rapidly.

These are just some of the factors behind the low profit margins in the industry: 3% for operators and 6% for manufacturers. This industry has to change radically. There is little to be gained from piecemeal changes to products or pricing; the customer's priorities and requirements must be placed at the heart of operational strategies.

This is achieved through what we call advanced services, which are implemented in an organisation through servitization. Advanced Services are provided by manufacturers and technology innovators with an intimate understanding of the customer's business priorities, and their difficulties in achieving these.

They are a package of a product, and the services that go around the use of the product, consumed as a single offering, which help the customer achieve its requirements. In order to understand how advanced services and servitization are being adopted in the road transport industry, we interviewed a panel of senior executives from within vehicle manufacturers, component manufacturers, operators, fleet management companies and technology providers, and we outline some of our findings here.

There are three categories of advanced service currently been offered in this industry:

The first is vehicle condition and safety related services. Real-time reporting about the condition and performance of the vehicle helps the service provider (e.g. manufacturer, fleet management company) to see how the vehicle is being used by the customer, which mitigates the contractual risk and gives opportunities for service and product improvement.

Data are used to help fleet managers monitor costs

and identify problem vehicles, either by sharing the information with the customer, or by the manufacturer providing this function as a service. For fuel efficiency and safety, manufacturers test tyre pressure and tread depth, with real-time reporting to alert drivers to problems, and service operatives on hand to make repairs or replacements.

The second type of services is driver-related services.

Through the use of telematics, the manufacturers and operators are able to assess how the truck is being driven, to examine any incidents such as harsh braking, speeding and idling, and to inspect driving and rest periods. This data is analysed to identify training requirements and in some cases pay performance bonuses. The third type is route planning and delivery services. Real-time reporting allows operators to manage routes, taking into account live road conditions. Data on deliveries made compared to schedule and route information enable managers to identify opportunities for improvement.

Advanced services have a three-fold impact in the industry:

Efficiency

The greatest efficiencies are achieved by maximising the uptime of vehicles, planning routes efficiently, and processing orders. To illustrate:

- The use of technologies and data by skilled route planning staff reduces mileage driven by up to 10%
- Uptime is maximised by reducing roadside failures thanks to greater visibility of the vehicle, its condition and how it's being used
- Operators can expect at least a 5-15% reduction in vehicle maintenance and service costs as a result of condition monitoring

Safety and better image

Driver-related services have had a significant impact on driving standards, and in turn the image of operators and the industry. In this regard:

- Customers of a leading UK telematics provider see annual reductions in speeding incidents of up to 90%, and a reduction of up to 60% in the number of accidents

- Operators are seeing a 5-15% reduction in carbon emissions as a result of optimised routes and better driving.

Cost Savings

By enabling improvements in driving performance and better, more informed route planning, technology is helping to deliver cost savings in terms of fuel usage.

According to the Freight Transport Association, fuel represents on average of 30% of the cost of a vehicle. The average unit costs £49,000 per year in fuel. An average 10% (£4-5000) saving on each unit's fuel consumption has been achieved by customers using driver management and training tools.

Recommendations

While the leading organisations demonstrate what can be achieved, our research demonstrated that advanced services are not being adopted universally or uniformly in this industry. In order to accelerate this, we recommend that manufacturers ensure advanced services are properly led and embedded.

Servitization is a wide ranging, complex process that requires transformation and coordination of an entire organisation. In most companies, it doesn't fit neatly within the realm of one department.

Servitization provides an opportunity to 'be closer to the customer' which can also be facilitated by innovative pricing models which assure the prospective service user of the level of commitment, and create alignment of objectives between service provider and user.

Selling and supporting services is a very different proposition to selling products, requiring different skills and reward structures. Manufacturers will need to invest in training their staff, and consider the incentive and reward structures that will generate the desired outcomes.

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