

F R O S T & S U L L I V A N



**Connected Trucks Telematics Market in Russia and CIS,  
Forecast to 2020**  
**Market Growth Expected to Remain Steady Despite Social, Political, and  
Economical Uncertainties**

**ME8B-18**  
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# Executive Summary

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## Key Findings

Russia and CIS are poised for slow yet steady growth. CIS countries' stagnant and precarious economies are expected to start recovering soon, making way for market growth.



The commercial vehicles (CV) market in Russia and CIS sized up to approximately 11.3 million vehicles in operation, with around 5.7 million light commercial vehicles (LCVs) and 5.6 million medium and heavy commercial vehicles (M/HCVs) by the end of 2018.



With a penetration rate of approximately 13.9%, the total installed base summed up to 1.58 million units by the end of 2018.



Leading market participants include Gurtam, Omnicomm, and TechnoKom. Leading original equipment manufacturer (OEM) presence is from GAZ, Kamaz, and Volvo.



Major telematics service providers (TSPs) in Russia have been focusing on independent standalone systems for large fleets, while the focus is shifting to cloud-based Software-as-a-Service (SaaS) subscription systems for small and medium-sized fleets.



Key industries where telematics penetration is high are transport and logistics and oil and gas (O&G). These 2 have a tremendous development outlook in the region.

Source: Frost & Sullivan

# Roadmap of Connected Trucks Telematics Market

Russia's connected trucks telematics market is fairly matured, when compared with that of other CIS nations. Belarus, Ukraine, Kazakhstan, and Uzbekistan are growing markets in CIS.

## Connected Trucks Telematics Market: Telematics Roadmap, Russia and CIS, 2018–2020

The market is dominated by local aftermarket participants. This is due to the adaptability of local telematics service providers to the needs of the Russian market. Product pricing, marketing, and government regulations are areas where international telematics service providers lose out to their local counterparts.

Various vertical markets define the telematics deployment rate in different countries. Mineral-rich CIS countries, such as Kazakhstan and Turkmenistan, are active areas for mining and O&G applications, whereas transportation, logistics, and construction are key in the Russian market.

Government regulations and mandates such as ERA-GLONASS (equivalent of EU's eCall) and State Regulation 153 on autonomous satellite navigation system (for passenger and special/explosive goods transport) are helping increase the penetration scale of telematics in the region.

Fleet management solutions such as fuel level monitoring and track and trace are the most widespread applications. Increasing fuel and vehicle theft in the regions prompt fleet owners to deploy basic vehicle safety solutions.

Fleet owners find efficient operation of their fleets as their biggest challenge in the market, due to changing state regulations and security concerns.

**Indigenisation**

**Infrastructure**

**Consumer Acceptability**



CIS Nations



Russia

Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan

Market Penetration

**Introduction**

**Infancy**

**Growth**






# Market Engineering Measurements

The total installed base of active fleet management units in Russia and CIS is forecast to increase from 1.58 million units in 2018 to 1.89 million units by the end of 2020, at a 16.5% penetration rate.

## Connected Trucks Telematics Market: Market Engineering Measurements, Russia and CIS, 2018



Decreasing  Stable  Increasing 

Note: All figures are rounded. The base year is 2018. Source: Frost & Sullivan

# PESTLE Analysis

For most parts, CIS countries are still underdeveloped and require improvements in infrastructure and socio-economic reforms to support technological advancements.

## Connected Trucks Telematics Market: PESTLE Analysis, Russia and CIS, 2019

### Economic

- Russia's economy can be characterised as highly volatile and unpredictable, because of its dependence on fluctuating oil prices.
- The economies of countries such as Ukraine, Belarus, and Kazakhstan are in the recovery phase. To convert economic recovery into tangible growth, external competitiveness must be improved by means of infrastructure development and foreign investments.

### Political

- The uncertainties of Russia's political atmosphere is a key challenge for new businesses venturing into Russia.
- Bureaucracy, corruption and irregular payments in CIS can be seen as high-level risks in public and private sectors.

### Social

- Although Russia is considered a developed nation, many parts of Russia and CIS countries still lack basic civil infrastructure.
- Being cost efficient is the top priority for fleet owners, which reflects poorly in advancement to fleet management solutions.

### Technological

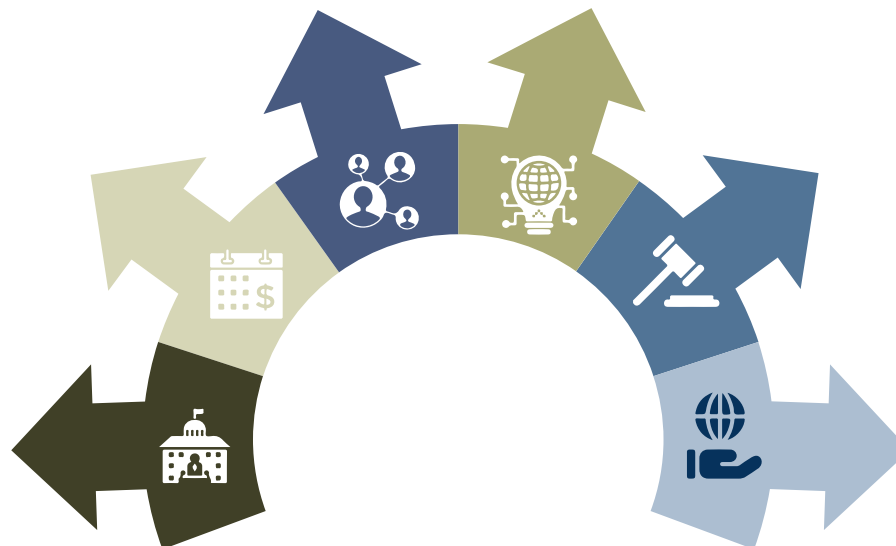
- Advanced technologies in telematics services are yet to become mainstream across fleets in Russia and CIS.
- Advanced markets such as Russia and Belarus will see significant increase in usage.

### Legislative

- Government mandates for navigation systems, connected vehicles, and public safety are key drivers in the Russian market.
- CIS countries still do not have proper infrastructure or governmental guidelines to aid the implementation of telematics services. Fleet management solutions are seen as an additional cost factor.

### Environmental

- Russia and other CIS countries are extremely rich in O&G, unique forest assets, minerals, and other natural resources.
- Opportunities in construction, infrastructure, O&G, and mining are plenty for TSPs.



Source: Frost & Sullivan

# Connected Truck Telematics Market Outlook

The fleet management industry in Russia and CIS is growing, with several key driving factors. Although slow, the market is still expected to grow, as awareness on telematics among fleets increases in the region.

## Connected Trucks Telematics Market: Outlook, Russia and CIS, 2019

### Is this the right market to enter?



The conditions for market entry favour local TSPs and OEMs.



Market entry opportunities for international TSPs and OEMs are bleak, owing to various parameters.



Low-price mass market with high competition and complex advanced telematics services are 2 key segments to target in the CIS region.

### What are the external factors to be considered?



State regulations and national development initiatives such as the State Regulation 153, digitalisation of industry and commercial assets, and industry 4.0 drive wider technology adoption, increasing the need for telematics.



Increasing methods of optimising businesses and innovative business optimisation methods result in the adoption of innovative business management solution offerings in the market.



### What are the risks involved?



Constantly changing regulations in Russia pose a liability to TSPs due to lack of standard reforms.



Established TSPs and their industry know-how create difficulty for the expansion of entrants.



New foreign entrants face the threat of being forced out of business due to a lack of market know-how, which seems to favour traditional local participants. Focusing on niche areas is a good strategy for new market entrants.









Source: Frost & Sullivan

# Key Findings and Future Outlook

Despite infrastructure barriers and meagre adoption rates, Russian and CIS markets are expected to leverage government regulations and increased return on investment (ROI) prospects to attract fleet owners to get them on board with telematics.

## Connected Trucks Telematics Market: Outlook, Russia and CIS, 2019–Beyond 2022

Parameters	2019	Beyond 2022
<b>Market Status</b> 	The market is fragmented, with moderate growth rates due to the economic scenario. However, key regulations are driving the market positively.	The market in the region is expected to take on a slow-paced growth rate, due to various political and economic reasons.
<b>Competition</b> 	Around 46.7% of the market is consolidated by the top 3 participants: Gurtam, Omnicomm, and TechnoKom. The market comprises a vast number of small regional TSPs.	With the growing potential for telematics services, there is scope for a dilution in market dominance, with a possible entry of telematics services from international TSPs and OEMs.
<b>Infrastructure</b> 	Infrastructure for widespread application of telematics services is non-existent, with only a few nations investing in infrastructure.	Increase in government spending on machine-to-machine (M2M) infrastructure and intelligent transport system is expected in the region.
<b>Technology</b> 	Technological advancement is limited due to inconsistent government support, conservative customer mindset, and price sensitivity, which deter service providers from innovating next-generation products.	Advanced range of solutions such as remote vehicle diagnostics, collision prevention, and on-board driver coaching might become common with better M2M connectivity.
<b>Solutions</b> 	Solutions in the market are largely basic tracking-based and fuel management solutions with limited presence of high-range services.	Favourable government legislations will help the telematics industry to thrive, with widespread adoption of basic and mid-level telematics services.
<b>Barriers to Market Entry</b> 	Lack of consistency in government support, lack of proper civil infrastructure, lack of an international TSP environment, constantly changing regulations, and unfavourable tax laws hinder market entry for new participants.	Well-defined regulations, investments in infrastructure projects, cost competitiveness, strategic pricing, and local market knowledge partnerships will open doors to international participants.

Source: Frost & Sullivan

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# Market Engineering Methodology

One of Frost & Sullivan's core deliverables is its Market Engineering studies. They are based on our proprietary Market Engineering Methodology. This approach, developed across the 50 years of experience assessing global markets, applies engineering rigor to the often nebulous art of market forecasting and interpretation.

A detailed description of the methodology can be found [here](#).



Source: Frost & Sullivan

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