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AUGUST 2016

## TELEMATICS IN THE AFTERMARKET; SCOPE FOR DIFFERENTIATION

“Aftermarket telematics solutions are gaining momentum, particularly in North America and Europe in segments such as UBI, fleet management, and consumer telematics.”



It is widely understood that car makers often lose money on the sale of a car and make most by helping customers maintain and improve their car, using after market services such as repair and maintenance functions. As such, there is a drive towards increasing customer retention and engagement wherever possible for vehicle dealerships, through deals or loyalty schemes. This engagement is helped considerably the growth of the customer data available and the technology with which to analyse it, such as telematics.

The rising complexity of cars, the growing role of nontraditional players, and the increase in online sales are transforming the aftermarket. Factory-fitted solutions get cheaper and more advanced, embedded telematics has spread from the luxury segment down to lower and mid-ranged cars, as well as commercial fleets. According to the latest estimates, 50% of new cars will come with embedded solutions by 2020, 90% by 2025 (SBD's "2025 Every Car Connected"). For players in the aftermarket, stats make interesting reading.

The global commercial telematics market is driven primarily by increased market penetration of devices such as smart phones, lowered connectivity cost, availability of high speed internet technologies, greater governmental mandate on safety compliance, road infrastructure constraints, and driver monitoring. Manufacturers will be working towards a fully comprehensive embedded telematics solution for cars as stock. These latest figures confirm that the majority of drivers are currently looking to fit their vehicles with connectivity from various devices-smartphone, aftermarket and embedded-and will be doing so for a long time to come.

The anticipated increase in the percentage of new cars with embedded connectivity, combined with the expected growth in retrofitting, lead some firms to believe that telematics

penetration will climb to 15 percent of all cars on the road by 2018. For older cars, executives predict that 1 to 2 percent will be retrofitted with a telematics solution able to support after-sales service, starting with corporate fleets. According to the same survey, by 2018 around 5 to 15 percent of older cars are expected to be retrofitted with such devices.

These aftermarket telematics solutions are gaining momentum, particularly in North America and Europe in segments such as UBI, fleet management, and consumer telematics. Due to their plug-and-play ability, low costs and versatile use for a range of applications including diagnostics and maintenance, location tracking and trip logging, these solutions represent a great opportunity for aftermarket telematics vendors in a largely underpenetrated market.

By far the most common and likely uses of the technology will be to perform interactive maintenance and remotely diagnose malfunctions. In the case of interactive maintenance, a telematics solution will allow continuous onboard and remote diagnostics of a car's operation.

On the basis of driving performance and the car's technical state, the telematics solution will be able to determine an optimal window for maintenance, connect the vehicle owner and the maintenance provider, set up a maintenance appointment, and, if necessary, order the required parts. Through such means, the telematics solution can optimize the service process, reduce costs, and enhance the customer experience.

Whilst this certainly isn't a straight-forward market through which to achieve instant returns, there is massive potential for aftermarket players, and the scope for further differentiation in an already saturated market.

## WELCOME

Welcome to the second edition of the Scope Technologies newsletter, INScope which will cover all of our latest updates and market commentary from the second quarter of 2016 and developments as the year progresses. If you aren't interested in receiving the newsletter on a quarterly basis in the future, please click [here](#).

You can also follow our regular news and business updates on [LinkedIn](#), [Twitter](#), and [Facebook](#) and these will include a round-up of developments specific to our business, news from the wider market and expert commentary from our senior spokespeople and partners.

## BUSINESS UPDATE

It has been another whirlwind 12 months for the telematics sector internationally as insurers test the limits of telematics' big data. With 12m telematics based insurance policies globally, some studies think this will increase to 93m by 2020. It's clear to us that the industry is in for transformational change. [Ptolemy](#) produced a pretty comprehensive study on the market for 2016.

On the back of the launch of our VR Tech and in addition to developments with our aftermarket and fleet management offerings, we have been having conversations with major companies internationally looking to implement telematics technology. Some business models and markets are more developed than others but we continue to see interest in roll outs from insurers and fleet managers alike, across Europe, the US and Asia.

For Scope it has been a very busy last few months with the launch of our Virtual Reality Technology and a new partnership with CSC a global leader in next generation Information Technology Services. With CSC we have established a comprehensive UBI offering which will enable our insurance partners build longer-term, more profitable customer relationships through "pay-how-you-drive" risk assessment and underwriting.

Our products such as the 'connected car' proposition designed for the aftermarket have been developed further and are already used by companies in over 50 countries in five continents. We'd expect that to increase again this year as new markets embrace the technology.

Next up our team will be speaking to clients, colleagues and wider industry at the Miami [Insurance Tech Summit 2016](#) focused on Latin American Insurance 22-25 August. If you're around, please do get in touch at [scope@humbrophy.com](mailto:scope@humbrophy.com) and we can organise a meeting.

## Q&A: PARTNER INTERVIEW

For further insight into the European and North American telematics markets, we talk to Cyril Zeller...



**CYRIL  
ZELLER**

*Vice President  
at Scope  
Technologies*

### Talk us through your role with Scope Technologies, and the markets you focus on?

I'm Vice President of Key Accounts at Scope concentrating on our work with clients across European and North American markets. I travel regularly but my primary focus is on activity with partners in the aftermarket services and insurance sector.

### What are the big industry trends and developments you've seen in the last year or so?

The biggest developments have been the proliferation of Usage Based Insurance (UBI) policies, especially in the biggest European markets, but also in the US and the transition car manufacturers are making towards the 'connected car'.

Italy is the European pioneer for Usage Based Insurance with 4.4 million live policies, with the UK and France the countries with the most developed markets of 600,000 and 50,000 policies respectively. Insurers are concerned about getting left behind in the big data and analytics revolution and what is really interesting is the percentage increase expected for all of these markets.

For Italy, their Usage Based Insurance policies make up 13% of personal lines insurance and that is expected to increase to 66% by 2025. For France the expectation is that UBI policies will increase to 25% and 44% in the UK by 2025.

### What has been driving this change?

In Italy, the growth of UBI has been mostly down the high level of whiplash fraud which led to policy makers pushing through regulatory change to tackle. It is now mandated under law and that has led to exponential growth of UBI policies.

Growth of UBI in the UK has been focused on the younger driver market as a high proportion of those are buying online. With premiums for younger drivers high in the UK, those considered to be 'more responsible' drivers are attracted to cheaper policies.

### How does the determination of premiums differ across the markets you work in?

It is pretty difficult to directly compare markets directly as there is a significant discrepancy across countries and many are not UBI compatible, yet.

More generally speaking, for those countries with low premiums such as the Czech Republic or Poland there is a much higher level of fraud and therefore a greater business case for Usage Based Insurance.

Premiums tend to be higher in those markets with a more developed infrastructure, higher take up of insurance or stricter regulatory environment and it is those markets that have seen growth of the telematics sector.

### What influence has the privacy debate had on the market?

The data protection debate is an important one for the sector but for Scope our technology can cater and apply to the differing local privacy laws.

### What technological developments do you expect to impact the European market and how will consumer behaviour change?

Technology is evolving faster than it can be bought, sold and implemented. The telematics space is no different. The major development for our industry is that all cars in the EU made by 2018 are expected to have eCall functionality, where the car can contact the emergency services in the event of an accident. This is as a result of European Directive.

Thanks to this, manufacturers are making all new cars with state of the art on-board management systems, which will be able to communicate a level of data not previously seen.

This data is what is driving the industry and opens up limitless opportunities for developers in the aftermarket, insurance and fleet space to prosper.

## IN THE NEWS

### SCOPE TOP GLOBAL UBI SUPPLIER RANKINGS

Scope were nominated as the number one UBI supplier for those telematics providers in Asia as well as consistently attaining positions in the top three across categories in the Ptolemus rankings, which judged over 100 companies in the sector.

### SCOPE TECHNOLOGIES FEATURED IN THE DAILY TELEGRAPH

'My driving score cut my premiums by £140': How technology can cut car insurance costs

### PRAVAR FEATURES IN A LOOK AT VIRTUAL REALITY IN INSURANCE MAGAZINE POST

Digital: Virtual reality has hit the gaming industry this year and it could find a place in the insurance sector to help with claims and fraud in the future.

## EVENTS

### 23-24th August 2016

#### Insurance Tech Latin America 2016 4th edition

Christian Terfi will be presenting a key note address looking at telematics across different verticals: insurers (insurance telematics), car makers, importers and vehicle aftermarket (connected cars) and third parties (app developers, fleet managers, telcos and advertisers). The event will look at regional examples and help you understand the added value of telematics in your claims management process, particularly fraud reduction, valuation and FNOL (first notice of loss).

### 7-8th September 2016

#### Connected Car Insurance USA 2016 7th Annual Conference and Exhibition

The Scope team will be talking about "How Telematics Can Impact Claims Fraud" in Partnership with Spireon, profiling case studies in the region and discussing developments in the industry.