



# THE SUNDAY TIMES

## June 24 2001 BUSINESS NEWS

**ENTERPRISE NETWORK**



*Box Telematics has paid heavily to develop innovative equipment, but cannot find the right market. The more it dithers, the greater the threat from rivals, writes David Sumner Smith*

### **Box finds a great invention is no guarantee of success**

TELEMETRY will soon allow businesses to send and receive data from machines, vehicles, sites and personnel via low-cost local radio links. Combining the process with cellular telephony and the Internet means the information can be monitored from anywhere in the world.

The installation and operating costs of telemetry will be low and the applications are broad. Supermarket groups could monitor the number of customers in any section of their stores on an hourly basis.

Fleet-vehicle operators could track the exact location of every vehicle and monitor every time a door was opened. Delivery companies could transmit signatures acknowledging receipt of goods the moment they were handed over.

Utility companies could check the amount of oil or gas passing through each valve without sending staff to read meters, and local authorities could protect staff by keeping tabs on their safety when they were working alone.

"The uses of telemetry are limited only by your imagination," says Mike Langley, marketing director of Box Telematics. "We expect it to be used in 50m different places around Britain within three years."



David Cowburn, general manager, says: "Everyone agrees that the market for telemetry is about to take off. But nobody knows exactly where it's going. Until we can see which part of the market is going to fly, we are badly stretched trying to keep all options open. We've been unable to identify an effective route to market."

The company's progress to date has been driven largely by technological developments. Market forces have only had an impact in recent months.

"We played with the technology for a long time in the belief that we were bound to find a foothold at some point," says Cowburn. "We still haven't identified where it's going to be."

Box Telematics has started to focus on the most promising commercial opportunities, but the task is proving difficult.

#### **Box Telematics Challenges**

- 👍 Lack of proven commercial applications for telemetry
- 👍 Partner organisations do not share similar levels of commitment
- 👍 Market needs have had little influence on research and development

Managers are bewildered by the strategic choices they face, but unless they make the right decisions, large corporations entering the telemetry market could crush Box.

Box Telematics is a division of Mobilefone. The parent company was established in 1989 by June Reynolds-Lacey and sold two-way radios, paging and mobile telephones to business markets before focusing on the service and repair of communications equipment.

Mobilefone's National Service Hub, based in the West Midlands, now employs 120 staff and is set to make profits of more than £4m this year on sales of more than £40m.

Box Telematics was a logical step for Reynolds-Lacey, according to Cowburn.



Mobilefone had been working on telemetry since 1998 to satisfy customer demand for vehicle tracking, which steadily grew to include static applications such as remote monitoring of machinery.

Box was set up in Coleshill, near Birmingham, in March last year and has 34 employees.

While seven work in operations management and an equal number focus on sales, a dozen are involved in research and development with the rest of the staff in applications and administration.

The total investment has been £2m, and while sales of £3m are expected this year, Cowburn does not expect to trade profitably until the end of next year.

Business forecasts are uncertain. The technical team has developed a sophisticated black box that allows a very wide range of applications, but its marketing strategy is vague.

Cowburn and Langley agree that automotive application is a no-hoper.

"Motor manufacturers are linking up with big players such as Siemens, Nokia and Motorola, while a number of other middle-market firms have already established strong positions in the haulage industry," says Cowburn. "We've got to focus on smaller market niches and specialist applications."

The firm is reluctant to focus on just one market niche. "We would waste less energy," says Langley, "but we might choose the wrong sector."

He is also loath to shut off other areas of opportunity. Box would prefer to spread its bets by targeting a number of different market sectors.

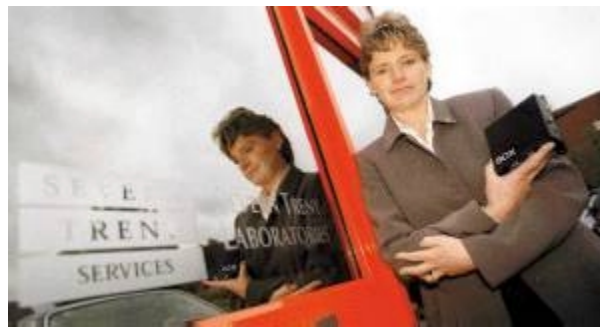
Following a series of brainstorming sessions, managers have drawn up a list of six target markets and sought to establish partnerships with leading companies in all the sectors.

The principle is sound, but real-world experience is frustrating. Box has given exclusive rights for Severn Trent Water to handle the "utility manager" black box for the water industry.



"It's a big, solid company with a strong position," says Cowburn, "but its people are setting the pace. We're entirely in their hands, and, of course, it's never going to be top of their priority list."

The same goes for a partnership with Direct Message for the use of media-manager telemetry to monitor the operations of backlit bus-stop display posters. It could go on to be used for electronic displays, but for the moment Box can do nothing more than wait for its partner to come up with results.



*Box of tricks: June Reynolds-Lacey has given Severn Trent Water exclusive rights to handle the 'utility manager' for the water industry to help market the product. Photograph: Mike Simmonds*

The lack of power is frustrating. One supermarket group has the company's Climo application on trial. The device allows supermarkets to monitor temperatures in display cabinets, triggering an alarm if temperatures deviate from the norm or any piece of equipment fails. It will also constantly track the number of customers entering their stores.

"It sounds great," says Cowburn, "and could result in an order worth £8m. But they have paid very little for the work we have done and they recently extended the trial from three to six months. We have got no control at all."

Technical staff within Box are more comfortable dealing with industrial customers that are using the Sigma black box as the basis for a host of individual applications specific to each firm's needs.



"We come from the same technical background so we talk the same language," says Langley. "However, it means that we are relegating ourselves from being first or second-tier suppliers to being in the third tier where our black box becomes a low-value component."

Box would like to build strategic partnerships in all areas of activity, but cannot find a way to motivate partners to share their commitment to telemetry.

"Existing partners and clients all too often want to focus on their own specific area of activity, rather than looking at the big picture," Cowburn says.

"The other problem is that as partners become more familiar with telemetry, their wish lists grow and grow. It adds to the development costs and adds to the length of trial exercises. Ironically, the more people learn about the potential of telemetry, the further we seem to move away from landing big, solid orders."

A growing number of companies are approaching Box wanting to form partnerships to sell telemetry to market sectors. None can promise minimum sales levels, and in every case Box would be required to invest time, effort and resources in developing new applications.

"We're getting worried," says Cowburn. "We can't patent telemetry because it is simply a marriage of existing technologies. It would take only 10-12 months for a competitor to catch up with our technical development, so we have only a small window of opportunity.

"With each month that passes, we face stronger competition. If we crack one big order in one sector that could determine our future strategic focus. We know that's not the way it should be.

"But the market is still so young that - unless the Enterprise Network experts can tell us how Box should address this dilemma - we believe we have little alternative," Cowburn adds.



## What the experts say

**Gary Robertson – Npower** [*Gary Robertson is divisional director responsible for small and medium-sized businesses*]

THE first step for Box Telematics is to split the organisation into product development and sales, and to refocus on the sales element. A dedicated sales team concentrating on each of the six niche markets would help secure partnerships and drive sales.

Industrial customers should be a key target. It may be beneficial to focus on this tier at least in the medium term, until Box has secured one big order.

It would also be worthwhile identifying companies that can use generic products with no modification. This would allow Box to use successful case studies in securing future sales.

Box needs to develop a thorough understanding of its market and how to determine profit levels before entering new markets or any potential niches. This capability is not available at the moment so it may be necessary to find these skills externally and recruit.

**Phil Smith - Cisco Systems** [*Phil Smith is business development director*]

WITH the appetite for 'build it and they will come' business models diminished, the only strategy for Box is to rely on a focused sales force, ideally with both a direct and indirect capability.

In this phase of adoption, it is more about sales and technology expertise than marketing.

The telematics market is likely to be commoditised by the big players.

Box has to rely on specialist expertise to win over a number of key customers before this market will take off. Once this happens, and sales are growing rapidly, customers will want to rely on proven capability and recognised brands to help them through. Box has to be one of those trusted names.



From a partnership and potentially indirect sales perspective, I would suggest that service providers (telcos, ISPs, cable providers), which all need a richer service portfolio, would be good targets for Box's technologies as part of a bundled service to its customers.

**Mark Hunt – KPMG** [*Mark Hunt is head of owner-managed business*]

FORMING alliances with partners already established in telecommunications is a possible route to market. However, this may dilute Box's custodianship of its intellectual property and inhibit its own market presence. Managing long-term alliances, customer relationships and source-code protection will help to mitigate this. Robust sales models requiring licence registration before products are used should help to fight piracy.

Uncertainty over how the telemetry market will evolve can be counterbalanced by the company developing open-systems architecture (using standard industry language/protocols) and unobtrusive 'footprints' (small-sized programs). However, with this comes the risk of lower barriers to entry and weaker protection of intellectual property.

As market leader, it will not want to spoil the market by selling at an unsustainably low price that might also create a poor perception of a product in the market.

**Michael Riding - Lloyds TSB Commercial** [*Michael Riding is managing director*]

DAZZLED by the opportunities available, but unable to identify an effective route to market, the Box team members have reached a crossroads. While Cowburn and Langley have had brainstorming sessions about the challenges facing the business, a thorough review is clearly required.

Prospective market segments should be examined rigorously, with size, access, incumbency levels and future competition used as key criteria. With telemetry technology being easily replicable, however, mass-market entry appears a natural choice. Having identified markets, Cowburn and Langley should focus their efforts on cultivating relationships, refining their product and building sales.



They must address the issue of whether sales should be entirely product-driven or focused on provision of added-value services, centred on telemetry as the core technology.

As industry pioneers, Box should try to develop brand recognition to capture the marketing high ground.

***Gillian Wilmot - Royal Mail*** [*Gillian Wilmot is managing director of business and consumer markets*]

THE company needs to build up its sales and marketing expertise fast, to manage its existing sales leads and convert them into contracts.

Box Telematics must force itself to focus on a limited number of sectors and not spread its resources too thinly.

Case studies concentrating on cost savings and improved customer information should be used.

The company's next step is better to define its product/service offer and brand.

Lack of patents means that Box Telematics is even more dependent on building a strong brand presence - and trusted brand reputation - to maintain its competitive advantage.

There are many good examples of companies doing this in similar markets - for example, Intel, the American chipmaker - to provide inspiration.