

# Journey 2.0

*New Revenue Opportunities in Transport*



### Revenue streams under threat

Transport of people and products is central to continued economic growth, social development and business success.

Yet recent experience and industry analysis by Arthur D. Little has started to uncover some emerging threats to revenues in the transport sector.

On the one hand, technology developments are giving people more choices about how and where they work. Working from home (or 'telecommuting'), at least part time, is finally – after years of expectation – becoming increasingly popular.

On the other hand, public transport in the UK and elsewhere is not perceived to be meeting travellers' needs adequately, because of high costs, lack of routes, and/or lack of technology support on board for entertainment or work applications. Even though people who choose to drive themselves have to accept that travel time is lost as far as work or social pursuits are concerned, many are making that choice in the absence of realistic public transport alternatives.

### Tougher operating conditions

The recent fuel price protests are a reminder that operating conditions for transport providers are becoming increasingly difficult. Costs are rising – especially for fuel but also for infrastructure maintenance and development.

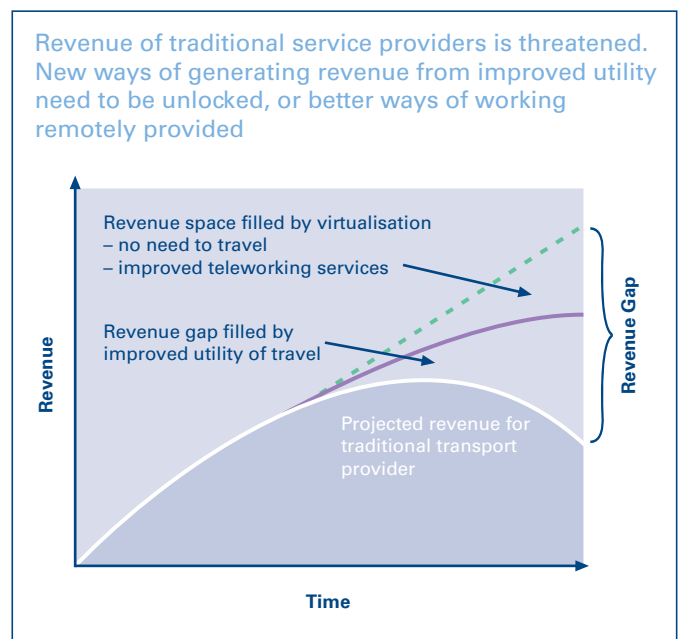
Environmental legislation and requirements are tightening. Government and society both have rising expectations that transport providers will do more to reduce their carbon footprints and other emissions.

Disgruntled travellers are becoming more vocal. Although high-speed trains help to increase the distance considered a 'bearable' commute, and rising house prices near busy industry and commercial centres force workers to set up home further away, the physical and emotional strain of extended travelling on a daily basis takes its toll on travellers' willingness to put up with what they perceive to be sub-standard service.

Rail travel networks at peak times are operating at saturation levels; the main mechanism for increasing revenues is to introduce (highly unpopular) price rises.

### The revenue gap

As a result, over time, a gap is opening up between the actual revenues to be drawn from traditional transport service provision and the revenues that **would** be available if people were not making alternative choices, and if transport providers were able to improve the efficiency, usefulness and/or enjoyment of travel.



### Worth investigating

Within and around these challenges, Arthur D. Little believes that the next 5 years hold significant business opportunities for companies that can deliver new ways of making personal travel more efficient, and public transport more attractive and competitive.

We see collaborative technology strategies as potentially the fastest route to realising these opportunities, through innovations that deliver added value to the traveller while at the same time justifying higher prices or creating completely new revenue streams. In light of current values, trends and challenges, we anticipate particular worth in innovations that focus on making transport more sustainable.

Some signs of new thinking are already emerging. In the automotive sector, some global players are beginning to think in terms of a transport 'solution' rather than a 'product', e.g. with a card that entitles the bearer to the use of a car wherever they may be. Major auto parts suppliers are pursuing enhanced revenues and profitability by targeting the aftermarket – helping consumers keep their vehicles on the road and giving them the choice as to where they have their vehicles serviced, maintained or customized. On the public transport front, some transport providers are already providing services that make the journey time more useful: the London to Brighton rail line provides free wifi access, there is on-board internet access on the Oxford to London bus, and mobile phones suitable for in-flight usage have emerged in Europe and the US.

### Identifying opportunities – dissect the journey

Clearly, the only innovations worth considering are those that will give travellers a readily discernable improvement in their travelling experience – from planning and choice, to the journey itself. Having positioned the traveller at the center of our thinking, the next step is to take into account the features of the existing landscape: e.g. the ubiquity of mobile phones, the existence of payment systems such as Oyster on the London Underground, the growing market for personal navigation systems, a rise in availability of 'pay as you drive' insurance products, and continually falling technology costs. Any combination of these features could hold the seeds of a worthwhile innovation.

**Before travel:** Could the traveller be given a stronger option not to travel at all – through, for example, improvements in existing teleconferencing or telepresence technologies? Would the traveller welcome easier ways to identify the most efficient journey, e.g. by being able to compare estimated times of arrival and costs of a number of different transport modes?

**During travel:** Could travelling be made easier – perhaps by the use of mobile navigators incorporating real time transport information to allow re-planning while enroute, and mobile payment systems? What can be done or provided to make the travelling time more useful, in addition to or replacing existing approaches such as access to wifi, and in-journey information or entertainment?

**After travel:** How can real time data about the travel experience be captured and used to aid other travellers and/or transport companies? Or to help measure the value of the time spent travelling?

### Making new connections

While some moves have already been made toward realizing new business opportunities in sustainable transport, there has never been a greater motivation – or a greater capacity – to transform the travel experience to the benefit of both traveller and provider.

By combining our heritage in the transport sector, technology and sustainable development with the insights and experiences of leading players in telecommunications, energy and financial services, Arthur D. Little has undertaken to find new collaborative ways of enhancing and creating revenue streams in sustainable transport. Our findings will be reported as soon as they are available.

In the meantime, if you would like to discuss the possibilities that technologies for sustainable transport might offer your business, contact us.



#### City Bus Outfitted with WiFi

A touchscreen monitor is seen on the Connected Bus, a new bus with high-tech features, February 20, 2008 in San Francisco, California.

The 95 per cent emissions-free hybrid bus features high speed wireless internet access, live route information and wait times via touchscreen monitors and a 'Green Gauge' that gives information about the environmental impact of the bus as it travels through the city.

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#### Arthur D. Little

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