

Making iTracks in Russia

Rolf Group, Russia's biggest car importer is installing sophisticated vehicle logistics management and tracking software as part of a huge expansion drive. Vehnet is the company behind the iTracks software. **Karen Thomas** reports on a work-in-progress

With OPEC already talking about oil prices passing the \$200 a barrel mark, oil- and gas-rich Russia looks set to continue its spectacular economic growth for the foreseeable future. For carmakers, Russia is one of the fastest-growing markets in the world, with sales of new cars exceeding two million units last year, including 1.35 million foreign-made cars, and expected to top five million by 2012.

Moscow-headquartered Rolf Group holds an estimated 16 per cent share of the foreign car market. It was founded by self-made Russian billionaire Sergei Petrov, 53, a former airforce instructor turned taxi driver, now valued in *Forbes* magazine's 2008 Billionaires List at a cool \$1.7 billion. Petrov founded Rolf in 1991 and persuaded Mitsubishi to give him a line of credit in the form of 40 cars. Now an MP, he is also Russia's largest retailer of foreign-made cars.

Rapid growth

Last year, Rolf Group sold some 137,000 cars, representing annual growth of 37 per cent. Its vehicles business spans retail, distribution, spare parts and logistics. The retail division handles around a dozen car brands, including Mitsubishi, Hyundai, Ford, Mazda, Mercedes, Land Rover, Peugeot and Lexus. The next year will see the group expand from 24 locations in Russia to 28.

Rolf Group holds the licence to import, sell and distribute all Mitsubishi vehicles in Russia and the CIS states. It is also distributor in Russia for Chinese carmaker Geely, which signed a \$1.5 billion, five-year deal with the group last year. Altogether, Rolf expects to import some 150,000 cars this year.

As the company has grown, it has become more involved in both finished vehicle and parts logistics. Now, with rapid expansion planned, and to handle existing business growth, Rolf Group is upgrading its vehicle logistics management

Rolf Group holds the licence to import, sell and distribute all Mitsubishi vehicles, including the Lancer, in Russia and the CIS states



and tracking systems and has called on UK-based Vehnet to provide the software solution to create a single virtual compound.

"The decision was made in the last two to three years to change the way that we look at the logistics business," says Stephen Fletcher, Rolf Group's head of supply chain solutions. "We could see the opportunities to upgrade our services, both internally and to our third-party customers and set up a supply chain solutions division to handle both finished cars and parts."

Logistics at Lobnya

Central to Rolf Group's plans is a new yard at Lobnya, north of Moscow. Aiming to be the most professional and secure yard of its kind in Russia, the 28.4 hectare site will open on July 1st, with Vehnet's new iTracks finished vehicle logistics

management and tracking software in place from the outset.

Land is expensive in Moscow and St Petersburg, and rapid urban growth means that car dealerships struggle to find the space they need to offer full service capacity. Using iTracks, the Lobnya yard will manage flows to the technical service centres (TECs) that carry out PDI, customisation and option fittings.

This will free lift-time at Rolf's own and third-party dealerships to improve service and warranty capacity and reduce forecourt use. With twice the space of Rolf's three existing Moscow yards put together, the Lobnya yard will store up to 10,000 vehicles at a time.

Flexible processing

Vehnet, formed in 2000, is a software company with a turnover of some \$2m a year. It specialises in developing software for finished vehicle supply chain logistics, with customers in Asia, Europe and the US, including Volvo Logistics, CAT Groupe, DHL Exel, Broekman Automotive and Arkas in Turkey.

"We decided to create software that would work anywhere cars were being stored, or processed with upgrades, or repaired, or imported and homologised," says Vehnet Managing Director, Steve Jones. "iTracks manages all these processes for customers.

"The software is developed for different customers, working in different countries and using different processes. Even companies based near each other, or companies within a group, may have very different ways of doing things. So it was important to create software that could be flexible enough to adapt to different languages, or terminology, or business processes.



Intelligent software doesn't mean a hands on approach isn't also needed

"We look at all the little things that can happen to cars – being shipped, being damaged, being customised – then map the processes on computer, adding all the elements needed to improve the system. It works like a system of building blocks to evolve with our customers' needs, without rigidity."

Best practices

Vehnet and Rolf executives first met late last year, and the Rolf team visited several Vehnet customers, including Broekman in Rotterdam, before deciding to go ahead. Since then, events have moved quickly. Together, the two parties have looked at how best to set up the physical organisation at terminals, blending best local and international practices and bridging gaps between strategy and practice.

4



Steve Jones, Managing Director, Vehnet (left) with Stanislav Razuvaev, Head of IS Project Management (centre) and Pete Crossley, Vehnet Product Consultant

“We can deliver the finished car to the dealer a day before the customer comes in to collect it. That will make a huge difference to the dealerships,” Fletcher says. “One of the Rolf dealerships has 75 lifts and, despite working seven days a week, 24 hours a day with three shifts, it still has a waiting list for services. The new yard means that we can carry out the PDI, and any fitting options needed, and they can concentrate on the customer.”

There is growing demand in Russia for customisation. In March, Rolf signed an agreement with Car Research and Development (CRD) of Germany, part of the Brabus Group, to create a line of tuned Mitsubishi cars for the Russian market. CRD specialises in tuning and accessory programmes.

Launching in September, and covering an initial 6,000 cars a year, the partnership covers Mitsubishi’s Galant, L-200, Outlander, Lancer and Pajero marques. The interiors and engines have been developed for the Russian market.

The Lobnya yard will serve all the city’s major car dealers. But the company is also planning to expand the iTracks system to cover its St Petersburg and future sites. As well as creating consistency across the Rolf Group businesses and cutting costs, installing the new software will provide international operating standards as the company embarks on new expansion.

Beyond Moscow

As the Russian car market matures, new demand is expected to come from beyond Russia’s two biggest cities. “We are expecting to expand into new, regional sites and need IT systems in place that can support that,” Fletcher explains.

“Three years ago, the Moscow and St Petersburg areas generated 80 per cent of demand for new cars. For the first time, this year will see these city areas providing less than 50 per cent of the demand, although in actual numbers, there is still considerable growth. We are looking at expanding into cities such as Ekaterinburg, Novosibirsk and Rostov.”

Further ahead, are plans to consolidate Rolf Group’s presence in the CIS markets. It currently offers fourth-party logistics services in Kazakhstan. “We are evaluating the opportunities in these markets,” Fletcher confirms.

Challenges facing Rolf’s business growth include the sheer pace of Russian development. Roads are often potholed or congested, and road and port infrastructure needs investment and expansion. Security and pilferage is an issue, as in any emerging market. But the opportunities in Russia include a huge increase in numbers of high-net-worth-individuals, and a hunger for status purchases, including imported cars.

Price per vehicle

By May, Vehnet had finished scoping Rolf’s requirements and delivered the first prototype system of the iTracks package. Both parties planned to discuss its performance during May, to create a second, modified prototype, with the final package due for delivery in early June. This final package will be the prototype for Rolf’s operations in St Petersburg and elsewhere. iTracks will process more than 300,000 vehicles in the first year of use.



Stephen Fletcher, Rolf Group’s head of Supply Chain Solutions (left) with Vehnet’s, Steve Jones

Vehnet customers pay a monthly fee for the iTracks licence, based on price per vehicle, rather than the single initial lump sum that many software providers charge. All use the same basic system, tailored and configured to meet their specific needs. The system can then be used by as many operators as necessary, in as many locations as necessary, for whatever processes are necessary. Vehnet adopts a train-the-trainer approach, showing customers’ project teams how to use the system, so that the information is fed along.

“The challenge facing all logistics operators is low margins,” Jones says. “The business benefits that we deliver are to automate the steps of the processes using intelligent software. iTracks streamlines the processes. Looking at it in terms of cost per unit, even a saving of one cent per car soon mounts up.”

The project has faced its own particular difficulties. “We have found that we cannot assume anything,” Jones says. “Russia has proved to be a very different market. Russian Customs is particularly strict. And the Lobnya Yard is near to a military base, which makes it necessary to have permits to use wireless equipment.”

And this is an important issue for the future. Rolf is carrying out feasibility studies into RFID technology, one of Vehnet’s areas of expertise. It is looking at whether the right radio frequencies are available and at the costs involved in setting up. If Rolf decides to go ahead, the partnership between Rolf Group and Vehnet will be consolidated even further. ◻



Rolf’s Stanislav Razuvaev and Vehnet’s Pete Crossley talk terminals