
ABT: DIGITAL DISRUPTION IN THE PARKING METER INDUSTRY

Dr. Hongwei Xu
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Issue **Identification**

ABT is a medium-sized German company that sells parking, public transport, and postal vending machines. ATB's clients are mostly municipalities in Europe and the UAE. ABT's strategy has been to target customers with extensive needs by selling high-end parking meters that are resistant to harsh conditions and abuse. It has been successful by working with local sales agents but is overshadowed in size, sales, and legacy by several other firms operating in Europe. ABT's CEO, Peter Bauer, is concerned of the recent change the parking industry has undergone. Several new, small firms are offering mobile solutions to parking. Bauer is questioning how this will affect his business, and what the future of the parking industry and ABT will be. The main focus for Bauer was on how ABT would respond to the introduction of mobile solutions into the parking industry.

Internal Analysis (Strengths, Weaknesses, VRIO)

First, we must gain a thorough understanding of our firm of interest, ABT. By looking at what ABT has done well, we can assess its skills and what we can expect it to do well moving forward. By examining what it has done poorly, we can gauge ABT's current limits and where it needs improvement. A VRIO analysis will allow us to predict its odds of success given what task it is given next.

Strengths	<ul style="list-style-type: none"> - Reputation <ul style="list-style-type: none"> - History of selling high quality parking meters that are resistant to harsh conditions. - Relationships with local sales agents <ul style="list-style-type: none"> - Giving ABT access to extensive local knowledge, has enabled ABT to build, establish, and maintain the necessary contacts for effective sales and marketing. - Experience <ul style="list-style-type: none"> - Integrating touch screen technology and remote management software. - Working with and coming to agreements with municipalities. - Exclusivity agreement with suppliers. - Flexible production capacity due to outsourced production and flexible working contracts.
Weaknesses	<ul style="list-style-type: none"> - Relatively small firm with 38 employees, a new business venture would require significant expansion. - "Flexible contracts" do not typically promote employee loyalty. - Competitors overshadow ABT in sales and employee power. - Downward trend in ATB's revenue over the past few years. - Has limited knowledge in coding and app development.

Analyzing ATB's, we see that it's business model is relatively simple. You can start to poke holes in its structure relatively quickly. I can confidently say, if this digital disruption continues and worsens in the parking meter industry there are several other firms that could fare better than ABT, at least how they are currently organized. ABT does have notable accomplishments, such as its reputation, experience, and cooperation it has facilitated with suppliers, sales agents, and

municipalities. However, there are several firms that do all of this as well. It is hard to gauge if they do it better than ABT, but they most certainly do it on a larger scale and have more available resources to pull from. ATB is a small player in the parking meter industry, but it has the potential to be a giant of the mobile parking industry. We will conduct a VRIO analysis to explore this possibility.

Potential for ABT in the Mobile Parking industry		
VRIO	YES/NO	Why?
Valuable	Yes	- This new digital intervention into the parking meter industry is likely to continue and increase in severity. - Cities and users are expressing a demand for these services.
Rarity	YES	- There are no firms in the mobile parking industry that have the knowledge, experience, and parking industry know-how that ABT has.
Inimitability	NO	- There are other firms that have the same potential to enter the mobile parking industry that ABT has. Some of these firm are possibly better equipped to do this considering their size and resources. - Does have the potential for first mover advantage.
Organized to Exploit	YES	- Has developed relationship with and experienced in dealing with municipalities, sales agents, and suppliers that no other mobile parking firm has. - Must develop an entire new product, but has established channels of distribution and service.

Instead of the small fish in a large pond ABT currently is, it has the capability to be a large fish in a smaller pond. It is also important to mention that this smaller pond is the future of the industry and has the potential to be a figurative gold mine. ABT has the relationships, experience, knowledge and resources that no firm in the mobile parking industry has. These are valuable skills in a profitable industry. There are other firms in the parking meter industry that have this same option, and potentially have greater capabilities than ABT. ABT's hope to counter this is to act now and utilize the first mover advantage. Other parking meter firms have been glacier slow to act on this potential but the window of opportunity is closing everyday.

External Analysis (PESTLE, 5 Forces, Opportunities, Threats)

This scenario is characterized by its external environment differently than it is most other times. Starting with a PESTLE analysis, let's try to decipher this unique position ABT has found itself in.

Economic	<ul style="list-style-type: none"> - Mobile parking is a significantly untapped market with huge potential. - Market is fragmented with small providers competing with each other for market share. - Payment is mostly done with coinage, and the amount of people carrying such coinage is decreasing with the prevalence of other payment methods.
Social	<ul style="list-style-type: none"> - Many people are very comfortable using their mobile devices to do tasks they previously did in other ways. This is increasing rapidly day-by-day. - Users in the parking meter industry are some of the most unhappy and aggravated of any legal industry. Mobile parking has the potential to remedy this in a way that is beneficial for both the end user and the municipalities who are tasked with enforcing parking fines.
Technological	<ul style="list-style-type: none"> - Availability of this technology is widespread, inexpensive, and advancing in capabilities.
Legal	<ul style="list-style-type: none"> - Available services in mobile parking makes it easier to track how much time a person parked at a meter has, reducing the chance of getting parking fines. This would result in a happier end user.

Upon further analysis, ABT would be certainly be operating in a friendly conditions. The economic factor is characterized by a massive gap in the demand that is has attracted small firms without dominating the market. On the social front, the number of people that use their phones for numerous tasks everyday is growing rapidly indicating positive user adoption. The technology to carry out this task is almost considered stone age in the world of modern tech. It is affordable, widespread, and user-friendly. Enforcing parking fines is a sorts of necessary yet unpleasant evil for municipalities and deterring them would be beneficial them and the often frustrated users that receive such fines. But this only part of the picture, let's look to Porter's 5 Forces and the opportunities and threats facing ABT to gain further understanding.

Factors	Intensity	Why?
Buyer Power	LOW/MOD	<ul style="list-style-type: none"> - Options for mobile parking solution are limited to small firms that lack the experience that would promote adoption from major cities with high needs.
Supplier Power	LOW	<ul style="list-style-type: none"> - Since ABT would be moving from manufacturing to services, suppliers are negligible. Requires added staff to develop and manage such services but almost no raw materials of any sort.
New Entrants	HIGH	<ul style="list-style-type: none"> - At any moment, firms in the parking meter industry may see this opportunity and act upon it. Many of these firms have more experience managing a larger number of staff, experience, and resources. - ABT's only hope to counter this is to act promptly and utilize the first mover advantage.

Substitutes	LOW	<ul style="list-style-type: none"> - The parking industry has changed very little over the decades. Mobile parking is simply increasing the efficiency of the same function. - The only foreseeable change in the industry further than mobile parking currently, is the ability to park in a spot and walk away with the payment for parking being completely automatic. If this was done however, it could be integrated as a feature of mobile parking, where you register you car and credit card into an app and there was a way to detect that a specific person has parked in a parking spot.
Competitive Rivalry	LOW	<ul style="list-style-type: none"> - Mobile parking industry is currently fragmented with several small firms competing for market share. - None of these firms are dominating the market or stand out from the others in a significant way.

Opportunities	<ul style="list-style-type: none"> - Largely untapped market with no dominating firms. - Existing firms in market do not have the experience, resources, or knowledge that ABT has gained in the parking meter industry. - User adoption over long term could be huge and eventually wipe out the parking meter industry.
Threats	<ul style="list-style-type: none"> - There are many firms with more experience, resources, and knowledge than even ABT

The potential ABT has in the mobile parking market is massive. It could be the leading player in the future of the parking industry. Almost nothing stands in ABT's way, not buyers, supplies, rivals in mobile parking, or substitutes. However, there is one significant threat that could erase this opportunity and let ABT fate to rest with the uncertainty that is the future of parking meters, the possibility of new entrants into mobile parking. There are several firms that are better positioned than ABT to take this opportunity. For example, if a company like Parkeon acquired one of the small firms in mobile parking and used its resources and capabilities to expand its operations, it become unstoppable.

Financial Analysis

It is difficult to gauge what this venture would cost, as we are given a little details, but almost any cost would be negligible compared to the foreseeable reward. Ventures of this type require very top heavy investment. Large investments in research and development, testing, and marketing in the short term such as 2 to 3 years. ABT would have to hire new staff; a team of programmers to develop the management software to be used by municipalities, a user-friendly app for consumers, and a efficient and easy payment system. A new marketing team that is more familiar with mobile services would be required, as well as consultants to train municipal workers on how to use and manage the systems.

These would be significant upfront costs, but would drop dramatically after 2 to 3 years. ABT could downsize their programming team as they would need a smaller number to service the systems and develop new features than the team needed to build a new services from scratch, and marketing cost would decrease as ABT’s offering is field tested and builds a reputation. This could cost upwards of €250,000 in the first year with it dropping steadily to about €150,000 in the third year onward.

Now, to look at how much revenue this could bring in for ABT we use the following example: The use of a purchase of pay-and-display machines that were purchased in Friedrichshain-Kreuzberg, a small borough in Berlin in the year 2015. 172 machines were purchased from Swarco. Our case states that the average number of parking spots covered by a single machine had increased from 15 to 25 spots. That means that the 172 machines covered roughly 4,300 spots. We do not know how many times a parking spot is used per day, but to be conservative, we will estimate a parking spot is used ten times a day. That means there would be 43,000 parking transactions per day. The Case states that these mobile firms would charge 10 cents to 50 cents per transaction. Using the lowest possible value of 10 cents per transaction, that is €4,300 in revenue per day, and €1,341,600 per year operating six days a week. That would be €1.3 million in revenue from a single borough in Berlin, that resulted from a single sale compared to . The possible revenues are huge and as stated earlier, ABT is capable of realizing them.

Alternatives (Pros/Cons)

Options	Pros/Cons
<p>Alternative #1: Continue focusing efforts in the parking meter industry.</p>	<p>Pros: Familiar territory for ABT. Focus efforts into one industry to do it better. Cons: Future of industry uncertain, and may not exist entirely in the long term. ABT has already experienced dropping profits and needs to make a change of some kind.</p>
<p>Alternative #2: Venture into mobile parking while still maintaining their current business model as long as it stays relevant and profitable</p>	<p>Pros: Potential profits are huge. Market is largely untapped by a player from parking meter industry. Cons: ABT is well suited to do this, but there are firms that may be better suited and squeeze ABT out if it does not act quickly.</p>

Recommendation

I recommend ABT selects Alternative #2 and ventures into mobile parking. The future of parking meters is bleak, and admittedly there are many firms that are beating ABT. ABT does not have their size, resources, or history. It is open to threats as its sales are highly concentrated in Germany and the UAE and has experienced a downward trend in profits over the past few years. Its

potential in the mobile parking industry is a staunch contrast to this. It has experience, relationships, and knowledge that other firms in the mobile parking industry do not have, and could be a true industry leader. However, it is important it acts quick as there are many others that could take this same position.

Implementation and Contingency Plan

- 1) Hire a team of programmers to develop the management software to be used by municipalities, a user-friendly app for consumers, and a efficient and easy payment system.
- 2) Bring a new marketing team that is more familiar with mobile services.
- 3) Bring in consultants to train municipal workers on how to use and manage the systems.
- 4) Commit to the level of customer service this operation requires compared to selling parking meters. ABT really needs to get involved with, and work with municipalities to develop the knowledge and reputation of their services.

I am recommending this as a service to provide alongside the parking meters ABT currently offers. They could be offered in conjunction as a one-stop solution. The investment required by ABT is not enough to negate ABT's earnings and declare a loss, in relation to stated earning of the past 4 years. A serious amount of capital is required and if this does come to fruition it will be a waste. However, due to the gloomy future of the parking meter industry and potentially ABT itself, to not act is simply not an option, especially when the ABT's unmet potential is so huge.