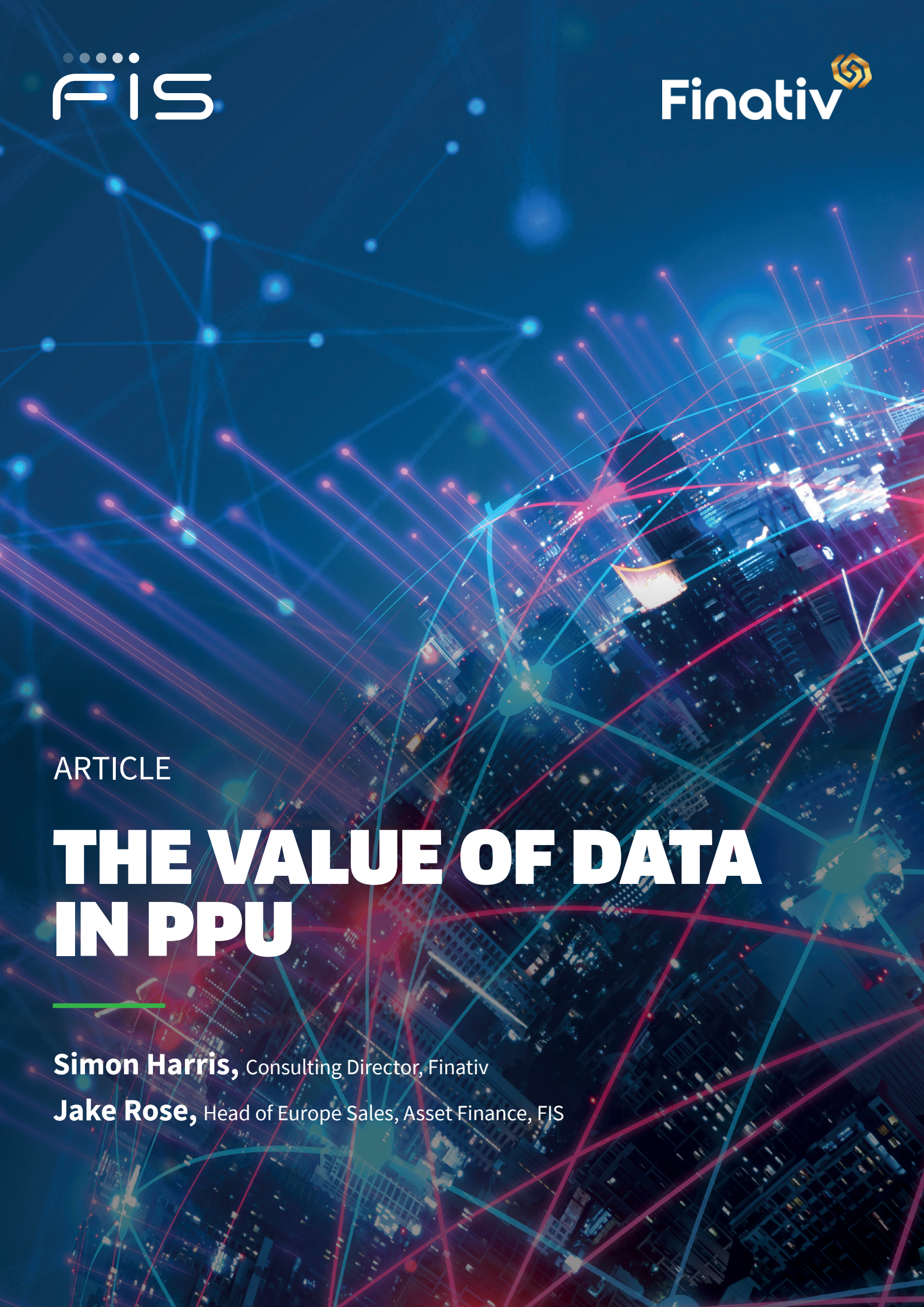

ARTICLE

# THE VALUE OF DATA IN PPU

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**As the name "pay per use" implies, the product offers the end customer the prospect of only paying for what they need from a vehicle, rather than paying for it regardless of whether or not they use it. This calculation can be a little uncomfortable for the average private consumer, when they consider how much they are paying for a valuable asset which stands idle for over 90% of the time and is depreciating throughout the period of their ownership or usage. For a commercial customer, they are more likely to already have a mindset that relates the asset's TCO (total cost of ownership) to the value the asset brings in terms of performing a defined role within their business. So the question is, how do we measure use? We've already recognized a number of dimensions to usage – hours, kilometres/miles, tonnage carried, etc. – but whatever the unit(s) of measurement, we will need to be provided with the relevant data.**

## Who owns the data?

The subject of data ownership has sometimes been contentious, as well as becoming highly sensitive since the introduction of GDPR (General Data Protection Regulation) legislation in 2018. Data ownership, at least in the case of automotive assets, has generally been divided between the vehicle OEM, who would claim they need certain usage data – duration of use, distance covered, mechanical performance – on the grounds of product liability, warranty and maintenance responsibilities, and the vehicle owner/driver, who would claim the time and location of the vehicle's deployment is their business and nobody else's. However, where the vehicle owner is a vehicle leasing company, the actual economic owner and legal titleholder in that case seems to get squeezed out altogether.

## Who must give consent to data use?

In a commercial setting, however, where the end customer is a business, the driver is using the vehicle for business purposes, and the owner (certainly in the same example with an operating lease or rental product) is indisputably the lessor, then those easy assumptions of data ownership can be more readily challenged. Most important is that consent is actively sought and is given, and for that fact to be recorded. In the immediate period following GDPR implementation, there was often nervousness about asking for that consent, with fear that the request would deter customers and that it would not be granted. Over time and with familiarity, those nerves are easing and as well as asking more confidently for consent, an increasing number of providers are making their offers conditional on consent being granted.

## Who might pay for data?

As either the original data owners, or having secured access to data, some data custodians immediately turn their attention to "monetizing" the data, perhaps charging simply to release the data to the next consumer in the chain, often the supplier of a service enabled by that data. Ultimately, it will usually be the end customer who is in some way paying, most obviously via the cost of the service(s) being provided to them. The question is, does that payment need to be so obviously transactional? Or could it instead be more palatably framed as providing a benefit? This would mean that an end customer providing data to a service provider could expect advantageous pricing and/or additional or superior services versus the customer not willing to provide the same data. This is the same principle that lies at the heart of open banking.

## How can data build value?

For the provider of a PPU product and thus the asset owner, sitting between the asset OEM and the asset user, there is a unique opportunity to build value by combining data from the OEM and user sources with some of their own data, perhaps coming from the consumption of additional services they are also providing. With insurance, maintenance and other such services being core to the PPU proposition, there is a chance to learn far more about customers' and drivers' behaviors and asset usage. This data can flow in multiple directions. It can go back to the OEM, enhancing their knowledge of not only the simple asset usage, but also "softer" data around the environment in which it is used, and user characteristics that might influence the asset or component life cycle. Such data might be offered by the PPU provider as a quid pro quo to avoid having to pay for other helpful data from the OEM.

## How does the customer experience data value?

However, the endgame must be that the customer recognizes value from their own data contribution in terms of a compelling PPU proposition. An individual customer's data should facilitate the tailoring of the pricing to that customer, so that the services offered are relevant to the customer's circumstances, as well as the pricing. This gives the customer the feeling that they may influence the price they pay, and not just via the provision of data, but also their usage behaviors and their consumption of associated services. As with the perception of so many other products and services, it is not only the actual price paid that informs customer satisfaction, but also the perceived value versus that price. Delivered correctly, there is plenty of evidence that PPU products are more "sticky" than traditional "fund and forget" finance and leasing packages. And as well as being an effective part of any retention strategy, they also broaden the targetable customer base for finance providers.

## What might lie in the future for data?

Almost every thorough exploration of the data already available to funding providers reveals ever more deployment possibilities and opportunities. Next time we will look at sustainability, including the growing expectations and requirements around environmental reporting, where we will see that once again, data has an absolutely central role.



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