

Times of Malta interviews Datatrak's Group CEO

Datatrak expands internationally

by Vanessa Macdonald



An orthophoto of Tripoli harbour taken as part of Datatrak's mapping project for the Municipality of Tripoli

Datatrak MENA is finalising negotiations to implement a data network in Nigeria, giving coverage across Lagos and Abuja, according to the company's chief executive officer Joe Fenech Conti, who sees it as an important part of the group's financial turnaround.

"If this project proves to be successful, it would be a big boost to business, meaning that the group is functioning on all cylinders. At the moment we are only functioning on two out of four," he explained, referring to the current below par performance of marketing company Datatrak MENA and tracking network operator Datatrak Systems.

The group managed to break even in 2005, registering a small profit after tax, resulting in an improvement in the bottom line over the previous year.

This was part of the group turnaround strategy, which also showed 17 per cent growth in revenue and a nine per cent drop in costs. While software developer Datatrak Solutions and Datatrak IT Services have always been profitable, the other two companies were losing money, eating away at the overall results.

Data networks are useful in places where traditional communications are not good or reliable enough or where higher security is required. This makes them ideal for Africa, he said.

"Datatrak was floated on the alternative company listing of the Malta Stock Exchange with the idea of selling a network in Libya. The share price went up from Lm1 to Lm1.10 but then plummeted over the years to Lm0.15 when the Libya contract did not materialise. However we have done a fair amount of other work in Libya, especially mapping."

"On the other hand, what we are selling in Africa is realistic. We have a 30 per cent shareholding in Datatrak Nigeria together with Nigerian shareholders. The business plan is good and conservative and from there we could target West Africa and Central Africa.

"Nigeria is a tough but cash-rich market and opportunities abound. Our turnover in Nigeria last year was nearly \$1 million and paid in full, not bad..." he said.

In the meantime, Datatrak Systems has been restructured and costs have been considerably reduced.

"We have a good, established customer base and our clients are happy. The Maltese market is limited so I resized the company to fit the business rather than trying to get business to justify the size of the company," he said.

Datatrak Holdings is owned approximately 30 per cent by Maltacom, 25 per cent by the public on the Stock Exchange and roughly 10 per cent by Siemens, with the rest in the hands of private shareholders.

Will the partial privatisation of Maltacom to Dubai-based Tecom result in any changes?

"It is early days. For us, it would make a lot of sense to have a strategic partner like Tecom. We need strategic investors who can provide cash for growth and routes to market."

Mr Fenech Conti took over as group CEO in July 2005 but his involvement with Datatrak started some years ago when it bought 50 per cent of his company, which provided Geographical Information Systems and developed IT applications based on mapping, and was renamed Datatrak IT Services. Eventually Datatrak Solutions was formed, with Datatrak Holdings having half the shares and Mr Fenech Conti retaining the balance. Datatrak Solutions is now the group's financial star.

"My job was to take this group forward. When I took it over, the group had a history of non-performance. The software company I ran was successful but the other companies were not."

"I initially refocused the business, concentrating on two pillars - that of consolidating local business and selling overseas. We also underwent a cost cutting exercise which has meant redeploying people where they were needed and therefore increasing productivity."

This meant looking at the operations of all four companies: Datatrak Systems, Datatrak Solutions, Datatrak MENA and Datatrak IT Services.

Datatrak MENA is a marketing company that sells Siemens datatrak products internationally. Its brief has been extended to market other services provided by the Datatrak group in its area.

Datatrak IT Services is a service provider that runs back office operations such as the local enforcement system, and mapping and land survey services. It is also involved in the introduction of the now imminent electronic identity systems through its Accerta Joint Venture with Computime and Fenlex Services.

Datatrak Solutions is clearly Mr Fenech Conti's baby.

"I believe in specialising in a niche market. I want us to become a world class player in our area - fleet management of vehicles and vessels, complemented with cutting edge logistics management solutions - and we are getting there. People know us and we are starting to break into new and important markets - in line with our focused growth strategy."

The subsidiary initially created a number of successful projects, for customers like Ontime Rescue & Recovery Ltd, the largest independent rescue and recovery company in the UK.

"If your car breaks down in the south of London there is a good chance that you would be rescued by one of our systems," he said.

Over the past three years, boosted by the success of the Datatrak projects especially in the UK, the subsidiary decided to develop a product range.

"Traditionally we were a project-based company. In 1999, the Datatrak product line was quite old-fashioned having already been in place for 10 years. This led Datatrak to me and the joint venture with my company. Following the acquisition the logical place to grow was through Siemens, particularly in the UK where its datatrak network handles 40,000 vehicles."

Datatrak Online (DOL) is an internet-based system that allows customers to see where their vehicles are in real time.

"We tried to persuade Siemens that our product was much better than what they had. It took some time and a lot of effort but we finally won the argument and Siemens in the UK now sell our product. Our business plan was to have 3,000 vehicles over three years using our system. We signed the deal two years ago and we already have 7,000 vehicles, so we are way ahead of forecasts.

"Not only have they given us more work than they promised but they are actually starting to convert their own systems to ours," he said.

"We are also negotiating new activities with Siemens. It has been a fantastic way to learn. We are not talking about big money yet but it is very profitable because once we have developed a system, the costs are identical whether we sell it once or 20 times.

"We are trying to become the McDonald's of fleet management software, with products that are low cost and good value for money for our clients, but which perform consistently and generate significant profits for the group," he said.

The flagship product is DispatchIT, which it recently sold to UK postal company GeoPost in a 600,000 contract spanning four years. In all, DispatchIT is used in 3,000 vehicles.

"Our DispatchIT sales process starts by examining the client's business processes, for example delivering parcels, roadside recovery or servicing parking meters. We assist them in assessing the best way to deploy their resources. We can actually go to the customer and show them how they can manage their services more efficiently, with less trucks for example," he explained.

The company is also expanding its products' capabilities and making them more scaleable. For example, Datatrak Online was aimed at the small customer who had between 10 and 100 vehicles.

"We are now aiming at customers with larger fleets of up to 2,000 vehicles, which is a considerable amount of data to display on the internet. It is a serious challenge.

"I believe that there is much more scope in this area. Our aim is to handle all of Siemens' 12,000 fleet-based cars. Our estimates are very conservative but we can achieve this within the next few years. We are already seeing very good revenue from just 7,000 vehicles, producing returns for shareholders (EBIT) of 30-40 per cent."

The company has a small facility in the UK but works mostly through partners like O2. It recently opened an office in Rome to target the Italian, French and Spanish markets. It is also considering Germany and the Netherlands, where prospects of a breakthrough are good and its long-term aims are to set up in markets such as the US and China.

The group is now boosting its support services and recently hired managers to look after customer support, operations and marketing.

"Paul Borg Costanzi, Reuben Portanier and Ian Debattista are all heavy weights in their area and provide us with the management support to grow further.

"The product is very stable; it has been tested in the market so what we need to do is to improve the support that we offer and to sell as fast as possible. Technology is like fish and needs to be sold fresh!"

Human resources is their biggest challenge.

"It is hard to find the right people at the right price. Average salaries have gone up 50 per cent in the last 18 months," he stated.

"We already give our employees a 5 per cent rise every six months as a standard, with bonuses for performance.

"We do bring in young people and train them but it takes two to three years to integrate them fully. There is a lot of competition in IT in Malta.

"Since Prof. Juanito Camilleri took over as the university rector, prospects have improved. His input should be very positive for the market and I am very pleased he is there; he has the focus and he is very commercially savvy. We are looking to use more university students than we ever did before.

"But it is a challenge. The government policy is working and more IT based companies such as betting, development and back office companies are opening in Malta, which need software people and accountants, two skills that are in short supply.

"And something like SmartCity will create a number of synergies but it will also mean more competition for resources."

Mr Fenech Conti believes that the solution is to accept that an open market does not only mean selling there but also sourcing services from there.

"We cannot expect to compete in the wider market unless we also expect to hire people from the wider market. This should not be a concern. We make our money because we are clever, not because we are cheap.

"We are successful because we identified a niche, we are playing it properly, we have developed a product that is very focused and we give our customer what they want at the right price."

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