FROST & SULLIVAN

Trackunit®

2018 North American Off-Highway Vehicle Telematics Customer Value Leadership Award

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2018 BEST PRACTICES AWARD

NORTH AMERICAN
OFF-HIGHWAY VEHICLE TELEMATICS
CUSTOMER VALUE LEADERSHIP AWARD

2018
BEST PRACTICES
AWARDS

Contents

Background and Company Performance

Industry Challenges

Spurred by the fast-changing dynamics of the communications domain—demonstrated by the high penetration rate of increasingly advanced wireless technologies, whether related to the Internet, cell phones, or global positioning system (GPS) receivers—the North American off-highway vehicle (OHV) telematics market has been experiencing rapid growth over the past few years. Off-highway telematics serve a significant purpose for heavy equipment rental companies (e.g., United Rentals, Inc.). Primarily, OHV telematics assist in day-to-day equipment management for an entire rental fleet through improved asset monitoring, utilization, job costing, and accurate billing, which enhances the overall customer service experience and ensures availability of the most up-to-date rental equipment information.

Frost & Sullivan estimates indicate that the North American OHV telematics market is poised to demonstrate remarkable growth, with telematics penetration in the construction equipment segment expected to surpass 50% by 2022. Additionally, OHV telematics can help fleet operators better comply with safety standards by enabling complete control over site access and noise limits through geo-fencing and time-fencing features. As rising insurance costs are forcing construction companies to look for proactive ways to improve safety and security of high-value assets, more diligent use of telematics information will help reduce accident risks and unsafe working environments for both machines and operators.

Despite these prevailing driving factors, the key challenge for telematics manufacturers is the limited awareness among end customers about this technology. Additionally, there exists skepticism and reluctance among fleet owners to integrate the emerging telematics technology into their business processes. This is mainly due to the lack of awareness about the promising returns on investment (RoI) that telematics will deliver. These factors deter growth across the OHV telematics market, so penetration levels remain low.

Another daunting challenge is implementing telematics for mixed fleets. Although many original equipment manufacturers (OEMs) have standardized factory-fit telematics, the systems are often incompatible resulting in standardization problems, which continue to hamper the adoption of telematics in the construction equipment segment. This gives rise to fleet operators' demand for more standardization and user-friendly interfacing. Mixed fleet implementation will allow customers to utilize standardized data across all pieces of equipment, turning the separate bits of information into cumulative actionable insights. In this way, customers are positioned to make business decisions based on their overall fleet performance.

In view of these many challenges, it is imperative for telematics vendors to provide adequate training to fleet owners on the features and benefits of their advanced telematics technologies, and also to make them aware of the technologies' ability to be

seamlessly integrated into an existing business environment. For vendors, it becomes more important to guide fleet owners through the whole lifecycle of telematics—installation, training, and integration with other systems—thereby turning data into useful information for enhanced decision-making. This will help customers gain the high value they desire from their investments in such technologies.

Customer Impact and Business Impact

Price/Performance Value

Frost & Sullivan finds that the off-highway vehicle telematics market remains nascent with plenty of opportunities and white spaces where able companies contend for market dominance. Headquartered in Denmark, Trackunit is one such company operating in North America that offers well-equipped solutions and pertinent strategies to serve both direct customers and established OEMs.

Trackunit's superior strategy of offering the best value to its customers for the price, compared to similar offerings from competitors, lies in its profound understanding of the OHV market. Whereas more focus on on-road vehicle solutions than on off-road vehicle solutions has been the general trend amongst a majority of industry providers, Trackunit prides itself on developing easy-to-use OHV telematics products, working hand-in-hand with fleet operators to provide best-in-class services. These factors play to its advantage when compared to other core OHV solution providers.

Trackunit's two key smart applications, Trackunit Go and Trackunit On, take the mobile-first approach to enhance the service technician's or operator's experience. They are easily adoptable and offer consumer-type industry-specific solutions for the company. Apart from its two mobile applications, the company's ability to craft customized solutions for each OEM client has been tested and proven to help in creating trust from both a technology and corporate perspective.

Trackunit's value proposition comes from three key areas. First, it builds relationships with OEMs and supports their ability to help connect the ecosystem more easily for customers. Second, Trackunit's mobile-first approach not only takes data from the hardware, but also connects the entire maintenance, safety, and efficiency metrics through mobile platforms. Third, Trackunit controls its own hardware. Although the company is not a hardware manufacturer, it regulates stringent control on the design, durability, and firmware of its products.

Frost & Sullivan research finds that Trackunit's pricing strategy is extremely competitive in this market. The company believes that such competitive pricing of hardware will attract an increased number of software subscription services. Trackunit is able to achieve this competitive pricing and keep its production cost comparatively low because it manufactures a single on-board unit with multiple connectors (e.g., for CAN, OBD). Its use of similar intelligence and board in each of its devices makes manufacturing cost-effective,

regardless of the hardware type. The average selling price to customers is approximately $230, which is extremely cost-competitive. The average selling price between Trackunit's three software platforms, View, Collect, and Insight, ranges between $15 and $20/month with an additional $6 if the customer adds the hardware. Since Trackunit does not have different prices for vehicles and equipment, customers find the average cost of a unit to be about 15% less than most of the nearest competitors.

Trackunit's two successfully performing apps Trackunit On and Trackunit Go generate considerable revenue and new customers for the company. One is focused on safety and pre-check inspections (On) and the other focuses on maintenance (Go). Both continually connect the operator back to the platform and provide active intelligence and efficiencies. The average price for each app is $4/month per user, and combined is offered for a modest $6 per month.

Customer Ownership Experience

To provide a high degree of customer satisfaction, Trackunit remains committed to approaches that ensure its customers feel valued. Specifically designed extended-warranty methods, an on-boarding experience that extends throughout the first 90 days, and a professional services division for its larger customers are a few of the strategies through which Trackunit builds strong relationships with its customers. For instance, its elaborate Executive Business reviews strengthen the company's ties with larger customers and keep them aligned with its own product portfolio and business strategies. With these business reviews, Trackunit unlocks strategic opportunities and projects that mutually benefit both parties.

In addition, the two mobile applications let fleet owners carry out their fleet management activities easily from anywhere. They provide a dynamic overview of all equipment and a quick summary of solutions, scheduled services, and alarms. These applications function even without network connectivity and automatically synchronize with a cloud database when network connectivity is re-established. Offering a stable product with robust hardware and software packages helps Trackunit keep customer complaints to a minimum. Frost & Sullivan discovered that the occurrence of customers raising complaints about developmental bugs and mistakes is extremely rare. This is attributed to the impressive stability of Trackunit's overall hardware and software offering in the market.

Customer Service Experience

Periodical software updates and application releases contribute to Trackunit's enhanced customer service experience. The company maintains a high ratio of its customer service executives to its installed units in services. This is a result of its extremely dedicated and talented customer support team. Trackunit utilizes an industry-common customer feedback mechanism called Net Promoter to ensure high standards and continued focus on customer service. This management tool helps Trackunit gauge the loyalty of its customers and its relationships with them. Like a majority of the Fortune 1000 companies,

Trackunit uses this Net Promoter Score (NPS) value to introspect and to understand its customer audience.

With an aggressively growing customer base (both OEMs and direct customers), Trackunit witnesses a tremendous request for professional and structured deployments. It offers free on-boarding sessions with a structured methodology for its direct customers. Most customers with over 250 installed units (and adding more mobile deployments) need a project manager and implementation completed on schedule. Furthermore, an increasing number of customers are deploying integrations into their host systems making use of Trackunit's open API infrastructure. These customers require Trackunit's professional support to manage and execute their needs. And because the pricing is structured on a case-by-case basis, it is tailored to each customer's individual success criteria. Frost & Sullivan finds that Trackunit has earned a wide and loyal customer base over the years that gives excellent testimonies on the company's performance. One of Trackunit's loyal customers, Barslund, had this to say as summarized by its chief equipment coordinator:

> "Telematics has definitely initiated a change in the mindset of our Site Managers. They are a conservative group of people, but money talks and the daily Trackunit reports give them a simple overview on how efficiently they use equipment. Boosting company revenue, while securing their personal budget without being a threat to production is the goal. I am working on utilizing our equipment as efficiently as possible to reduce the volume of hired-in equipment. Returning just one machine for a single day is a saving of €140. Multiply that for an entire year, and the one returned machine represents a total saving of approximately € 35.000".

Brand Equity

Even though many telematics companies offer products and solutions for the off-highway market, Trackunit has managed to influence customers into transitioning over to its products. Many customers have adopted Trackunit products owing to the company's stability and reputation amongst both OEMs and direct customers. Trackunit focuses more on its customers' outcomes than on acquiring more and more customers. Frost & Sullivan recognizes that this exemplary company has set a new customer value standard in the industry that a growing number of customers wants to be associated with. For instance, Trackunit hosts user conferences and industry-focused sessions for its customers that are built on changing the status quo in construction and other off-highway verticals.

In the off-highway market, Trackunit has the largest set of OEM partnerships including Skyjack, Wacker, and Manitou. Such a vast network of well reputed customers is a direct testimony to Trackunit's impressive reputation and brand value in this space.

Trackunit enjoys a high rate of customer retention and minimal customer exit. The company deeply values and follows its traditional Scandinavian culture and incorporates its steadfast values across all departments to foster an ownership and responsibility sentiment amongst all employees.

Growth Potential and Financial Performance

Trackunit's global installed base is over 300,000 units with an additional 10% adoption of its mobile applications. The company expects to grow its revenue and subscription base 45% – 50% by the end of 2018. Trackunit posts a constant rise on its year-on-year growth rate across all of its domains, resulting in hearty overall growth numbers. Trackunit maintains focus on a few select core verticals, namely construction, equipment rental, oil and gas, and utilities, to maximize its efficiency. The well-established installed base is ever-growing, which adds to the company's competitive advantage. As for the remainder of the industry, it is hard to replicate these strategic relationships, and even harder to add some of the technical features and functionality that Trackunit was built on.

Moreover, the company maintains transparency with its customers and enjoys stellar referrals, loyalty, and testimonies. Looking ahead, it aims to double the units sold in 2018 over what it sold in 2017 and is already ahead of the target as of May 2018. This hugely ambitious target is possible through the company's outstanding relationships with enterprise customers and OEMs.

Conclusion

Frost & Sullivan places Trackunit at the center of a very competitive arena, OHV telematics area in particular. However, amidst its competition, Trackunit exemplifies thought leadership. The company segments its customers into clear categories and provides unique and differentiated solutions for them while maintaining integrity and fundamental value propositions that the solutions are designed for in the OHV space. Its largest businesses are in construction and equipment rental, and with its outstanding customer ties and relationships, Frost & Sullivan believes Trackunit is set to maintain a strong position in the competitive landscape. While in a market characterized by slow adoption rates among OEMs and enterprise customers, a lack of ability to demonstrate success, and a vision for increased return of investments, Trackunit has managed to outdo its competition and has led numerous customers on the path to achieve improved quality of business through vision, innovation, and technology.

For its strong overall performance, Trackunit has earned Frost & Sullivan's 2018 Customer Value Leadership Award.

Significance of Customer Value Leadership

Ultimately, growth in any organization depends upon customers purchasing from a company and then making the decision to return time and again. Delighting customers is, therefore, the cornerstone of any successful growth strategy. To achieve these dual goals (growth and customer delight), an organization must be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.

Understanding Customer Value Leadership

Customer Value Leadership is defined and measured by two macro-level categories: Customer Impact and Business Impact. These two sides work together to make customers feel valued and confident in their products' quality and long shelf life. This dual satisfaction translates into repeat purchases and a high lifetime of customer value.

Key Benchmarking Criteria

For the Customer Value Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Customer Impact and Business Impact—according to the criteria identified below.

Customer Impact

Criterion 1: Price/Performance Value
Criterion 2: Customer Purchase Experience
Criterion 3: Customer Ownership Experience
Criterion 4: Customer Service Experience
Criterion 5: Brand Equity

Business Impact

Criterion 1: Financial Performance
Criterion 2: Customer Acquisition
Criterion 3: Operational Efficiency
Criterion 4: Growth Potential
Criterion 5: Human Capital

Best Practices Award Analysis for Trackunit

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation. Ratings guidelines are illustrated below.

RATINGS GUIDELINES
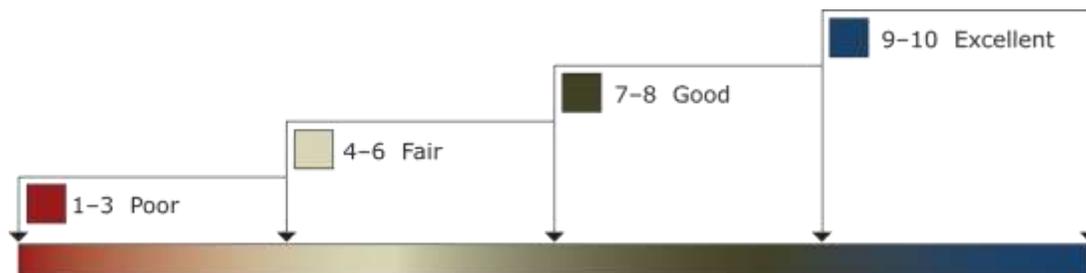
The Decision Support Scorecard is organized by Customer Impact and Business Impact (i.e., these are the overarching categories for all 10 benchmarking criteria; the definitions for each criterion are provided beneath the scorecard.). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key participants as Competitor 2 and Competitor 3.

Measurement of 1–10 (1 = poor; 10 = excellent)			
Customer Value Leadership	Customer Impact	Business Impact	**Average Rating**
Trackunit	**9**	**9**	**9**
Competitor 2	8.5	8.5	8.5
Competitor 3	8	8	8

Customer Impact

Criterion 1: Price/Performance Value
Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

Criterion 2: Customer Purchase Experience
Requirement: Customers feel they are buying the most optimal solution that addresses both their unique needs and their unique constraints.

Criterion 3: Customer Ownership Experience
Requirement: Customers are proud to own the company's product or service and have a positive experience throughout the life of the product or service.

Criterion 4: Customer Service Experience
Requirement: Customer service is accessible, fast, stress-free, and of high quality.

Criterion 5: Brand Equity
Requirement: Customers have a positive view of the brand and exhibit high brand loyalty.

Business Impact

Criterion 1: Financial Performance
Requirement: Overall financial performance is strong in terms of revenues, revenue growth, operating margin, and other key financial metrics.

Criterion 2: Customer Acquisition
Requirement: Customer-facing processes support the efficient and consistent acquisition of new customers, even as it enhances retention of current customers.

Criterion 3: Operational Efficiency
Requirement: Staff is able to perform assigned tasks productively, quickly, and to a high quality standard.

Criterion 4: Growth Potential
Requirements: Customer focus strengthens brand, reinforces customer loyalty, and enhances growth potential.

Criterion 5: Human Capital
Requirement: Company culture is characterized by a strong commitment to quality and customers, which in turn enhances employee morale and retention.

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.
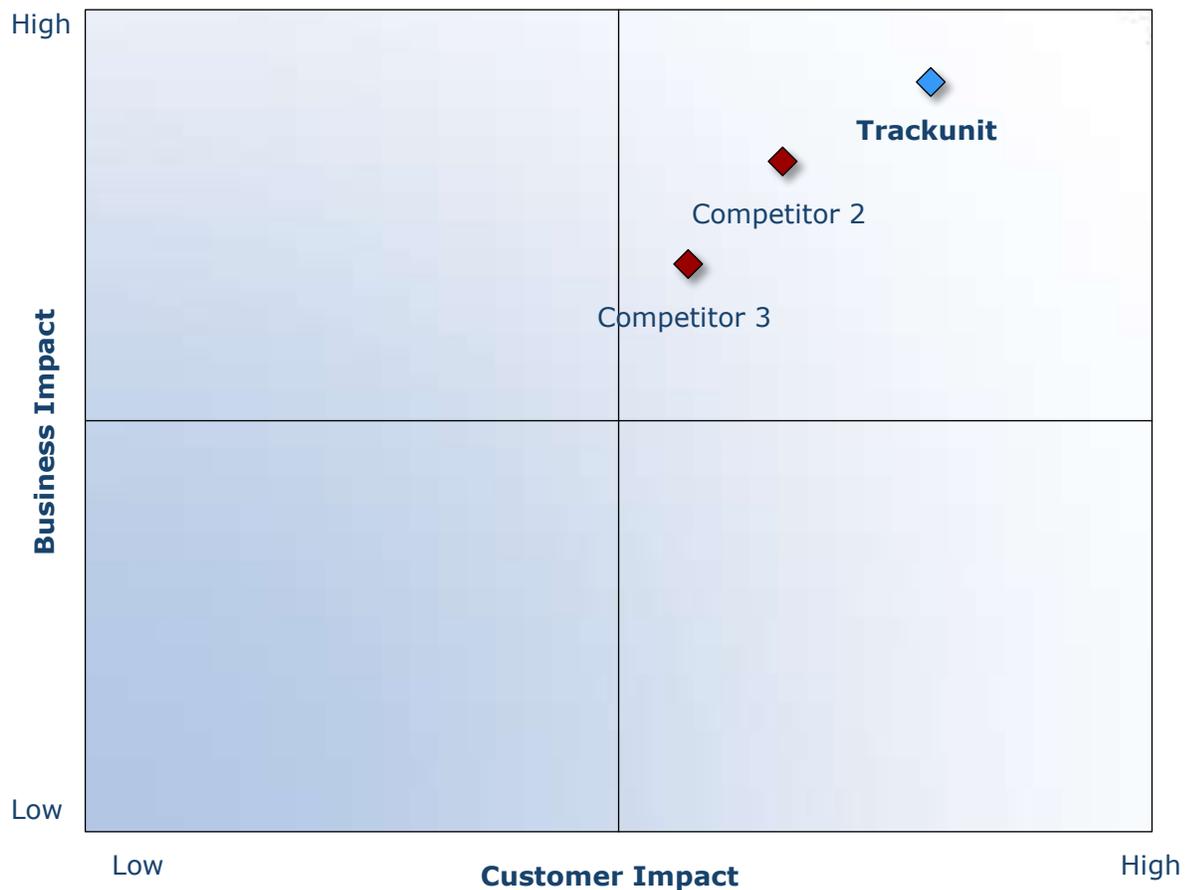
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

STEP		OBJECTIVE	KEY ACTIVITIES	OUTPUT
1	**Monitor, target, and screen**	Identify Award recipient candidates from around the globe	• Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies	Pipeline of candidates who potentially meet all best-practice criteria
2	**Perform 360-degree research**	Perform comprehensive, 360-degree research on all candidates in the pipeline	• Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates	Matrix positioning of all candidates' performance relative to one another
3	**Invite thought leadership in best practices**	Perform in-depth examination of all candidates	• Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps	Detailed profiles of all ranked candidates
4	**Initiate research director review**	Conduct an unbiased evaluation of all candidate profiles	• Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles	Final prioritization of all eligible candidates and companion best-practice positioning paper
5	**Assemble panel of industry experts**	Present findings to an expert panel of industry thought leaders	• Share findings • Strengthen cases for candidate eligibility • Prioritize candidates	Refined list of prioritized Award candidates
6	**Conduct global industry review**	Build consensus on Award candidates' eligibility	• Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates	Final list of eligible Award candidates, representing success stories worldwide
7	**Perform quality check**	Develop official Award consideration materials	• Perform final performance benchmarking activities • Write nominations • Perform quality review	High-quality, accurate, and creative presentation of nominees' successes
8	**Reconnect with panel of industry experts**	Finalize the selection of the best-practice Award recipient	• Review analysis with panel • Build consensus • Select recipient	Decision on which company performs best against all best-practice criteria
9	**Communicate recognition**	Inform Award recipient of Award recognition	• Present Award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance	Announcement of Award and plan for how recipient can use the Award to enhance the brand
10	**Take strategic action**	Upon licensing, company is able to share Award news with stakeholders and customers	• Coordinate media outreach • Design a marketing plan • Assess Award's role in future strategic planning	Widespread awareness of recipient's Award status among investors, media personnel, and employees

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.