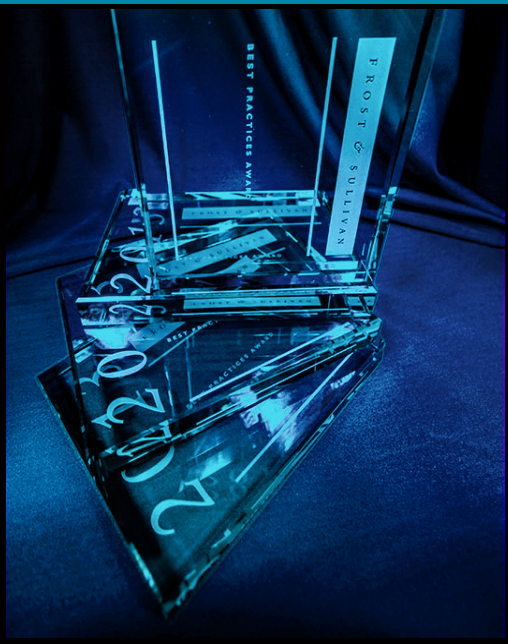


F R O S T & S U L L I V A N



2016 North American Supply Chain Management
for Automotive & Aftermarket Parts
Product Leadership Award



FROST & SULLIVAN

BEST
2016 PRACTICES
AWARD

NORTH AMERICAN SUPPLY CHAIN MANAGEMENT
FOR AUTOMOTIVE & AFTERMARKET PARTS
PRODUCT LEADERSHIP AWARD

2016
BEST PRACTICES
AWARDS

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Background and Company Performance

Industry Challenges

Automotive and aftermarket parts manufacturers, similar to manufacturers in other industries, want to reduce incurred ownership costs, improve delivery performance, enhance service levels, reduce inventory, improve planner productivity, increase market shares and productivity levels, record faster revenue growth, and transform and accelerate their businesses in line with changing market trends. However, several challenges complicate meeting these goals, for instance, the growing complexities that plague the efficient management of global supply chains. Moreover, adopting a multi-tier distribution network and a global supply chain operating model results in sudden exposure to a broad, diverse, and complex set of partners. Large volumes of part numbers and intermittent demand result in service, supply chain, and product complexity. Challenges also stem from high supply chain management costs.

In addition, the inability to handle the fragmented “long tail” demand makes it difficult for automotive and aftermarket parts manufacturers to maintain high service levels across differentiated channels. Manufacturers, thus, face an imperative need to focus strongly on visibility, execution, and proper control in global trade and supply chain management.

In this context, vendors that can effectively address prevalent challenges by providing a supply chain planning solution able to simplify the various complexities faced by automotive and aftermarket parts manufacturers are strongly poised to enhance the value proposition for their customers and secure a leadership position for themselves in the North American supply chain management market.

Product Family Attributes and Business Impact

Match to Needs

Ensuring responsiveness towards the needs of and profitability for its customers despite their growing maturity, as well as service, supply chain, and product complexity, ToolsGroup’s multi-enterprise supply chain planning solution is unique and perfectly designed to address automotive and aftermarket requirements and to overcome the prevailing challenges. Leveraging its expertise in developing technologically-advanced supply chain management software solutions, ToolsGroup’s innovative offering addresses automotive and aftermarket supply chain complexities by enabling them to effectively automate and improve their planning processes. The company has designed a broad, unparalleled supply chain planning solution, including advanced demand planning, demand sensing, dynamic replenishment planning, promotion forecasting, and inventory optimization. The solution is, currently, redefining the global supply chain planning management process, leveraging expert handling of fragmented “long tail” demand; multi-echelon inventory optimization (MEIO); service-level optimization; life-cycle planning for new product introductions, substitutions, end-of-life; vendor managed

inventory (VMI); and repair and reverse logistics. This unparalleled experience enables manufacturers to make improved decisions in real time, collaborate for the quick sharing of key performance indicators (KPI)-related data with suppliers, partners, and customers, and perform with greater mobility and responsiveness.

ToolsGroup employs a highly automated data-intensive approach to its advanced demand planning by leveraging order-line data, channel and point of sale (POS) data, and marketing data. Apart from having designed a system that is highly automated using predictive analytics, ToolsGroup is also a leader in advanced demand analytics and is the first supply chain planning company to incorporate machine learning technology, Rulx, into its supply chain planning, and predictive commerce, an end-to-end single probabilistic model that covers zero latency. These offerings are strikingly different from its competitors' who still offer the traditional manually-intensive process focused on averages, making an estimate based on historical trends, yielding subpar results, and, ultimately, failing to address the "long tail" demand problem.

Available as both software-as-a-service (SaaS) and on-premise offerings, ToolsGroup's supply chain planning solution also addresses seasonal demand behaviors, complex distribution networks, and part supersession and replacement rules. ToolsGroup's demand modeling technique enables aftermarket manufacturers to analyze the demand history by channel and individual order-line. Therefore, aftermarket manufacturers can offer differentiated services based on their business strategy and accordingly plan their inventory. Through this solution ToolsGroup has effectively used its strong history and thorough understanding of supply chain planning to successfully address the major industry challenges and secure a position of competitive advantage in this space.

Product Service/Value

The substantial increase in the volume of actionable insights available to aftermarket manufacturers using ToolsGroup's single scalable model for planning and optimization provides them with better demand visibility, control, and execution. This leads to increased service levels across differentiated channels, efficient replenishment, minimized bullwhip, and reduced inventory. The resulting benefits include reduced logistics cost and field stock, increased customer loyalty, and improved gross and profit margins for customers, thereby enabling manufacturers to make well-informed business decisions in real time and maximize the value proposition for customers in North America. Ultimately, ToolsGroup's automated auto-adaptive supply chain planning solution helps improve planner productivity by as much as 70 to 90%. Improving several such directly measurable KPIs for its customers and providing them with unique value-additions clearly strengthens ToolsGroup's potential to further expand the scope of applications for its solution. To maximize the return on investment (ROI) for its clients, ToolsGroup seeks to lower risks, a trait that is hard to find in this industry.

While its competitors look for single number certainty, ToolsGroup considers the supply

chain uncertainty as critical to successful supply chain planning. This means that by understanding, measuring, quantifying, and incorporating the uncertainty, ToolsGroup guarantees service targets despite demand volatility in this industry.

Another quality of ToolsGroup that highly differentiates it is its ability to offer a significantly lower cost of ownership. While some of the traditional low-end participants might initially offer a low price point, typically the cost of ownership grows dramatically when demand volatility increases and supply chain networks become more complex. In this context, manufacturers using such low-end solutions soon realize that their ownership/operational cost has escalated rapidly and will look to adopt ToolsGroup in an attempt to better handle the growing demand at a lower cost of ownership. Offering such differentiated services and helping customers reap the best ROI have strengthened ToolsGroup's ability to secure a competitive edge in the North American supply chain management market.

Design

ToolsGroup has designed solutions with innovative features and functions for an enhanced user experience across applications. While competing products are slower in adapting to technological advances, ToolsGroup's software evolves and adapts rapidly to new technologies. Keeping in mind the growing use of tablets and other mobile devices, ToolsGroup's software is designed such that all functionalities and major applications are compatible with mobile platforms and hand-held tablets. The company, thus, enables users to remotely gather relevant information impacting their day-to-day operations, through a demand collaboration hub (DCH), as well as telemetric demand sensing via the Internet of Things (IoT), which enables its partners to easily connect with it. ToolsGroup's continuous innovation and increasing customizability and flexibility has emerged as an important enabler of growth for its clients.

Customer Acquisition

ToolsGroup's ability to accurately analyze customer requirements and fabricate supply chain solutions best suited to address them can be largely attributed to the successful deployment of its supply chain solution across the North American automotive and aftermarket parts industry. With changing industry dynamics, ToolsGroup has remarkably scaled up its capabilities, particularly in areas such as forecasting intermittent demand and optimizing multi-echelon inventory, and solving the service parts planning problem. ToolsGroup's deep automotive and aftermarket and service parts domain expertise, with accurate forecasting and service-level optimization, has increased service levels and reduced inventory for its customers. As identified earlier, by using the demand modeling technique, ToolsGroup enables its customers to manage fragmented "long tail" demand and life cycle planning. For instance, DELPHI (a leader in automotive components) increased service levels from 91 to 97% and reduced inventory by 16%, while PIAGGIO (the largest European manufacturer of motorcycles that expanded to the United States)

achieved more than 9% increase in service levels and a 10% reduction in inventory. Such differentiated value propositions have been strongly instrumental in enabling ToolsGroup to consolidate its customer base in the North American market.

Some of the other elite automotive manufacturers and distributors of aftermarket parts that have reaped huge benefits by deploying ToolsGroup's supply chain planning solution are SKF, Pilkington Automotive, Harley Davidson, Ferrari, Mitsubishi, Maserati and Aston Martin. The company boasts a customer maintenance renewal rate of nearly 100%, which is excellent in the North American market. With very high customer satisfaction levels, one of the highest customer retention rates, and an already robust portfolio of aftermarket customers that the company continuously expands, ToolsGroup is expected to further strengthen its position in the North American market in the coming years.

Growth Potential

Effectively addressing evolving customer requirements related to supply chain management and strategically acquiring capabilities that add to its own manufacturing strength, ToolsGroup has registered more than 5 years of sustained profitability with a positive cash flow, and 20.0% annual organic growth. Boasting more than 250 customers globally, a 25% increase in total revenue, 36% license revenue growth, and 71% SaaS revenue growth, ToolsGroup's success has allowed several manufacturers from diverse industries to benefit from its demand analytics and supply chain planning and optimization software. Its customers hail from diverse backgrounds such as complex demand environments, complex large-scale distribution networks, and expanding mid-tiers in which companies look to incur a low cost of ownership. A holistic supply chain solution enabling advanced demand analytics and supply chain automation that can be deployed across multifarious industry verticals, ToolsGroup's supply chain offering has not only been highly successful in promoting product leadership in automotive and aftermarket parts, but also has drawn the attention of leaders from a wide range of other industries. These include fashion and apparel (Fechheimer, Luxottica), consumer durables and discrete (Kidde, Amplifon (Miracle Ear), Thule), retail and wholesale distribution (RS Components, KIKO, Wayfair), food and beverage (Danone, GRANOROLO, Costa Coffee), health and pharma (Smiths Medical, Systagenix, Cipla, British National Health Service), specialty chemical (Castrol, Repsol, TFL), and process (BP). None of the competing supply chain solutions operates across such a diverse range of industry verticals and has a customer base comparable to that of ToolsGroup, which includes prominent leaders among its customers. The heightened satisfaction that ToolsGroup renders to its customers across verticals undoubtedly boosts its growth potential in this market.

Conclusion

ToolsGroup has enhanced its supply chain management capabilities to consolidate its position in the North American automotive and aftermarket parts industry. Several differentiating factors, such as the efficient handling of fragmented “long tail” demand, the management of supply chain uncertainty, and the incorporation of machine learning technology have made ToolsGroup’s automated auto-adaptive solution unique. Leveraging its strong technical expertise, ToolsGroup has secured an edge over its competitors by providing highly accurate forecasts, improved planner productivity, increased service levels, and fewer inventories. The company has secured a competitive edge over its peers in the North American automotive and aftermarket parts industry by enabling manufacturers and distributors to master demand volatility. As a result of its unique supply chain planning solution that analyzes demand history across multiple dimensions, ToolsGroup has been able to enhance the value proposition for its customers by lowering the cost of ownership, and to set high standards in supply chain planning and management. Furthermore, through its unique value additions, the company has set a benchmark in the North American supply chain domain. With its strong overall performance, ToolsGroup has earned Frost & Sullivan’s 2016 Product Leadership Award.

Significance of Product Leadership

Ultimately, growth in any organization depends upon customers purchasing from your company, and then making the decision to return time and again. A comprehensive product line, filled with high-quality, value-driven options, is the key to building an engaged customer base. To achieve and maintain product excellence, an organization must strive to be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.



Understanding Product Leadership

Demand forecasting, branding, and differentiation all play a critical role in finding growth opportunities for your product line. This three-fold focus, however, must be complemented by an equally rigorous focus on pursuing those opportunities to a best-in-class standard. Customer communications, customer feedback, pricing, and competitor actions must all be managed and monitored for ongoing success. If an organization can successfully parlay product excellence into positive business impact, increased market share will inevitably follow over time.

Key Benchmarking Criteria

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

Product Family Attributes

- Criterion 1: Match to Needs
- Criterion 2: Reliability and Quality
- Criterion 3: Product/Service Value
- Criterion 4: Positioning
- Criterion 5: Design

Business Impact

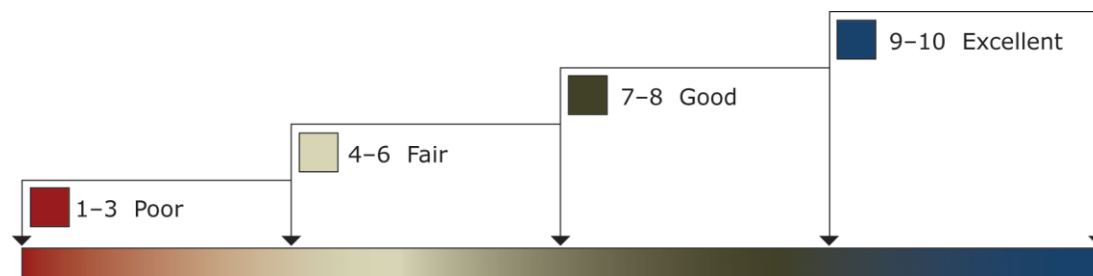
- Criterion 1: Financial Performance
- Criterion 2: Customer Acquisition
- Criterion 3: Operational Efficiency
- Criterion 4: Growth Potential
- Criterion 5: Human Capital

Best Practice Award Analysis for ToolsGroup

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 Product Family Attributes and Business Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criteria 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 players as Competitor 2 and Competitor 3.

DECISION SUPPORT SCORECARD FOR PRODUCT LEADERSHIP AWARD

<i>Measurement of 1–10 (1 = poor; 10 = excellent)</i>			
Product Leadership	Product Family Attributes	Business Impact	Average Rating
ToolsGroup	9.5	9.5	9.5
Competitor 2	8.0	8.0	8.0
Competitor 3	7.0	7.0	7.0

Product Family Attributes

Criterion 1: Match to Needs

Requirement: Customer needs directly influence and inspire the design and positioning of the product family

Criterion 2: Reliability and Quality

Requirement: Products consistently meet or exceed customer expectations for performance and length of service

Criterion 3: Product/Service Value

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market

Criterion 4: Positioning

Requirement: Products or services unique, unmet need that competitors cannot easily replicate or replace

Criterion 5: Design

Requirement: The product features an innovative design, enhancing both visual appeal and ease of use

Business Impact

Criterion 1: Financial Performance

Requirement: Strong overall financial performance in terms of revenues, revenue growth, operating margin and other key financial metrics

Criterion 2: Customer Acquisition

Requirement: Product strength enables 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: Product quality strengthens brand, reinforces customer loyalty and enhances growth potential

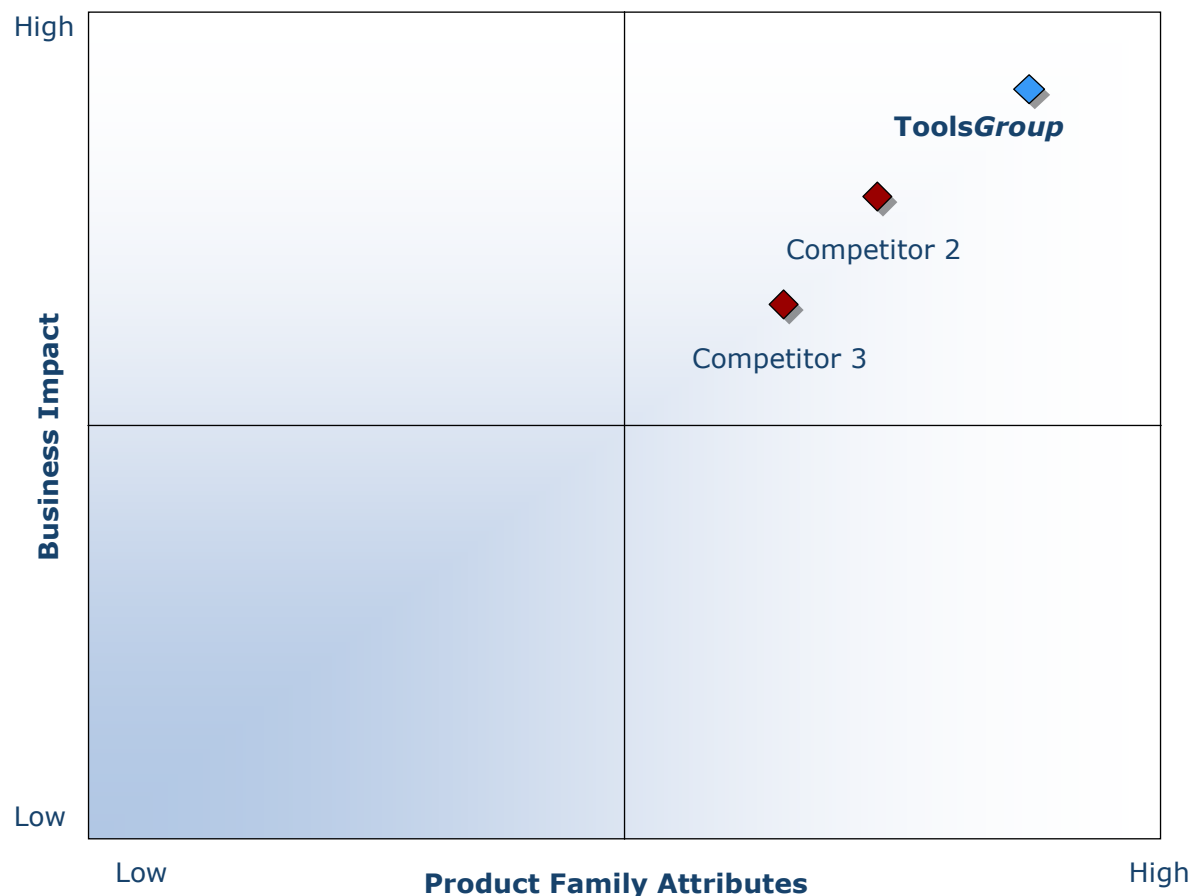
Criterion 5: Human Capital

Requirement: Company culture is characterized by a strong commitment to product quality and customer impact, which in turn enhances employee morale and retention

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts can 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.

DECISION SUPPORT MATRIX FOR PRODUCT LEADERSHIP AWARD



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 players and for identifying those

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



performing at best-in-class levels.

Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan Awards 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Interview thought leaders and industry practitioners Assess candidates' fit with best-practice criteria Rank all candidates 	Matrix positioning all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Review analysis with panel Build consensus Select winner 	Decision on which company performs best against all best-practice criteria
9 Communicate recognition	Inform award recipient of award recognition	<ul style="list-style-type: none"> 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 may share award news with stakeholders and customers	<ul style="list-style-type: none"> 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

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 almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.