



Donaldson Company, Inc. Recognized for

2021

Customer Value Leadership

North American Class

4–8 Truck Filters Industry

Excellence in Best Practices

Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Donaldson Company, Inc. excels in many of the criteria in the class 4–8 truck filters space.

AWARD CRITERIA	
<i>Business Impact</i>	<i>Customer Impact</i>
Financial Performance	Price/Performance Value
Customer Acquisition	Customer Purchase Experience
Operational Efficiency	Customer Ownership Experience
Growth Potential	Customer Service Experience
Human Capital	Brand Equity

Growth Potential

Donaldson, a Minnesota-based filter manufacturer founded in 1915, develops filtration products and solutions for more than 20 industries, from agriculture to energy to automotive and transportation. In its 106-year history, it excels with key filtration innovations that shaped a highly competitive industry

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**– Wallace Lau,
Industry Principal**

and helped protect and extend the life of customer equipment. Filters are traditionally replaced based on mileage interval and recommendations from original equipment manufacturers (OEM), which do not provide transparency in terms of filter and/or oil health condition. Over the next five years, connectivity, telematics, and internet of things (IoT) solutions are expected to be installed in more than 50% of class 4–8 truck parc. With this in mind, Donaldson was one of the first to develop a connected filtration product that is able to link seamlessly with current telematics supplier solutions to provide a preventive measure for fleets and owner operators regarding filter replacement. Customers are able to monitor and receive

real-time data on the condition of their filtration system across their entire fleet. Donaldson’s Filter Minder® Connect product also helps customers maximize productivity by effectively anticipating filter maintenance and minimize total cost of ownership (TCO) through optimal service usage. This solution

helps build a customer-focused filtration life cycle service ecosystem that is expected to drive customer growth in the class 4–8 truck segment.

Price/Performance Value

Donaldson is among the top three aftermarket leaders in the mature and highly competitive engine filter components market (oil, fuel, and air) for the class 4–8 truck segment. It is the market leader in the

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air filter product category through its innovation excellence in pioneering a number of major advancements in air filtration capabilities. It maintained its leadership by strategically defending its intellectual property (IP) through numerous patented filter designs and newly developed IPs. Donaldson works closely with fleets, OEMs, and aftermarket partners to understand their needs and operating requirements in any environment. The company utilizes a price-tiered approach for its three core air filter brands: Donaldson Blue® (Premium,

Extended Life), PowerCore® (Performance), and Donaldson® (Standard). Through this approach, Donaldson is able to target customers at all price levels and cater to their operational needs. Furthermore, the company created a barrier of entry to new entrants, protecting against low cost/lesser performing products. Frost & Sullivan commends Donaldson for its robust pricing strategy and building a leadership position in the market to the extent that customers feel ensured in placing their trust in a Donaldson-branded product for all their needs.

Customer Purchase Experience

Donaldson has an extensive distribution network, having forged strong relationships with channel partners throughout its years in business. It excels in managing its supply chain amid difficult economic conditions through increased transparency at each level of the supply chain. As a result, Donaldson can efficiently and effectively maintain inventory levels and ensure on-time delivery of products to its distributors. Donaldson has also begun building its eCommerce initiatives by offering a direct-to-customer purchasing option through its web platform. This serves as an additional method to reach its customer base and creates a strong customer purchase journey through all of its channels.

Customer Service Experience

Donaldson has built a strong reputation through its collaborations with OEMs and fleet customers. The company created specific filter service and maintenance programs for its fleet customers in the aftermarket. Through these programs, Donaldson works to understand the operating environment of the fleet in terms of usage, mileage, and application to help customers maximize the life cycle of their filters and effectively reduce TCO. Donaldson also conducts a quarterly survey that measures customer satisfaction across attributes such as service effectiveness, communication, and product quality. This survey has consistently helped Donaldson understand its strengths and weaknesses to better serve their customers and meet their needs. Frost & Sullivan applauds Donaldson for prioritizing customer needs and constantly innovating and improving itself to ensure customer satisfaction.

Brand Equity

Through 106 years of product experience and innovation, Donaldson has built up its brand equity to be among the market leaders in the class 4–8 truck filters market. Its vast experience in the filters product segment has created a strong brand image that customers trust as Donaldson’s solutions offer the reliability, durability, and quality needed to protect engines in all operating conditions. The company’s strong brand equity has resulted in lasting relationships with fleet operators, OEMs, and aftermarket channel partners, leading to continuous growth over the past five years. Donaldson’s recognizable brand also aided its success in expanding and establishing its footprint globally in mature and growing markets. It has built a global presence with a localized focus, establishing more than 20 distribution centers and 40-plus manufacturing plants to support customers in different regions.

Financial Performance

One of Donaldson’s key strengths is its financial stability, as indicated by its ability to weather the tough economic conditions of 2020. As a publicly-traded company, Donaldson experienced significant \$600 million growth from 2016–2019 before the COVID-19 pandemic slowed down global economic activity in 2020. While pandemic conditions in fiscal 2020 hurt revenues, Donaldson experienced strong recovery and growth in fiscal 2021, especially in its engine filtration business segments (aftermarket, on-road, and off-road), which increased over 13%. In its fiscal 2021 Q4 report, Donaldson noted that sales rose 25%, reaching a quarterly record of \$773 million. Net earnings of \$84.3 million was also a quarterly record. Donaldson provided initial guidance for fiscal 2022 growth for its engine products segment of 5%–10% compared to fiscal 2021, which increased over 13%. For the engine aftermarket segment specifically, Donaldson saw a significant increase of 26% in its fiscal fourth quarter and over 13% for 2021 full-year compared to 2020, as utilization rates of all equipment types continued to rise to pre-pandemic levels. Donaldson is projecting aftermarket segment sales to increase in the mid single-digits in fiscal 2022. Frost & Sullivan praises Donaldson for its ability to position itself to capture this growth through a strategy to capitalize on its market leadership and increase focus on expanding its addressable market.

Conclusion

Through strong innovation, customer support programs, and brand equity, Donaldson has solidified its leadership in the class 4–8 truck filters market. The company consistently meets OEM and fleet customer expectations through on-time deliveries, collaborations, and high product quality. Donaldson has taken the initiative to position itself to handle future trends with solutions that address the demands of new technologies and connectivity services.

For its strong overall performance, Donaldson earns Frost & Sullivan’s 2021 Customer Value Leadership Award.

What You Need to Know about the Customer Value Leadership Recognition

Frost & Sullivan's Customer Value Leadership Award recognizes the company that offers products or services customers find superior for the overall price, performance, and quality.

Best Practices Award Analysis

For the Customer Value Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Business Impact

Financial Performance: Strong overall financial performance is achieved in terms of revenues, revenue growth, operating margin, and other key financial metrics

Customer Acquisition: Customer-facing processes support efficient and consistent new customer acquisition while enhancing customer retention

Operational Efficiency: Company staff performs assigned tasks productively, quickly, and to a high-quality standard

Growth Potential: Growth is fostered by a strong customer focus that strengthens the brand and reinforces customer loyalty

Human Capital: Commitment to quality and to customers characterize the company culture, which in turn enhances employee morale and retention

Customer Impact

Price/Performance Value: Products or services provide the best value for the price compared to similar market offerings

Customer Purchase Experience: Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

Customer Ownership Experience: Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

Customer Service Experience: Customer service is accessible, fast, stress-free, and high quality

Brand Equity: Customers perceive the brand positively and exhibit high brand loyalty

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- **Growth Pipeline:** Continuous flow of Growth opportunities
- **Growth Strategies:** Proven Best Practices
- **Innovation Culture:** Optimized Customer Experience
- **ROI & Margin:** Implementation Excellence
- **Transformational Growth:** Industry Leadership



The Innovation Generator™

Our six analytical perspectives are crucial in capturing the broadest range of innovative growth opportunities, most of which occur at the points of these perspectives.

Analytical Perspectives:

- **Mega Trend (MT)**
- **Business Model (BM)**
- **Technology (TE)**
- **Industries (IN)**
- **Customer (CU)**
- **Geographies (GE)**

