

FROST & SULLIVAN

ARITY

2022
PRODUCT
LEADER

NORTH AMERICAN
VEHICLE DATA ANALYTICS INDUSTRY

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. Arity excels in many of the criteria in the vehicle data analytics space.

AWARD CRITERIA	
<i>Product Portfolio Attributes</i>	<i>Business Impact</i>
Match to Needs	Financial Performance
Reliability and Quality	Customer Acquisition
Product/Service Value	Operational Efficiency
Positioning	Growth Potential
Design	Human Capital

Match To Needs and Reliability and Quality

Chicago-based Arity, founded by The Allstate Corporation in 2016, is a mobility data and analytics company that collects and analyzes billions of miles of mobility data to help a wide variety of customers

“Arity’s platform transforms large amounts of raw driving data collected from various sources into meaningful insights that help their customers to better predict risk, come up with relevant products, and improve customer experiences.”

**– Jagadeesh Chandran,
Industry Principal**

make data-driven business decisions and reduce costs. Arity’s customer base includes insurance providers, delivery companies, mobile application publishers, marketers, DoTs, and automotive aftermarket sales and service providers, to name some.

The company’s solutions are designed to address the challenges various solutions providers encounter in the automotive and transportation markets. A major challenge for insurance providers is identifying suitable customers for their insurance products, such as

establishing relationships with the least high-risk drivers for low-cost insurance products and vice versa for high-risk drivers. For delivery companies, accurately identifying vehicle conditions and driver behavior monitoring are key barriers to reducing operating costs and scaling up. Aftermarket participants cite efficiently aligning parts supply with market demand as a hindrance in reducing inventory investment and improving profits. Arity’s solution leverages data from multiple sources, providing accurate insights and data analytics for customers to address issues such as identifying the right customers for insurance

products, monitoring driver behavior for fleet operators, and efficient inventory management for aftermarket suppliers.

Arity collects a huge volume of driving data directly from consumers via its mobile app solutions. While the company initially captured data through in-vehicle devices such as dongles connected to onboard diagnostics (OBD) ports, these were found to be less effective in gathering driver behavior information. Arity now predominantly uses next-level data collection technology using the driver's mobile device as a sensor to gather information, including acceleration/deceleration, travel and cornering speeds, time of the day, and mobile phone usage while driving. These data sets provide valuable analytical insights to insurance providers, sharing economy operators, and aftermarket industry customers. These efforts are designed to flawlessly collect driving data, including trip information and behavioral insights, enabling Arity to capture driver profiles and tendencies. For insurers, Arity's solution helps identify customers for the right insurance products.

Arity works with OEM aftermarket suppliers to help forecast store inventory and staffing needs to ensure the earliest possible availability to repair vehicle issues as they come in. This benefits aftermarket suppliers in two ways—the revenue from parts replacements and high customer satisfaction through swift repairs and minimum waiting time. As Arity has a huge volume of driving data combined with efficient analytics capability, it is well positioned to assist aftermarket players in forecasting inventory in terms of where they should push stock well in advance to maximize market acceptance.

Product Value and Positioning

Data aggregators like LexisNexis provide analytics solutions mainly using driving data collected from OEMs, telematics data sources, and competitor data collection methods. In contrast, as a company spun out of insurance giant Allstate, Arity has access to extensive claims data, which is its key point of competitive differentiation compared with traditional players. Arity's access to tens of billions of miles

“Arity extensively leverages the experience of its parent company Allstate by using its 85 plus years of claims and underwriting data to arrive at accurate analysis for its customers.”

**– Jagadeesh Chandran,
Industry Principal**

tied directly to over 85 plus years of Allstate's insurance claims and underwriting experience act as the baseline for the company to create accurate risk models and apply predictive analysis. This allows it to create a driver risk profile and provide feedback to the driver directly through a mobile app. The company's ability to access and analyze data is a significant differentiator compared to aggregators. Arity's access to claims data and OEM collaborations enables it to

gain the upper hand among customers, especially in the insurance solutions space. Arity offers two categories of insurance products— Arity IQ and Drivesight—providing superior product value than that of traditional industry players.

Insurance providers constantly require specific data to rate vehicles for insurance purposes effectively. Arity provides analytics and insights by combining layers of information, e.g., driving behavior such as excessive hard braking, speeding, distracted driving and claims data associated with these behaviors to serve this need. Insurance providers can plug these useful driving insights into their pricing model to

provide relevant products to their customers. Arity has continued to deliver on this promise since its inception more than a decade ago as a formal unit within the Allstate Insurance Company. Arity strives to be at the forefront of mobility data analytics, plugging OBD into vehicles as early as 2008 to collect data, even before the notion of connected cars from OEMs was even available. This has served as a strong foundation for the company to provide apt solutions by tracking and analyzing data over longer periods. Arity helps insurance providers deliver competitive prices at time of quote by allowing instant access to actual driving behavior insights on millions of drivers and improving the loss ratio by over 50% on high-risk drivers and retention of less risky drivers.

In addition, insurers can access consumers' evolving vehicle buying behavior data over long periods to help them determine the vehicles' predictive value. Consumers often consider factors such as safety, aesthetics, and comfort when making a vehicle purchase, which directly impact insurance providers' margins. Features such as driver assist, automatic braking, signaling services, and adaptive cruise control are increasingly standard options in the general-purpose mass vehicles segment, limiting the possibility of collisions. As such, it is crucial for insurance providers to study driving data over long periods to understand trends and come up with customized offerings, which are well supported by Arity's accurate analytics.

Customer Acquisition and Growth Potential

Arity has the potential to create data-driven business models for customers, providing future-proof benefits. For example, Arity is working with Ford to connect data streams combining connected vehicle data, driving behavior, and collision data with mobile collected data to help insurers provide more accurate usage-based insurance plans for eligible vehicle owners. Arity's solution tracks the rate per mile against miles driven, supporting the OEM's shift to the usage-based insurance business model to improve customer retention rates and reduce the risk of fraud and claims management costs for insurance providers. Frost & Sullivan believes that the benefits of the usage-based insurance model to insurers and customers bode well for Arity's rapid growth in the next five years.

In general, driving data can be accrued only after an insurance company acquires the customer. Once the customer is on board, the insurer provides the driver with a device to record their driving habits and gain insurance discounts based on their driving behavior. However, this process is time-consuming for both parties (insurer and customer) as it takes at least six months to track and understand the customer's driving behavior. Arity addresses this challenge by providing insurance companies data even before they acquire the customers. This allows insurers to target the right customer segment for profitability based on how they drive.

Arity also enables consumers to utilize their driving data when changing vehicles. Suppose a consumer buys a new vehicle from the same OEM, they can use the driving data from their existing vehicle to obtain a new insurance policy and rating factor at the time of purchase of the new vehicle. Another issue with telematics-based insurance is that the pricing only begins after a customer joins a telematics program and logs a certain number of trips. After the insurer gathers enough data to learn the actual driving risk, the rate is adjusted to reflect at renewal, which can take several months. The lag time would leave insurers vulnerable to losing money if the initial quoted price was inaccurate. Waiting time could also deter some customers from joining telematics programs, as there is uncertainty about getting a better rate. Arity IQ

aims to solve these issues by allowing insurers to instantly query Arity's tens of millions of connections and consider the actual driving risk of an individual consumer in their quote in real time to calculate the most personalized rate at competitive prices.

Arity's ability to create advanced data-driven business models for insurance companies not only creates new revenue opportunities, but also expands its customer base and growth potential.

Conclusion

Arity helps insurance providers deliver competitive prices by allowing instant access to actual driving behavior insights on millions of drivers and improving the loss ratio by over 50% on high-risk drivers and retention of less risky drivers. The company's accurate data analytics capabilities also enable its customers in the sharing economy and automotive aftermarket sales and services segments to make crucial decisions in operating and managing their businesses. With over a decade's experience and broad data coverage, Arity helps customers develop efficient strategies to improve business and revenue opportunities while reducing operational costs. As a result, its vehicle data solutions are crucial to the business success of insurance providers and automotive and transportation industry participants.

For its strong overall performance, Arity earns Frost & Sullivan's 2022 Product Leadership Award in the North American vehicle data analytics industry.

What You Need to Know about the Product Leadership Recognition

Frost & Sullivan's Product Leadership Award recognizes the company that offers a product or solution with attributes that deliver the best quality, reliability, and performance in the industry.

Best Practices Award Analysis

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

Product Portfolio Attributes

Match to Needs: Customer needs directly influence and inspire the product portfolio's design and positioning

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

Product/Service Value: Products or services offer the best value for the price compared to similar market offerings

Positioning: Products serve a unique, unmet need that competitors cannot easily replicate

Design: Products feature innovative designs, enhancing both visual appeal and ease of use

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

About Frost & Sullivan

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The Growth Pipeline Engine™

Frost & Sullivan's proprietary model to systematically create ongoing growth opportunities and strategies for our clients is fuelled by the Innovation Generator™.

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Key Impacts:

- **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 6 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)**

