



Valeo Service Recognized for

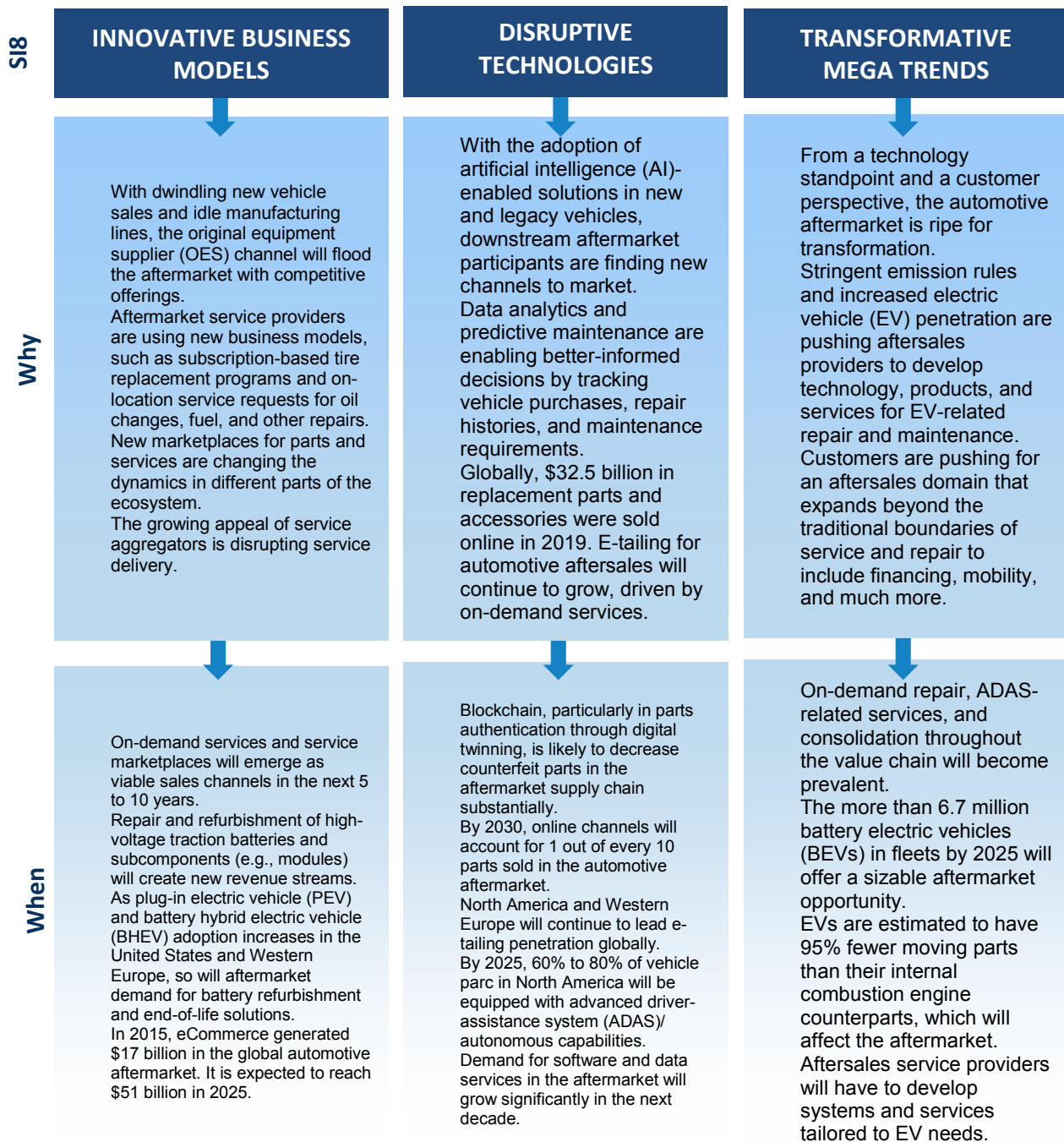
2021

New Product Innovation

European Commercial Vehicle
Wiper Blades Aftermarket Industry
Excellence in Best Practices

Strategic Imperatives

Frost & Sullivan identifies three key strategic imperatives that impact the automotive aftersales industry: innovative business models, disruptive technologies, and transformative Mega Trends. Every company that is competing in the automotive aftersales space is obligated to address these imperatives proactively; failing to do so will almost certainly lead to stagnation or decline. Successful companies overcome the challenges posed by these imperatives and leverage them to drive innovation and growth. Frost & Sullivan’s recognition of Valeo Service is a reflection of how well it is performing against the backdrop of these imperatives.



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. Valeo Service excels in many of the criteria in the commercial vehicle (CV) wiper blades space.

AWARD CRITERIA	
<i>New Product Attributes</i>	<i>Customer Impact</i>
Match to Needs	Price/Performance Value
Reliability	Customer Purchase Experience
Quality	Customer Ownership Experience
Positioning	Customer Service Experience
Design	Brand Equity

Match to Needs

As aftermarket wiper blades cannot replace original equipment (OE)-installed wiper blades with unique fittings, do you have what your customers need? This question is important because CV wiper blade aftermarket suppliers face a major two-fold challenge primarily.

Original equipment manufacturers (OEMs) increasingly protect their wiper blade innovations by patenting a particular wiper system component. The connector is the best example; it is easier to replace a wiper blade having the same connector as the old part number. The patent makes it difficult for aftermarket suppliers to design and produce connectors completely different from the OE version but match that particular vehicle model’s installation needs.

Secondly, IAM customers do not feel comfortable buying wiper blades having a connector different from the old part number, fearing that it might not fit. If it does, it may not deliver the same performance.

In Q4 2020, Valeo Service was the first and only manufacturer to answer this question. It introduced a uniquely designed, innovative wiper blade under the SWF brand for the Mercedes-Benz (MB) Actros MP5 (MB’s flagship model launched in July 2018) in the independent aftermarket (IAM). Since 1922, SWF has specialized in manufacturing wiper system components, such as blades, motors, and arms. It became part of Valeo Service (Valeo) upon joining the Valeo Group in 1998.

The wiper blade in the Actros MP5 has a unique fitting because MB patented its connector to prevent the aftermarket from replicating its wiper blade product. It was also to sell the product only through the original equipment service (OES) or dealer service channel. Therefore, truck owners’ only option would be to approach MB dealers for product replacements.

The connector is a small, plastic piece that connects the wiper arm and blade. It is extremely important because if inappropriately designed, the wiper blade will not fit onto the windscreen. Valeo (under the SWF brand) is the first manufacturer to design a Valeo-patented connector for the Actros MP5 that exactly matches the wiper blade installation or fitting needs despite its different design from the OE version. Since Valeo or SWF is the MB Actros MP5 wiper blades OES supplier, the blades with the connectors sold in the IAM have the same quality as the original. Valeo patented its SWF wiper blade connector to maintain exclusivity in the IAM. Therefore, truck owners now have the option to buy this product from the IAM.

Quality

Valeo's SWF wiper blade for the MB Actros MP5 with the Valeo-patented connector matches the OE version's fit, form, and function exactly (except for the MB-patented connector). As Valeo also supplies the OE version of the same wiper blades, customers can rest assure that the product meets all OE specifications. In respecting the OEM patent and developing another patented connector for the IAM as an alternative, Valeo risked jeopardizing its OE supplier relationship with MB.

"Valeo Service (Valeo) is the wiper blade original equipment service (OES) supplier for the Mercedes-Benz (MB) Actros MP5, which has a MB-patented connector. Hence, to sell wiper blades for the Actros MP5 in the independent aftermarket (IAM), Valeo had to develop a wiper blade connector differing in design from the MB-patented one. Valeo's strong Actros MP5 wiper blade sales in the IAM proves that its product matches the model's fitting needs perfectly."

- Avijit Ghosh, Director of Consulting

The entire wiper blade structure is of metal, providing durability and robustness, combined with enduring rubber. The rubber ensures an efficient, long-lasting wipe under all weather conditions. Secondly, Valeo performs several rigorous tests during the development to produce high-quality, performance-driven wiper blades. It conducts factory bench tests consistently for several weeks under difficult or varying conditions, e.g., with salty water sprayed on the windscreen, at freezing temperatures using ice, at extremely hot temperatures using dust, and in harsh monsoon conditions. It is to ensure that the blades can withstand all yearly weather variations of different countries.

Valeo and SWF are also OE wiper blade suppliers for all major CV OEMs in Europe, offering a wide range of wiper blades for MB, DAF Trucks, MAN Truck & Bus, and a few part numbers for Renault and Volvo. Valeo's strong OEM relationships over the past few years demonstrate high quality and reliability, inculcating a strong sense of belief amongst IAM buyers as well.

Positioning

Valeo's IAM SWF wiper blade for the Actros MP5 with Valeo-patented connector uniquely meets truck owners' needs, which competitors cannot easily replicate. The wiper blade connector's two patents (MB patent for the OES channel and Valeo/SWF patent for the IAM) make it technically very difficult for competitors to develop another connector that can deliver the same price-performance value. Secondly, Valeo or SWF, as the first manufacturer to offer an IAM option for the Actros MP5, has a competitive advantage over other manufacturers that may develop alternatives for the model in the future. The company also pioneered developing specific wiper blade connectors for Scania R&S

(launched in January 2017), offering aftermarket wiper blade solutions with Scania-patented connectors. Valeo launched these wiper blades also in Q4 2020, and enjoys a similar competitive advantage for Scania models as for the Actros MP5.

“SWF and Valeo wiper blade brands are dedicated to customers seeking the highest quality. These brands provide quality identical to the truck’s original equipment (OE), catering to particular truck models, e.g., MB Actros MP5 and Scania R&S. The blades guarantee perfect fit: length, clamping force precision, and type of connector on the wiper arm.”

- Avijit Ghosh, Director of Consulting

Price/Performance Value

SWF-branded wiper blades for the Actros MP5 (sold in the IAM) deliver the same performance as the MB-branded wiper blades (sold in the OE market) as SWF manufactures both versions. Although both carry premium-range prices, truck owners/fleet operators are willing to pay even for the IAM SWF product. This is because it is easier to install (requiring only 5 to 10 minutes) than other wiper blades that use the same connector as the OE part number. It also performs significantly better than most other conventional blades for similar vehicle types and has not given any performance-related issues over the past few months post the IAM wiper blade launch.

Customer Ownership Experience

In the challenging environment of OEMs trying to protect their wiper blade products through patents, Valeo was the first to innovate aftermarket solutions for top-selling truck models in Europe, such as the MB Actros MP5 and Scania R&S. Valeo’s strong SWF wiper blade sales for these models since the products’ launch in Q4 2020 signifies strong customer acceptance, attributable to the absence of installation or performance issues.

Valeo’s SWF wiper blades for the Actros MP5 sold in the IAM have the same quality and durability as the OE wiper blades. Valeo performs wiper blade fitting tests in both OES dealers’ and IAM garages to assure customers that the wiper blades fit with both connectors uniquely different from each other in design.

Wiper metallic parts moving together may create a squeaking or chattering noise, which can be very disturbing while driving. Valeo ensures that this does not happen even after one year of wiper blade usage by installing noise absorbers in the wiper blade, which efficiently absorb the noise.

Additionally, Valeo’s high-performance Tec3™ advanced rubber technology offers durability in extreme weather conditions. Its benefits include:

- Enhanced flexibility and resistance, improving wiping performance in extreme cold/hot conditions
- A protective coating that shields the rubber from ozone, dirt, and fluids, offering long-lasting, smoother, and quieter wipe

All the above factors significantly enhance the customer ownership experience.

Brand Equity

Both SWF and Valeo are prominent premium, high-quality brands in the industry. SWF is a 100-year old German brand specializing in designing wiper systems and covers a wide range of wiper products for different truck makers in Europe, with a mixture of both traditional and innovative wiper blades in its

portfolio. Its merger with Valeo made the combined entity one of the biggest wiper system suppliers in Europe.

Valeo sells wiper blades under the SWF and Valeo Optiblade brands in the CV aftermarket. SWF and Valeo's manufacturing and testing standards and superior steel, rubber, and paint used on the blades ensure higher durability in all weather conditions. Valeo is the first and only manufacturer to address the IAM wiper blade needs for MB Actros MP5. Its high-quality brand image ensures substantial market share gains in the CV wiper blades aftermarket.

Conclusion

Valeo is the first and only aftermarket manufacturer to introduce wiper blade solutions in the independent aftermarket for models such as the Mercedes-Benz Actros MP5. It produces connectors that match the respective wiper blade's fitting needs exactly although differing in design from the OE versions. Valeo patented the connectors to prevent the aftermarket from easily replicating its wiper blade products, thus overcoming the OEM patents challenge.

Frost & Sullivan's research reveals that Valeo is well ahead in the race to develop aftermarket solutions for OEM-patented wiper blades of late truck models. Hence, its monopoly on some of these applications would be difficult to dislodge.

For its outstanding commitment to innovation, high-value solutions, and thought leadership, Valeo Service earns Frost & Sullivan's 2021 New Product Innovation Award.

What You Need to Know about the New Product Innovation Recognition

Frost & Sullivan's New Product Innovation Award recognizes the company that offers a new product or solution that uniquely addresses key customer challenges.

Best Practices Award Analysis

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

New Product Attributes

Match to Needs: Customer needs directly influence and inspire product design and positioning

Reliability: Product consistently meets or exceeds customer performance expectations

Quality: Product offers best-in-class quality with a full complement of features and functionality

Positioning: Product serves a unique, unmet need that competitors cannot easily replicate

Design: Product features an innovative design that enhances both visual appeal and ease of use

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

