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J. D. POWER STUDY

Daimler Trucks Post High Satisfaction Scores

For the third straight year, Daimler Trucks North America executives liked what they saw in J. D. Power and Associates' Heavy-Duty Truck Customer Satisfaction Study for 2009.

Once again, the scores for Freightliner and Western Star trucks showed significant gains in satisfaction. Freightliner Trucks returned to the top by winning the award for "Highest in Customer Satisfaction among Vocational Segment Class 8 Trucks."

The study involved 2007 models – trucks that have been in service for two years.

"Our brands finished in the top three in each of the major segments in the study and made significant improvement from last year's positive study," observed Paul Romanaggi, general manager of quality and supplier management for Daimler Trucks North America. "This recognition validates what we already knew – that we provide the best quality vehicles and services in the market."

Freightliner was tops in the vocational segment and a close second in the over-the-road segment. Freightliner also ranked third in the pickup and delivery segment on the strength of "above average" scoring. Western Star was a strong third in the vocational segment.

Executives give the credit to employees' commitment to the quality improvement processes that have been introduced at Daimler Trucks in recent years, from the Truck Operating System for manufacturing vehicles to the Commercial Vehicle Development System used to design and build new products.

Improving the Scores

"It's not by accident that our numbers have gone up," said Leo Connolly, senior quality development engineer at Daimler Trucks. "We have taken a full slate of initiatives and used them to improve the quality of our products and processes across the supply chain."

"It's clear that everyone has bought into this, tracking it in the shop floor meetings and in our daily management metrics," Connolly, who has worked with J. D. Power during this effort, cites "how all parties understand the mission and are working together" interdepartmentally "to realize these goals."

"We're very happy to win the award from J. D. Power, but we know it's really the result of our dedication to building quality into vehicle development as well as the timely resolution of issues in the field." Improvements in the vehicles, Connolly said, are resulting in fewer warranty claims and fewer problems per 100 trucks. "It's all good news," he said.

Getting improved scores in the three annual studies that J. D. Power produces has been a targeted goal for Daimler Trucks since 2004.



"Our J. D. Power performance is a central part of the metrics that we monitor," Connolly explained.

Romanaggi appreciates the commitment to improvement demonstrated by the company's people. "The J. D. Power recognition is for every design engineer who spent extra time working on his designs, for all the assemblers who check their work for correctness. It's for everyone in our supply chain who is focused on perfection."

Looking forward, Romanaggi said there's more room for more improvement in both process and product. "We've got a great infrastructure in place for a product launch as we go into 2010 with our new SCR engines, and we will continue to improve our quality. That's who we are as a company."

J. D. Power publishes the Heavy-Duty Customer Satisfaction Study to identify the relative levels of satisfaction for Class 8 truck manufacturers. The 2009 study covered interviews with more than 2,400 customers with an average fleet size of 34 vehicles. About half the fleets operated 10 or fewer trucks.

MESSAGE FROM THE QUALITY CHIEF

Getting There

Dear Colleagues,

When the world economy went into the tank in 2008, it took trucking with it. I'm happy to report, however, that things are picking up. Our order board at Daimler Trucks North America shows signs of improvement for 2010.

That's not to say the recovery is here, but we're getting there. Consumers are opening their wallets a little, and the U. S. unemployment rate could be leveling off. Some economists say the Great Recession is over.

Each of our articles in this issue has quality improvement as the subject, regardless of the actual topic. I think it reflects the commitment to quality that is made by our employees, suppliers and dealers in our supply chain.

The good news includes the positive results of the J. D. Power and Associates Heavy-Duty Truck Customer Satisfaction Study for 2009, which gave Freightliner Trucks the award for "Highest in Customer Satisfaction" among Class 8 vocational customers. Customers gave our brands strongly improved scores for the third consecutive year.

In another report, General Manager of Parts Distribution Carlo Nardini discusses how his team uses Truck Operating System efficiency tools to improve the quality of customer service and lower operating costs. We also introduce the suppliers who have won our annual Masters of Quality award.

As you can see, the employees at Daimler Trucks North America are working very hard to improve our product and service quality. Our constant goal is to satisfy the customer in everything we do.

Paul Romanaggi
General Manager Quality and Supplier Management
Daimler Trucks North America LLC
503.745.6714

J. D. POWER CUSTOMER SATISFACTION STUDY

Freightliner Vocational Trucks Highest in Customer Satisfaction

J. D. Power and Associates has recognized Freightliner Trucks with the highest scores in customer satisfaction for the vocational truck segment in the 2009 Heavy-Duty Truck Customer Satisfaction Study.

The award – "Highest in Customer Satisfaction among Vocational Segment Class 8 Trucks" – comes after years of heavy investments in vehicle development, manufacturing systems and product quality at Daimler Trucks North America, which produces Freightliner trucks.

The Freightliner brand earned 798 of a possible 1,000 points in the Customer Satisfaction Index Ranking, tops among the seven OEMs that manufacture vocational models. Freightliner Trucks took first place in four of the study's five index ratings factors.

J. D. Power said Freightliner showed "marked improvement from 2008 in all four factors" that drive customer satisfaction – performance, quality, warranty and cost of ownership. "Freightliner performs particularly well in performance, warranty, and cost of ownership," the marketing information company reported.

Freightliner's vocational models demonstrated improvements in each factor, with "significantly higher" scores for the warranty and cost of ownership," J.D. Power reported

Higher Quality Scores

Freightliner Trucks also improved its score in the quality factor, up a substantial 32 points from the 2008 report. Customer satisfaction with the



quality of their Freightliner models put them "among the best" in the quality factor.

Vocational customers who were interviewed gave Freightliner the nod in overall satisfaction, performance, warranty and cost of ownership. The brand scored high in the quality factor, ranking "better than most."

J.D. Power interviewed 370 Freightliner customers for the 2009 study. About 40 percent of them operate the Freightliner Columbia, the primary Freightliner model currently used in vocational applications. Customers also run select Business Class M2 and FLD-series models in vocational applications.



UPDATE ON 2010 PRODUCT LAUNCH

Plants Ready for 2010 Engines

After years of behind the scenes effort, the Daimler Trucks North America manufacturing plants are ready for the product launch of trucks with the new EPA-compliant engines for 2010.

Installation of the new Detroit Diesel DD13 and DD15 engines begins in January, introducing BlueTec clean-diesel technology and a new Selective Catalytic Reduction (SCR) exhaust emissions aftertreatment system that meet the rigorous 2010 emissions controls mandated by the U.S. Environmental Protection Agency.

The big-bore DD16 launches in March for Western Star trucks and in May for Freightliner trucks.

"We're ready to go," said Randy DeBortoli, EPA 2010 program manager for Daimler Trucks.

Also in January, the plants that build Business Class M2 products will begin installing the optional Cummins ISB and ISC engines. The Mount Holly Truck Plant began building the initial pre-series M2 units in December, according to DeBortoli. Pre-series M2 production continues through January at the Mount Holly and Santiago truck plants before official production launches in February.

The plants that build heavy-duty Freightliner and Western Star trucks will launch the Cummins ISX engine series in March.

Customer experience with the new BlueTec 2010 engines from Detroit Diesel has been "extremely positive," DeBortoli said. Schneider National, the first of the U.S. fleets to field-test 2010-compliant trucks, has had four customer demonstration units on the road since February 2009, with two of them operating "well



over 200,000 miles without any major 2010-related issues," DeBortoli said. Twenty-three demonstrators have been working in major fleets, racking up more than 1.2 million miles of work.

"A major phase of our activity was to put the 2010 technology into customers' hands. This provided us real world feedback on the performance and operation," he said.

"The customers are very satisfied with the vehicle performance."

CUSTOMER SUPPORT

Parts Making the Best of Tough Times

The stock market collapse of 2008 and the great recession that followed "showed us how quickly business could deteriorate," observed Carlo Nardini, general manager of parts distribution for Daimler Trucks North America (DTNA).

If business conditions were bad in 2008 – and they got that way in a hurry – in 2009 they "got worse," Nardini acknowledged. A lot of trucks have been parked against the fence as fleets cut back on operations. "But the trucks still running need parts, and we need to provide them at the right place and time."

The biggest challenge for the Parts Distribution team in 2009 has been "making intelligent adjustments to our system and responding to market conditions while providing the appropriate level of customer service." The adjustments so far have included inventory reductions and closure of one parts distribution center.



Another adjustment has been key: the team's wholesale adoption of the continuous improvement tools and philosophies of the Truck Operating System (TOS). "It has proven to be rather a valuable asset in our toolbox, using continuous improvement activities to help us work through this downturn," Nardini said.

All areas of the parts distribution group, including Parts Materials, the Managed Dealer Inventory/Mission Critical program, the paragon support staff, PDC Operations and the seven PDCs operated by Daimler Trucks North America are using TOS tools to improve the quality of service, the speed of deliveries and parts turnaround times.

In competition with the other non-manufacturing operations in the company, the PDCs won more recognition than any other unit in the 2009 Truck Operating System awards. The Atlanta PDC, for example, used TOS tools to decrease short-ship errors by more than 50 percent. The Bridgeport PDC cut the dock-to-stock time for its incoming freight while chopping overall expenses 11 percent. The Atlanta and Chicago PDCs improved their receiving processes by adopting changes made at the Memphis PDC to improve customer fill rates and dramatically cut expenses.

"It hasn't been easy," Nardini said, "but the combined talents of the people in the Parts Distribution organization have shown that it's possible to face such a downturn with a lot of energy and commitment. We're finding ways to make the best of a bad situation," he said.

The DTNA Parts Distribution team supports about one million trucks on the road and delivers parts to more than 1,100 truck and engine dealer locations throughout North America.

SUPPLIERS OF QUALITY

Daimler Trucks Names 35 Masters of Quality

Daimler Trucks North America LLC has recognized 35 manufacturers from the United States, Canada and Mexico with its Masters of Quality award.

The suppliers were recognized for providing top quality components for Freightliner and Western Star trucks.

"The level of excellence that our Masters of Quality award winners maintain across their product lines plays a large role in enabling us to deliver high-quality trucks," said Roger Nielsen, chief operating officer for Daimler Trucks North America.

"In light of the current downturn in the global economy and its impact on truck markets and our suppliers, this is no easy accomplishment," Nielsen said. "The Masters of Quality winners are the role models for our entire supplier base."

General Manager of Quality and Supplier Management Paul Romanaggi congratulated the winning companies.

"Masters of Quality award winners meet or exceed our most stringent quality standards, while continually improving their performance."

Atop the list are Consolidated MetCo Inc. and its wheel and hub plant in Monroe, North Carolina, which received the award for a record 19th time. Since its introduction in 1987, no supplier has won the award every year. Sixteen manufacturers received it for the first time. The Masters of Quality are:

Masters of Quality Award Winners

- Consolidated MetCo Inc., Monroe, N.C. (19 years)
- Consolidated MetCo Inc., Clackamas, Ore. (17)
- East Penn Manufacturing Inc., Lyon Station, Pa. (11)
- E-A-R Thermal / Acoustic Systems, Aearo Technologies, Newark, Del. (9)
- Inmagusa SA de CV, Monclova, Mexico (7)
- Eaton Clutch Division, Auburn, Ind. (7)
- Cummins Inc., Lakewood, New York (6)
- Consolidated MetCo Inc., Nuevo Leon, Mexico (6)
- Grakon LLC, Seattle, Washington (5)
- Parker Hannifin Corp., Lyons, N. Y. (4)
- Remy International, San Luis Potosi, Mexico (3)
- E-A-R Thermal/Acoustic Systems, Aearo Technologies, Indianapolis, Ind. (3)
- Parker Hannifin (Canada), Grimsby, Ontario (3)
- Eaton Transmission Division, San Luis Potosi, Mexico (3)
- Vehtek Systems Inc., Bowling Green, Ohio (2)
- Phillips Industries, Santa Fe Springs, Calif. (2)
- Allison Transmission Inc., Indianapolis, Ind. (2)
- J.K. Pulley Co. Inc., St. Louis, Mo. (2)
- Eaton Clutch Division, San Luis Potosi, Mexico (2)
- Roll Forming Corporation, a division of Voestalpine, Shelbyville, Ky. (1)
- Vitro Automotriz S.A. de C.V., Nuevo Leon, Mexico (1)
- Sure Power Industries Inc. Tualatin, Ore. (1)
- Phoenix International, Torreon, Mexico (1)
- Continental Automotive, Guadalajara, Mexico (1)
- ArvinMeritor Automotive, Nuevo Leon, Mexico (1)
- ArvinMeritor Automotive, Inc., Manning, S.C. (1)
- SMC Corporation of Mexico, Guanajuato, Mexico (1)
- Parker Hannifin Portland PSC, Portland, Ore. (1)
- SMC Corporation of America, Indianapolis, Ind. (1)
- Industrias Memper, S.A. de C.V., Mexico City, Mexico (1)
- Huron Castings Inc., Pigeon, Mich. (1)
- Hayes Lemmerz International, Akron, Ohio (1)
- Federal Mogul Systems Protection, El Paso, Tex. (1)
- H & H Polishing Inc., Charlotte, N. C. (1)
- ArvinMeritor Inc., Monterrey, Mexico (1)

Got a quality question?

E-mail us at qualityiseverything@daimler.com