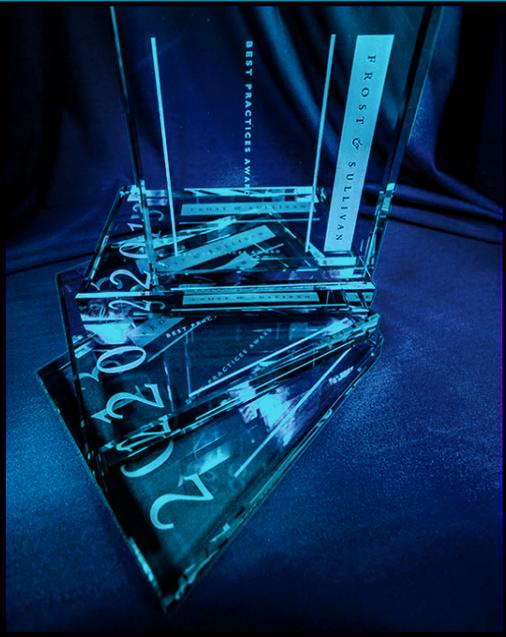




**FEDERAL-MOGUL
MOTORPARTS**

2016 North American
Automotive Aftermarket
Company of the Year Award



FROST & SULLIVAN

BEST
2016 PRACTICES
AWARD

NORTH AMERICAN
AUTOMOTIVE AFTERMARKET
COMPANY OF THE YEAR AWARD

2016

BEST PRACTICES
AWARDS

Contents

Background and Company Performance	3
<i>Industry Challenges</i>	3
<i>Visionary Innovation & Performance and Customer Impact</i>	4
<i>Conclusion</i>	7
Significance of Company of the Year	8
Understanding Company of the Year	8
<i>Key Benchmarking Criteria</i>	9
Best Practice Award Analysis for Federal-Mogul Motorparts.....	9
<i>Decision Support Scorecard</i>	9
<i>Visionary Innovation & Performance</i>	10
<i>Customer Impact</i>	10
<i>Decision Support Matrix</i>	11
The Intersection between 360-Degree Research and Best Practices Awards.....	12
<i>Research Methodology</i>	12
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices	13
About Frost & Sullivan	14

Background and Company Performance

Industry Challenges

The automotive aftermarket, both in North America and globally, is undergoing a paradigm shift. Multiple trends are driving this transformation; connectivity, bricks-and-clicks, and new demographics, such as the emergence of generation Y and women as a dominant customer group, are some of the overarching agents of change.

For instance, while connectivity-fueled eCommerce has opened up new market channels, private labeling is now challenging original equipment (OE) and aftermarket brands by eroding brand value and price advantage.

Similarly, increasing penetration of electronics in modern vehicles is making repair work more and more complex, and the ever-growing knowledge gap among service technicians is further aggravating the problem. Technically advanced vehicles, along with an inadequate technician base, could potentially drive customers to the original equipment manufacturer (OEM) channel, thereby reducing demand for parts and services through the independent aftermarket.

These market shifts present significant challenges—and opportunities—for parts suppliers. Traditionally, manufacturers have been solely involved in producing and distributing their products, without much involvement in the downstream aftermarket. However, retailer and distributor private labels and direct sourcing from China have begun to pose threats to national brand suppliers. The problem is further compounded by the vicinity of these participants to the customer base and their greater ability both to support installers and influence purchase decisions.

At the same time, the vehicle parc and consequent growth have been flat in most Western markets. The only way for many suppliers to consistently grow and deliver profitability is to create new markets and opportunities.

For suppliers, connectivity and product diversification underpin their growth transformation. The ability to directly influence installers, do-it-yourself-ers (DIYers), and end-users through digital programs can level the playing field, allowing these upstream competitors to get closer to their customer base. For instance, eCommerce with bricks-and-clicks integration can open up both indirect and direct sales avenues in developed and emerging markets, as well as enable suppliers to have more direct control over their own brands.

Companies such as Federal-Mogul Motorparts that have a diverse product portfolio with wide-ranging product positioning (e.g., good, better, best) are well placed to leverage these shifts and position themselves favorably for future growth.

Visionary Innovation & Performance and Customer Impact

Addressing Unmet Needs

Intense competition in the automotive aftermarket is pushing companies to innovate and evolve their solutions offerings by addressing customer needs that have been traditionally overlooked.

Frost & Sullivan finds that the future of aftermarket retailing is shifting to a solution model from the service-focused approach of the past. In line with this trend, Federal-Mogul Motorparts has been working aggressively to deliver maximum value to its customers by adopting numerous initiatives.

The company has taken an aggressive approach to expanding its product portfolio with acquisitions including the Interfil Filter Business, Affinia Chassis Components Business, and Honeywell Friction Business.

While these acquisitions have strengthened the company's presence in traditional parts sales by pushing boundaries, Federal-Mogul Motorparts has also been actively increasing its presence on digital platforms. The establishment of a series of global brand websites and a direct eStore in a Chinese business-to-consumer (B2C) marketplace (TMall.com) are two such examples of these initiatives.

In line with the 'solution model', this forward-looking company has also rolled out a successful 'Garage Gurus' program, a technician outreach initiative offering onsite, online and on-demand training and support. This program empowers service technicians with the latest skills pertaining to vehicle service and repair. Indeed, the aftermarket suffers from lack of an end-to-end solution provider, and Federal-Mogul Motorparts is slowly but steadily emerging to fill the void.

Visionary Scenarios through Mega Trends

Among the several Mega Trends impacting businesses, increasing connectivity and the bricks-and-clicks retailing approach are largely influencing the way replacement parts and services are sold in the aftermarket. While improved connectivity, both online as well as offline, has brought the world closer, the bricks-and-clicks approach from the sellers has also rejuvenated the traditional supply chain.

Traditional sellers are now increasingly selling replacement parts online, competing with pure eRetailers. Federal-Mogul Motorparts, too, has been actively pursuing its digitization strategy, offering eCatalogs, buyer guides, updates on marketing initiatives, and detailed product-related information on its portal. Further, the company has been investing in an online order management system, a vendor management system, and a customer relationship management system. It has also opened its direct eStore in China's growing

eCommerce aftermarket, while offering its multiple brands via partner-distributor online portals that are already quite popular in North America.

Financial Performance

Federal-Mogul Holding Corporation's global sales increased in 2015 to \$7,419 million. In 2015, the Motorparts division's revenue grew by 1.9% to \$3,253 million with more than half of its revenue coming from North America. Approximately 73% of Motorparts division's revenue was derived from sales to customers in the aftermarket with the remaining approximately 27% of revenue attributable to sales into the OE market. The Motorparts division also increased its EBITDA to \$216 million in 2015 from \$199 million in 2014, while at the same time investing significantly in its strategic initiatives, such as expansion in emerging markets, various supply chain initiatives and the adoption of a streamlined approach to competitive manufacturing and solution-based support services.

Moving forward, the company seems well placed to witness positive growth from emerging markets where vehicles in operation (VIO) are experiencing exponential growth. In North America, the company is working on initiatives like 'Garage Gurus' aimed at imparting technical education to servicing technicians, thereby not only empowering its customer base, but also building a strong brand. The company rolled out the program in North America, and its success has led to the launch of similar programs aimed at technician training in Western Europe and China. Such programs are expected to go a long way in creating value-added touch points with the most influential customer group—service technicians and installers.

Price/Performance Value

Over the years, Federal-Mogul Motorparts has grown an elaborate product portfolio ranging from premium brands to value line offerings. Among brands like Wagner[®], Champion[®], Moog[®], Anco[®], Abex[®], Fel-Pro[®], National[®], Speed Pro[®], Sealer Power[®], FP Diesel[®], Jurid[®] and Ferodo[®], Federal-Mogul Motorparts has adopted a multi-tiered product placement model, strategically competing with other OE and aftermarket brands. With OE quality promise as well as improvements on OE designs, these brands offer optimum value for the price charged. While its premium products offer highest quality and maximum levels of product functionality, the tiered down lines aim to deliver significant value at a relatively competitive price. In the present context, where independent aftermarket distributors and retailers are gradually consolidating in North America and launching their own private labels, they are gaining a definite edge in purchasing power. This is, in turn, putting pressure on the company's pricing policy, which stands to compete via its multi-tiered brand portfolio.

Customer Service Experience

In a highly competitive space, a positive customer service experience is vital for any brand's success. Most companies realize this and are developing programs to enhance the experience. Federal-Mogul Motorparts has been investing in the next generation of service technicians through newer initiatives like its 'Garage Gurus' education program which enhances their vehicle servicing capabilities and helps them keep their skills current to advance their careers. To this end, the company has already established a national training facility in St. Louis, 12 regional technical support centers, is running a fleet of 35 mobile product training vans and employs over 100 ASE-certified product specialists. Such initiatives will empower technicians and also bring them closer to the different brands in the company's portfolio. Federal-Mogul Motorparts has, moreover, dedicated an online suite of tools to provide detailed product-related technical information and support, which also acts as a marketing tool. An on-call support setup further assists customers in product installation with back-end support provided from trained professionals.

Finally, the company is making significant enhancements to its distribution footprint, including the opening of East and West Coast multi-product line distribution centers in the U.S., and reconfiguring its distribution footprint to better serve customers in Western and Eastern Europe. The installation of robotics-based "parts picking" systems in several DCs will further support the service and delivery levels the company's customers increasingly require. Furthermore, the company has invested in its category management capabilities to also help customers ensure they have the rights parts in the right place at the right time.

Customer Ownership Experience

Ownership experience is a mix of the customer's purchase and service journey, and largely determines the likelihood of a repeat purchase. While Federal-Mogul Motorparts has dedicated programs for enhancing the customer service experience, the company is also working on strengthening the image of its brands. Its Parts Matter™ campaign is aimed at conveying a strong message to customers about how genuine brands compete with low-cost offshore brands. Such branding initiatives create an effective brand impression and incrementally improve brand association. Along with continual product improvements, and multiple programs aimed at enhancing the service experience while providing superior price/performance value, Federal-Mogul Motorparts aims to heighten the overall customer ownership experience.

Conclusion

While the evolution currently transforming the automotive aftermarket is posing new challenges to market participants, it is also forcing companies to push boundaries and innovate in their business offerings. Federal-Mogul Motorparts has demonstrated rigor in competing amidst these challenges by taking various initiatives focused on digitization, globalization, service technician training, and investments in its distribution capability and continual product innovation and improvement. This approach of building a robust ecosystem empowers the company to leverage its regional capabilities on a global level. With its strong overall performance, Federal-Mogul Motorparts has earned Frost & Sullivan's 2016 Company of the Year Award.

Significance of Company of the Year

To win the Company of the Year award (i.e., to be recognized as a leader not only in your industry, but among your non-industry peers as well) requires a company to demonstrate excellence in growth, innovation, and leadership. This kind of excellence typically translates into superior performance in three key areas: demand generation, brand development, and competitive positioning. These areas serve as the foundation of a company's future success and prepare it to deliver on the two criteria that define the Company of the Year Award (Visionary Innovation & Performance and Customer Impact).



Understanding Company of the Year

As discussed above, driving demand, brand strength, and competitive differentiation all play a critical role in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on visionary innovation to enhance customer value and impact.

Key Benchmarking Criteria

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated two key factors—Visionary Innovation & Performance and Customer Impact—according to the criteria identified below.

Visionary Innovation & Performance

- Criterion 1: Addressing Unmet Needs
- Criterion 2: Visionary Scenarios Through Mega Trends
- Criterion 3: Implementation Best Practices
- Criterion 4: Blue Ocean Strategy
- Criterion 5: Financial Performance

Customer Impact

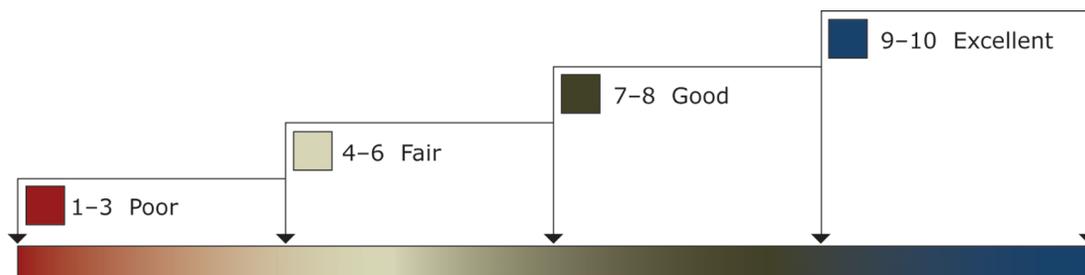
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practice Award Analysis for Federal-Mogul Motorparts

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 Visionary Innovation & Performance and Customer 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 COMPANY OF THE YEAR AWARD

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Company of the Year	Visionary Innovation & Performance	Customer Impact	Average Rating
Federal-Mogul Motorparts	9.5	9.5	9.5
Competitor 2	9.5	8.5	9.0
Competitor 3	9.0	8.0	8.5

Visionary Innovation & Performance

Criterion 1: Addressing Unmet Needs

Requirement: Implementing a robust process to continuously unearth customers’ unmet or under-served needs, and creating the products or solutions to address them effectively

Criterion 2: Visionary Scenarios Through Mega Trends

Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling “first to market” growth opportunities solutions

Criterion 4: Implementation of Best Practices

Requirement: Best-in-class strategy implementation characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

Criterion 3: Blue Ocean Strategy

Requirement: Strategic focus in creating a leadership position in a potentially “uncontested” market space, manifested by stiff barriers to entry for competitors

Criterion 5: Financial Performance

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

Customer Impact

Criterion 1: Price/Performance Value

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

Criterion 2: Customer Purchase Experience

Requirement: Customers feel like they are buying the most optimal solution that addresses both their unique needs and their unique constraints

Criterion 3: Customer Ownership Experience

Requirement: Customers are proud to own the company’s product or service, and have a positive experience throughout the life of the product or service

Criterion 4: Customer Service Experience

Requirement: Customer service is accessible, fast, stress-free, and of high quality

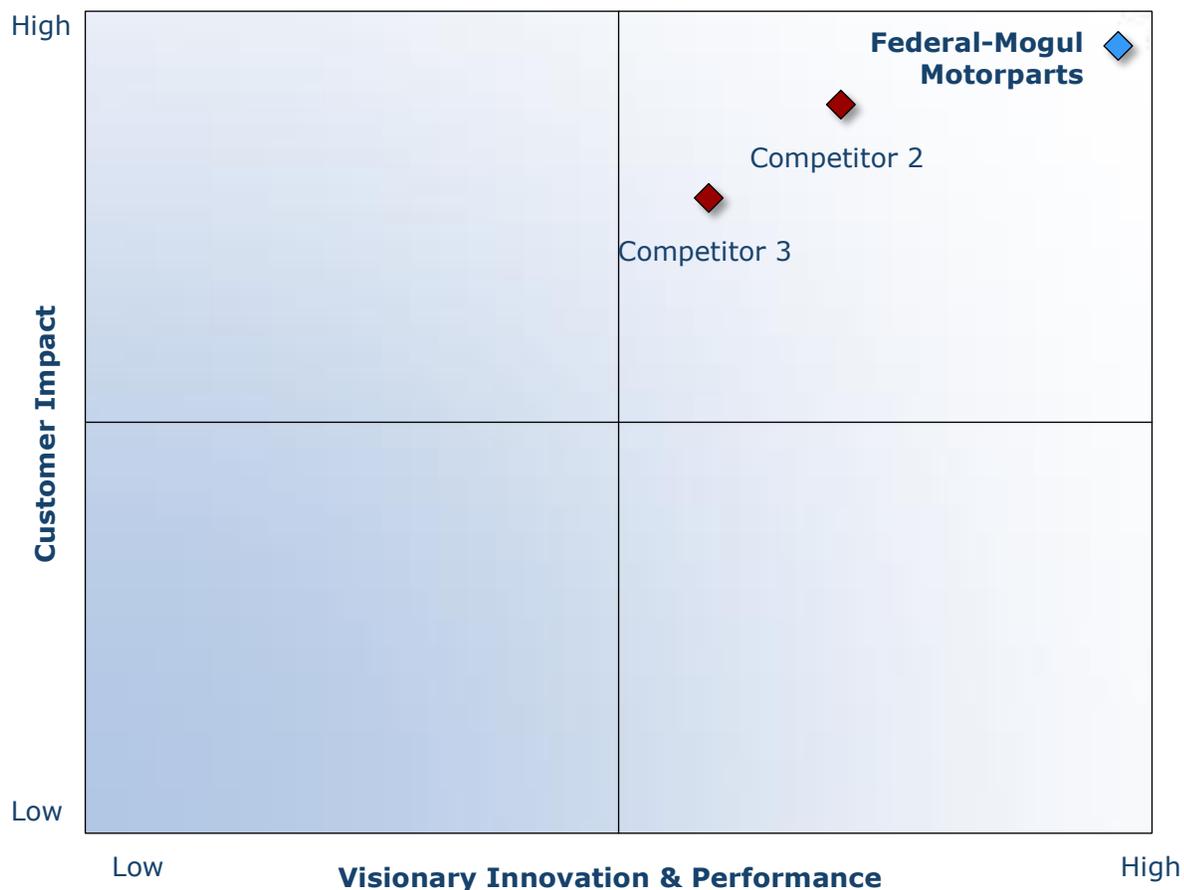
Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty

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 COMPANY OF THE YEAR AWARD

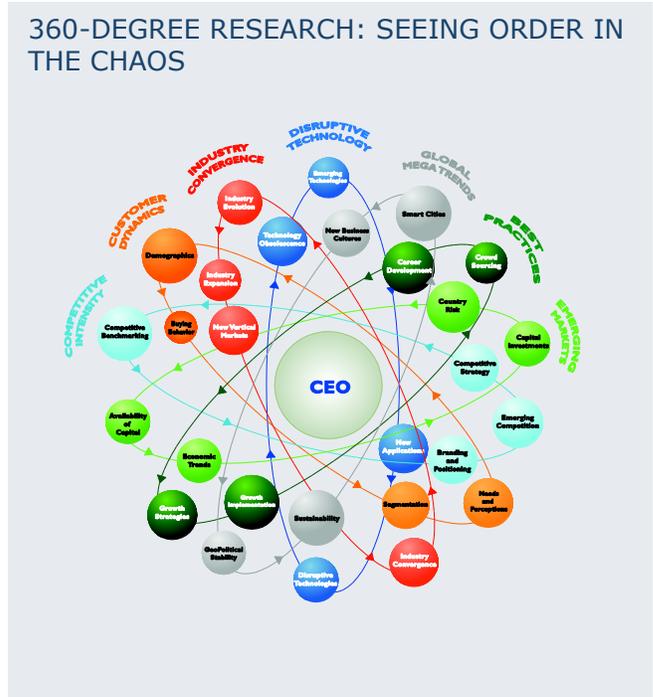


The Intersection between 360-Degree Research and Best Practices Awards

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 performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



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>.