

3 Customer and Market Focus

3.1 Customer and Market Knowledge

3.1a(1) Targeting markets and current/potential customers: To ensure the relevance of current products and services to customers and to identify new opportunities, TNG segments markets and customer groups at the divisional level. Each division determines the requirements, expectations, and preferences of current, potential, and competitor customers for their specific market segments and customer groups. Corporate oversight is provided by the EC at strategic planning and performance review meetings to ensure alignment of current and future products and services to the vision and strategic objectives.

Customers are segmented into two Tiers based on sales volume. Tiers are further segmented into type of customer groups (see Fig. P.1-2). There are five primary types of customers: 1) commercial aircraft operators, 2) OEM commercial, helicopter, business jet, and regional aircraft operators, 3) third-party maintenance facilities, 4) military aircraft operators, and 5) aircraft simulator manufacturers.

3.1a(2) Listening/learning to determine requirements: TNG deploys numerous formal and informal approaches for listening and learning from current and potential customers, customer groups, and market segments (Fig. 3.1-1). Listening and learning methods include conducting customer audits, TNG surveys, independent surveys and customer focus groups, researching customers and markets using the Internet, aviation publications and organizations, and also by gathering information on current, former, and potential customer from competitors, suppliers, and stakeholders, and trade shows. Front line stakeholders including Customer Service, Engineering and Technical Support, and Marketing serve as a direct and immediate method for collecting customer information and sharing it throughout

the division.

Information from direct sales and service feedback, surveys and focus group results is used to ensure the focus of every business decision is on current and potential customers and markets. TNG also gathers information on customers and markets through the Request for Quotation (RFQ) and the Request for Proposal (RFP) processes, as well as through customers of competitors, suppliers, and direct contact with our competitors.

Within each customer segment, special market requirements and product/service opportunities are determined by considering purchasing behavior. Purchasing behavior is understood by conducting Customer's Value Analyses. Customers rank the relative value of product features and requirements. As an example, major airlines rank the value of quality and engineering support over price, while minor airlines place the value of price and availability over quality and engineering. Customer value priorities are gathered from surveys, focus groups, and other direct customer interface. With this knowledge and understanding of how the customer makes purchasing decision, a market opportunity can be targeted.

Market analysis and fleet potential data are readily available for use in product and service design process, marketing, process improvements, and other business development processes. Fleet potential data provides the basis for forecasting future repairs of parts on planes that are so new or are on order but not yet delivered.

TNG conducts proposal win/loss analyses and tracks and analyzes customer complaints and warranties. In the NRD, a third-party firm conducts a blind survey to gather competitive data on win-loss ratios. Reasons for wins/losses, complaints and warranties are captured, aggregated, and analyzed by all divisions. Divisional management, sales, and marketing use this information to identify root cause and identify improvements that avoid recurrence of the problem. This information is also used by Quality and Engineering to ensure relevance and proper focus on products and repair services.

Information regarding size, capabilities, markets served, and fleet details are obtained by researching published databases of companies provided by industry trade and technical organizations. Fig. 3.1-2 provides an example of a screen in the ACAS (Aircraft Analytical System) illustrating the type of marketing research that is available electronically. Sales and Marketing, through customer contact, identify new starts and other interim changes not available in the published lists.

3.1a(3) Keeping methods current: To ensure

Listening and Learning Strategy Approaches	Current Customers	Former Customers	Potential Customers
Direct customer contact	✓	✓	✓
Focus groups	✓		
Complaints	✓	✓	
Surveys	✓	✓	
Reviews	✓	✓	
Informal customer contacts	✓	✓	✓
Trade show contact	✓	✓	✓
Correspondence	✓	✓	✓
Phone calls	✓	✓	✓
Trade publications	✓	✓	✓

Figure 3.1-1 Listening and Learning Approaches

that listening and learning approaches are kept current with business needs and directions, these approaches are reviewed by sales, marketing, management, and customer support groups. The most recent improvement in our approach for listening and learning from customers is the introduction of a customer complaint management system. The system is implemented across all divisions and tracks information in a database so that emerging customer issues can be aggregated and identified.

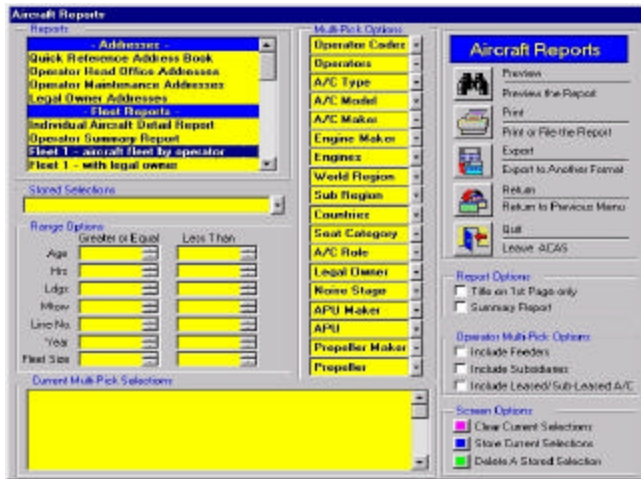


Fig. 3.1-2 Industry Database - ACAS

3.2 Customer Relationships and Satisfaction

3.2a Customer Relationships

The cornerstone of TNG's business approach and one of our core competencies is our ability to manage a wide range of customers and market segments through our customer relationship management processes. Customer relationship management is used not only to acquire and satisfy customers over the long-term, but to increase repeat business and positive referrals.

3.2a(1) Acquiring and satisfying customers: The key approach to building customer relationships is through face-to-face contact with the sales and customer service teams. Sales calls for current and prospective customers are conducted by each division on a monthly basis to discuss the product and service needs of the customer and identify ways in which TNG can fulfill those needs. Customer service and program managers work with buyers, repair administrators and other customer contacts to ensure accurate and timely transfer of information from customers to the various operational or business areas of TNG. Sales and customer service teams also develop relationships by spending time with customer contacts through a wide-range of activities. For example, customer contacts occur at industry events, trade shows, our Technical Symposium, and special company-sponsored events.

All disciplines including engineering, production and quality assurance have direct contact with customers. For example, sales and account managers capitalize on the good performance of our customer contact teams to pursue repeat business and referrals. Marketing uses advertising in trade publications and direct mail campaigns to promote and position our core competencies and our product and service advantages in the minds of our customers. TNG also strengthens relationships by participating in customer-sponsored fundraisers and charity events. For over 10 years, TNG has been a sponsor and participant in Southwest Airlines annual charity event to raise support for the Ronald McDonald House. The primary goal of every contact with the customer is to continuously understand customer needs and expectations, find opportunities to satisfy those needs and expectations, and to provide customers with ease of access and ease of doing business.

3.2a(2) Determining/deploying customer-contact mechanisms: Key customer contact requirements are identified through the relationship management process. Customer-contact performance requirements are identified as ontime delivery, turnaround time, product workmanship, reliability, ease of doing business, paperwork accuracy, and timeliness. These requirements are disseminated throughout the organization

by the sales and customer service teams. TNG ensures deployment of these requirements in the divisions through customer focus meetings, account reviews, performance team meetings, internal correspondence, and/or trip reports.

A variety of key access mechanisms are used to provide customers with the opportunity to seek information, conduct business and make complaints. These include direct contact with sales and customer service stakeholders, toll-free numbers, fax, email, and access via the Internet.

Surveys and customer focus groups also help to establish the most effective ways to satisfy the customer. Some customers proactively offer report cards that provide valuable information about performance and target areas for improvement. These requirements are formalized by marketing through analysis of both price and quality value factors. We determine how the customer's needs and expectations match the level of services provided by TNG and our competitors. Customer feedback and internal measures are compared to differentiate between TNG's objective value measurements and the customer's perception of TNG's value. This comparison allows TNG to focus on internal improvements where our objective values are low and focus on marketing efforts where customer perception of value is lower than TNG's measured values.

An example of a Customer Value Map for NRD is illustrated in Fig. 3.2-1, goals and targets are established and flowed down to the customer contact teams.



Fig. 3.2-1 Customer Value Map

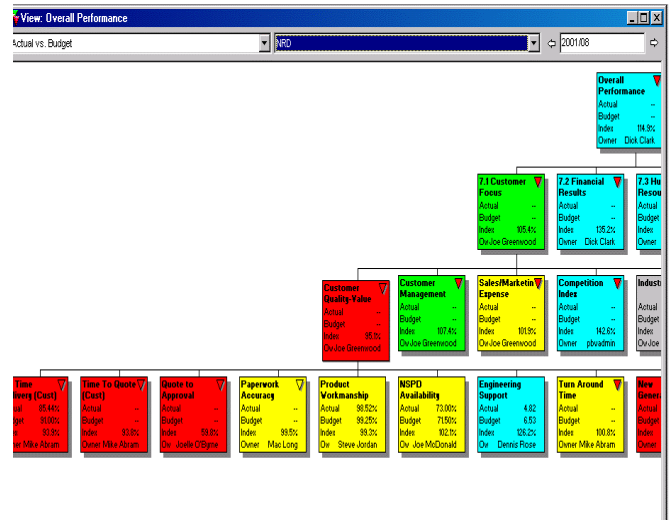


Fig 3.2-2 Instrument Panel

Tracking for success is accomplished through TNG's Instrument Panel (IP), partially shown in Fig. 3.2-2 where a Customer Focus section flows down to a Customer Quality - Value section. This section of the IP illustrates key customer requirements, identified through the above processes and performance to goals for each value is measured. Each measure is assigned to an appropriate area manager for maintenance and improvement of performance. Divisional, departmental and stakeholder goals are also established in our performance and planning process to ensure corrective actions and improvements. These goals flow down, as appropriate, and are evaluated quarterly for performance improvements.

3.2a(3) Complaint management process: The process for effectively and promptly resolving complaints has been in place since 2001 and is deployed throughout the company. Results are tracked at the division level and report at the monthly company-wide performance meeting. Complaints are received and the nature of the customer problem is clarified, logged into the complaint management database, and tracked by the division until the issue is resolved. The complaint is assigned to a stakeholder who is knowledgeable and able to resolve the complaint. Follow-up calls to the customer are conducted within 24 hours of when a complaint is received to ensure the customer is satisfied with the resolution. Problem resolution cycle time is monitored to ensure that the customer's expectations are met for responsive service recovery. Quality assurance tracks complaints and performs trend and Pareto analysis to identify emerging and systemic issues.

3.2a(4) Keeping approaches current: TNG's approach for keeping customer relationship management and customer access points current with changing business needs relies on using information obtained through the numerous customer listening and learning approaches, consideration of changing needs during the

strategic planning, and customer performance review processes.

3.2b Customer Satisfaction Determination

3.2b(1) Determining customer satisfaction and using results: Customer satisfaction is determined through numerous formal and informal methods including trip reports, face-to-face communication through sales calls and customer meetings, web-site, formal surveys and focus groups, customer audits, and supplier rating reports.

The number of customer returns and warranties are also tracked as measures of customer dissatisfaction. Surveys and customer focus groups also aid in determining the level of customer satisfaction. Customer focus groups are conducted at the customer site and/or during company-sponsored events such as the NORDAM Technical Symposium. Formal surveys were conducted in 1997, 1998, and 2001 by the Quality Department to ensure objective and reliable results. A Likert measurement system is used with four rating points; four being very satisfied. Surveys are distributed to over 3000 customers worldwide.

The results of the various customer satisfaction determination methods are reported in the Customer section of our IP and are blended with other customer performance results for the purpose of creating the Customer Value Index. The survey elicits responses from customers on overall satisfaction with doing business with TNG. All customer feedback is used to determine levels of satisfaction and to identify opportunities for improvements. For example, based on feedback obtained at focus groups conducted with Continental, a key commercial aircraft customer, TNG is developing new repair and tooling capabilities. A cycle of refinement has occurred with the extension of focus groups from commercial to other aircraft manufacturers such as Cessna.

3.2b(2) Following up with customers: Follow-up with customers on products/services and transactions led by our customer service and program management

teams. Program management teams are part of INS and NTRSD and support a product line such as nacelle systems or the Galaxy program for integrated interiors. These two “front-line” stakeholder groups have the knowledge and expertise to handle a wide-range of issues and fulfill customer needs, personally contact customers on a frequent basis throughout the business cycle. Issues are reported and corrective action is tracked in the complaint database to ensure timely problem resolution. Follow-up ensures the customer is advised of the corrective action that has been taken and that the customer is satisfied with the results. Technical service, engineering, and quality individuals may also be utilized to ensure the customer is managed properly. For example, a fit issue might include quality and production, while a paperwork issue might only include shipping.

3.2b(3) Determining customer satisfaction relative to competitors: Information on customer’s satisfaction with TNG relative to competitors is also gathered through customer surveys and customer focus groups. Since 2000, Blind Surveys have been conducted by NRD for the purpose of gaining competitive and comparative information. These avenues give our customers and customers of competitors the opportunity to provide useful information about their preferences. The information is used to help TNG focus on key competitive issues, identify and promote our perceived core competencies, and identify those areas where we need to improve our ability to compete. Survey results are input into the new product development process, marketing strategy process, and TNG and divisional strategic planning processes.

3.2b(4) Keeping approaches current: TNG’s approach to keeping current our approaches for determining customer satisfaction relies on using customer information obtained through the listening and learning methods. For example, in 2001, TNG introduced focus groups that are conducted for key customer groups. Changes in these methods are communicated and deployed throughout the organization via status reporting, strategic planning and account reviews throughout the year.