

A CUT Above the Rest

Using an integrated design and engineering process along with extensive collaboration, Inalfa Roof Systems is redefining the nature of turnkey manufacturing and establishing itself as a true sunroof specialist.

Images courtesy of Inalfa Roof Systems

Inalfa Roof Systems was founded in 1946 and now operates a network of more than 2,800 people, making it one of the world's largest suppliers of vehicle roof systems. From its head office in Venray, the Netherlands, the organisation has developed an increasing focus on research and development, while running facilities in the US, South Korea, China, Brazil, Slovakia, Poland, Mexico, and Japan. Inalfa's Venray branch also houses its Global Competence Centre where the concepts for international application are defined, and all new roofing systems for its global customers are developed and tested. From here, new developments are put into production and can be moved to one of Inalfa's eastern European or Asian factories as a pilot.

Frank Loeschmann, President and CEO of Inalfa, is a respected

veteran within the automotive industry. He discussed his journey to the company's top seat, plus the company's ambitious growth targets for the future ahead.

The CEO Magazine: Can you give our readers an overview of your professional background leading up to and including your current position?

Frank: My career started in the automotive business after studies of engineering. I started in manufacturing engineering, first in Daimler. Some four years later I changed to Volkswagen because of the possibility to get some international experience. At that time, in the early 90s, Volkswagen was growing enormously and made the sentence 'going global' real, so I had the opportunity to go with Volkswagen especially in China, Spain, and in Czech Republic at that time. It was really

a challenge for a young engineer to start their career over there. I took over several positions, first in project management, later on in engineering, as well as manufacturing engineering.

My career grew to the position of group manufacturing engineer for the Volkswagen Group. And then I got some responsibilities leading complete companies as CEO; for example, for Volkswagen Saxony, and later on for Volkswagen India. After this time I became an entrepreneur. I started my own business because I had a lot of experience, especially in the Volkswagen area, with creating and growing companies, so I decided to make it on my own with a small team and we started the business. We called it Company Development, which means our team went into companies, grew them, and gave them back to the owners, or sold them, something like that. >



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That was quite impressive and, based on that, I was asked also to do something similar for Inalfa. At that time it was really interesting for me to grow a company with a little bit more responsibility and mainly also with a little bit more time, so the owner of Inalfa, as well as myself, decided to do this job not only for some three to six months, but to do it with a real engagement—to grow this company from a midsize company to a global player.

What have been the main changes that you have seen implemented?

I started at Inalfa last year in July. So we are in—I don't like to say a changing process—but it's really a development process, because there's nothing really to change in this company as it is a fantastic company that has grown very well. The company came out of a bad financial situation in the last three to four years and the team did a

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- Frank Loeschmann

fantastic job, but now it's time to change from this midsize perspective to a global perspective, and that means also some changes or developments in the organisation. It's about the processes and the way we go to the customer, and that's the most important thing; to come from a program-oriented company to a structure-oriented company in terms of how we want to do business in the future.

That means a midsize company with one customer service branch, one engineering arm, one production line, one production site, and everything in that direction. Now, we have to change a bit in our standard way of processing, standard way of development, standard way of producing, and not look at one program on one assembly line. In the future, it will be more programs on perhaps one line and one region, more related to higher volumes also, to get synergies out

of complete processes, purchasing, development, production, employees, and all that is necessary. That gives us also the necessity; what we already have started to change is our way towards quality work. At the end, we have to give our customers the best quality of products and that can be done by two ways of thinking. One way of thinking is we prepare the product at the end of the line to make the customer happy; or the other way is to do it upfront in a better sense in terms of our behaviour, our process quality, our development quality; not to rework something for the customer, but to get the best quality front on. And that means to re-organise our complete processes in a different way of working, and that's more related to the structural development, which means do it once, do it in a module, do it in a standard, do it using a different kind of thinking. We will give our customers a bit more stability in our processes and the quality result that they need to have. >



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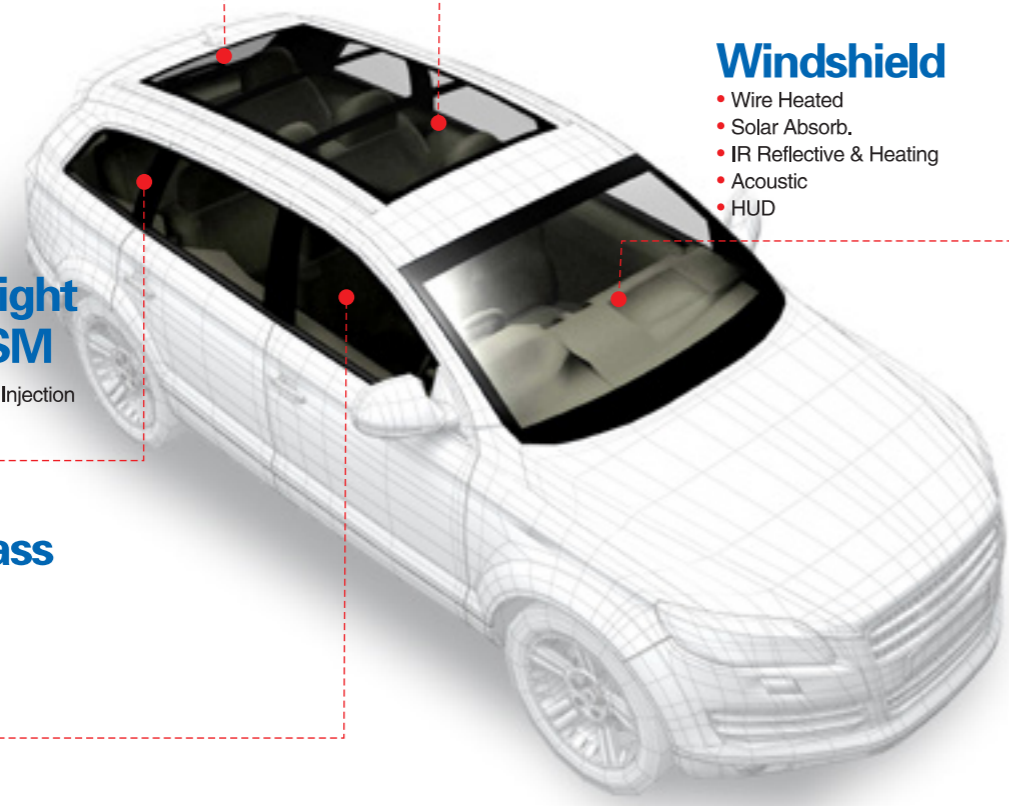
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What have been the challenges that you have faced within this industry and what challenges do you anticipate over the next few years?

I'd say that in the past we were a little bit more midsize oriented, that we had to live with the situation of our customers, which means, first off, negotiation to get an acceptable price, to have an acceptable EBIT, and finally to live with the volumes of the customer of the OEM mainly. Especially last year, it was a little bit risky because the automotive production, especially in Europe, had grown and was falling down, then grew a little bit again last year and fell down. That is something that suppliers have to accept in terms of volumes, and these volumes have a huge impact on our financials. And that is to balance in a way that we finally can survive, as well as prepare ourselves for major growth in the future.

That has changed in the last three years because, especially for our product, the sunroof is a little bit of a special thing because it's a luxury option and the customer will decide on a sunroof if he can pay for it, if he can afford it. We have seen in the last year, especially in growing markets like China, as well as Korea, we have a chance to go with our luxury product also in production, and that gives us, as well as the OEMs, the possibility for growth in a global sense.

In Europe, we are in a segregated market; in the US, we are also in a segregated market, even if the situation over there is getting better; but the real growth in the future will be China, and perhaps some other Asia markets that we are talking about. That is our concentration for the future; how we want to do it in these regions to grow, also to give the customers, the end customers in this case, a product that they now can afford. That's the major change that we're seeing from the market side, and the possibility for us also to implement our products in these



regions, and to go up against our competitors for sure.

You put forward a very ambitious growth target to double your turnover. Why have you set that and how do you believe the company will achieve that target?

There are three answers here. In terms of volume, that's market related, and the market data, our overview of the market, gives us the first possibility to grow the market in a growing market, especially in Asia. But we also want to grow, especially in the US as well as in Europe, based on being a strategic partner for, from our point of view, the most important OEMs sitting in Europe in terms of development and innovation lead. They are customers like Germans, who are really looking for partners who can help them in innovations, in quality, and in getting a good price, which finally leads us to get more and more in touch with them, to give them an opportunity to work with us.

In the past we were a midsize company. Now we are growing, and especially in Europe, we have to be a partner of these innovation



leaders. That automatically also gives us a chance, especially in China, because China is related now mainly in price, but in the future it will be also an innovation market. If the Chinese market will see Inalfa as innovation leader, they will automatically take more care about us, in terms of being the player that they should look at a little bit more in depth. And that gives us the opportunity to grow our market share. That's one topic.

The other topic is quality. In particular, the European customers are looking for a special kind of quality. I already mentioned that it is not only related to the product quality, but also to the quality of behaviour: how we are working together in simultaneous engineering teams; how we are creating the way of doing things, >

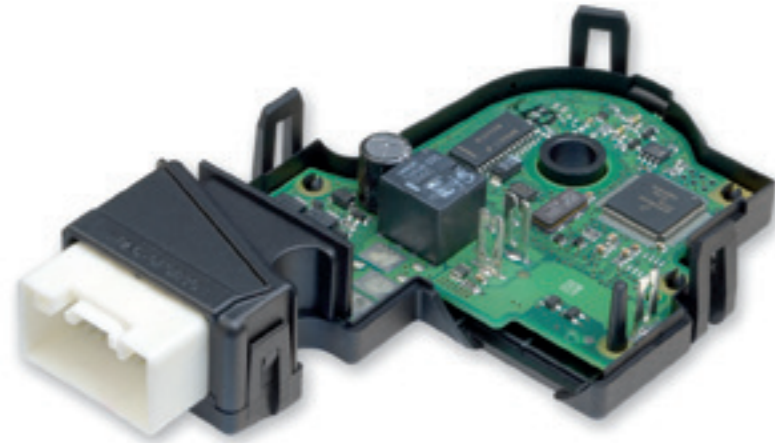
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in terms of purchasing, working together to find solutions for technical issues, and also for commercial issues, and all these topics. That gives us also the possibility to finally be a trusted partner and reliable partner. Even if the situation gets a little bit more difficult, that gives us also the possibility to grow in the market. And finally, not to forget an acceptable price.

What would you say are the key values or principles that drive Inalfa and yourself?

First, on a long-term strategy, it's really about innovation lead. I believe we are now strong enough to be the right partner for the customer in terms of innovation lead for the future. In the past, we

were somebody who followed the other supplier, and now we are tied.

Second, I hesitate to say state of the art now, but we will be state of the art in the future, which gives us a little bit of an advantage in this mission for innovation lead in terms of technology to the customer, as well as our way to process. That's also very important for me and that has to go hand-in-hand because growing volume doesn't mean only selling the best product, but also making the internal processes as stable as possible.

And third is quality, because product quality is to be a focus throughout the entire company. That means how we are behaving internally, as well as externally, to

our customers; how we are educating ourselves; how we are qualifying ourselves; how we are running processes and improving our way of working—that's also all the kind of quality of work we strive for.

How does Inalfa Roof Systems collaborate with its key suppliers and other key partners to achieve the innovation you have discussed and to develop new products and services?

There are three kinds of suppliers that we are working with. One supplier, I would like to say, copies what we are doing somewhere in the world in terms of getting acceptable prices; for example, to build up the supply in China. For several reasons, we need quite cheap products to handle the market. That's the easiest way and that's the only important purchasing route.

There are some other suppliers we are looking for in terms of doing innovation together with us, related to the actual products and the upcoming products, to evolve our market position. For example, a glass supplier to get hardened glass, a scratch-resistant glass; and lighter materials such as steel and aluminum. And then there are some really innovational suppliers. Often we are not working with them in terms of direct supply, but in terms of creating new businesses and totally new material. When we want a change, for example, a steel frame for a carbon-fibre frame, then we work with some strategic suppliers, only in the very first step of development, but we create a future value for both of us—for us in terms of technology and for them in terms of supply chain.

Why do you believe it is so important to maintain supplier relationships and continue working closely with them?

Partly, it's really trust that we have to create between our supply chain and ourselves. That means also that if the people, especially the engineering guys, development guys, are working >



and are tied together, there is a kind of trust and they work together and understand what the next step for development is. For example, when we are talking about new, stiffer materials, some of our suppliers know exactly what we are talking about: not only stiffness, but also weight, strength, and dynamic stability. Even if we don't have to talk about that in detail, they know what we need for the future.

This relationship is, in my view, really important, and it's the same as what we want to hand out to our customers. We want to be a real sustainable innovation partner, and we want to be able to also discuss some secrets between ourselves, to really optimise the product and not to stay on the surface during technical discussions. So this long-term relationship is really important; first to create the trust, and then to work together technologically.



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What does the future have in store for Inalfa?

I really believe that the doubling of our volume, as well as our turnover, will not be the end. What we are seeing now, after these first seven or eight months that I've been with Inalfa, is a lot of opportunities in the team that are not only related to the sunroof. So there are different kinds of technologies that are interesting for us to also increase our market position over the sunroof a little bit further in terms of technology. I strongly believe, with the team that I have found over here, we can not only enlarge our sunroof business, but also our business case completely. And that's a little bit our vision for the future, where we can go perhaps, and makes things happen in different directions, not only the sunroofs.

What is really important for us in the next 12-24 months is to create and set this quality philosophy, quality DNA of the company. At this moment we are little bit

related to our customers, and some customers are not taking care that much about the quality topic. In my point of view, we have to create something to give the same quality to all customers, not only in product, but in everything that we are doing. And that everybody has the intention to get our products, because they are the best, even if we are not the cheapest supplier.

Secondly, also very important and related to our global footprint, we have to see how we are producing in the future to get as near to the customer as possible, as well to get more synergies in the business. At one end of the scale is the option that I could produce, in one factory, all the products for all our customers all over the world; and at the other end of the scale, I could place a small factory beside every plant of every customer. So, both are not possible and also not feasible, but ultimately, somewhere in the middle, we have to consider our future global footprint to optimise our strategy and deliver to our customers. •



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