The component & downstream markets of the Automotive Sector

Hearing of the European Economic and Social Committee

on 4th March 2009

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FIGIEFA Secretary General

FIGIEFA
Automotive Aftermarket Distributors

THE NEW VEHICLE SALES MARKET & AFTERMARKET OPERATORS

MANUFACTURING OF COMPONENTS


- Parts / Accessories
- Body parts
- Tyres
- Garage equipment

TRADING WITH AUTOMOBILE PARTS

- Parts distributors
- Retail chains
- Auto centres

SELLING & REPAIRING OF AUTOMOBILES


- Authorised dealers
- Authorised repairers
- Independent garages
- Other specialists (remanufacturers, body repairers, dieselists etc.)

OTHER OPERATORS

- Roadside patrols
- Inspection centres
- Petrol stations
- Agencies

THE AUTOMOTIVE AFTERMARKET

FIGURES - AREAS - TRENDS

COMPANIES

SELLING & REPAIRING OF AUTOMOBILES	TRADING WITH AUTOMOBILE PARTS	MANUFACTURING OF COMPONENTS	OTHER OPERATORS
642.000*	100.000	17.700	75.000**

TOTAL:
834.700

* 170.000 ARE JUST VERY SMALL ENTERPRISES
** EXCL. AUTO CLUBS

SOURCE: EUROSTAT 2006, OWN CALCULATIONS

THE NEW VEHICLE SALES MARKET & THE AFTERMARKET IN FIGURES

TURNOVER

SELLING & REPAIRING OF AUTOMOBILES	TRADING WITH AUTOMOBILE PARTS	MANUFACTURING OF COMPONENTS	OTHER OPERATORS
732 Bn€*	126 Bn€	66 Bn€**	183 Bn€***

TOTAL: 1.107 Bn€

* TURNOVER IN THE EUROSTAT STATISTICS: 877 BN EURO, HOWEVER 290 BN EURO HAVE BEEN MADE BY VEHICLE MANUFACTURER OWNED IMPORTERS (B2B)
** ONLY AM SHARE, 20% OF TOTAL
*** EXCL. ROADSIDE PATROLS

SOURCE: EUROSTAT 2006, OWN CALCULATIONS

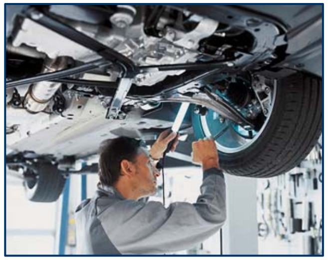
EMPLOYEES

SELLING & REPAIRING OF AUTOMOBILES	TRADING WITH AUTOMOBILE PARTS	MANUFACTURING OF COMPONENTS	OTHER OPERATORS
3.169.000	615.000	326.000*	542.000**

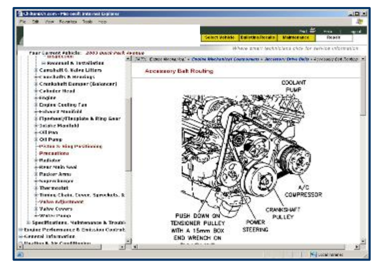
TOTAL:
4.652.000

* ONLY AM SHARE, 20% OF TOTAL
** EXCL. AUTO CLUBS
SOURCE: EUROSTAT 2006, OWN CALCULATIONS

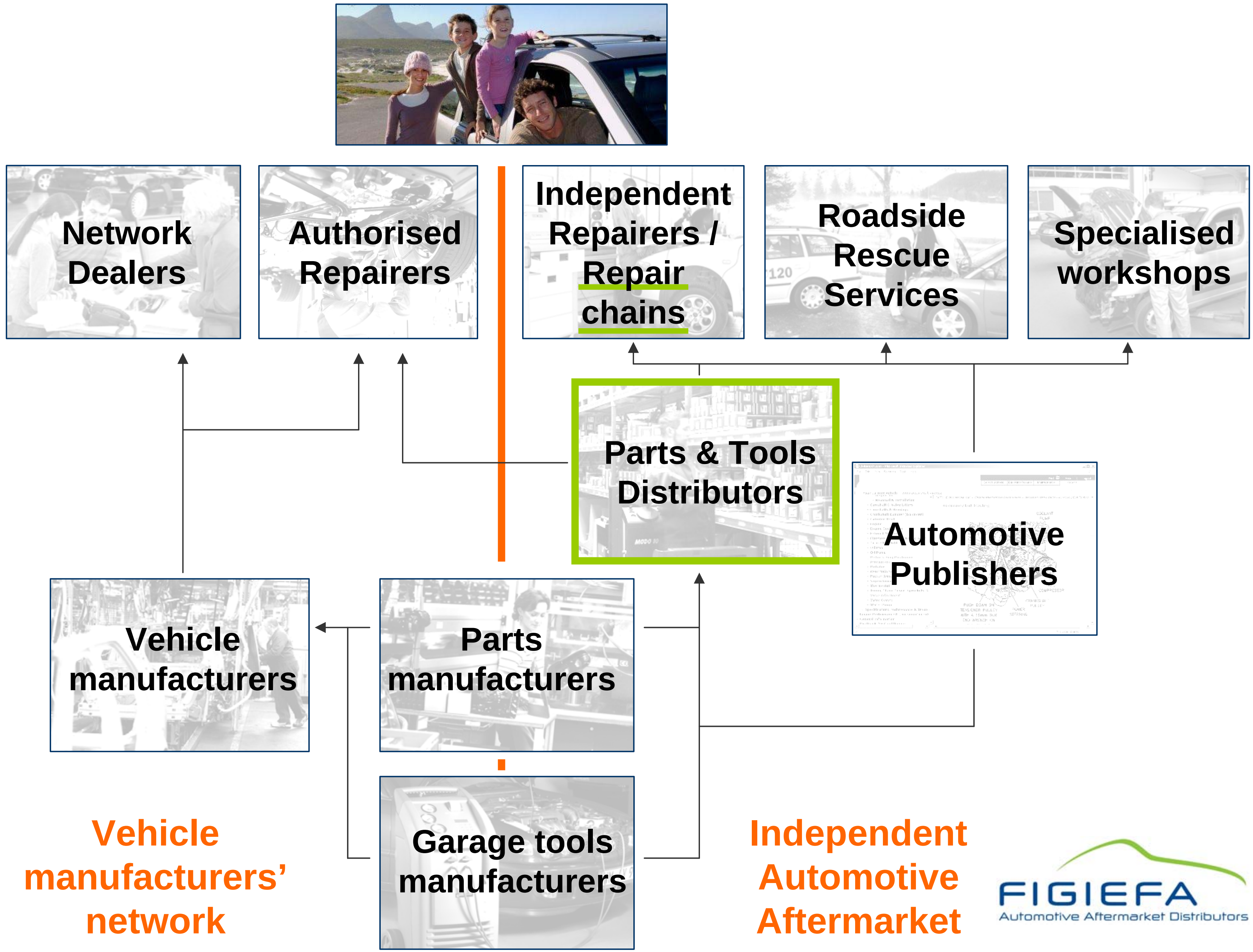
Who is behind your road-based mobility?



The Automotive sector’s operators...



... ensuring your day to day road-based mobility


Network Dealers
Authorised Repairers
Independent Repairers / Repair chains
Roadside Rescue Services
Specialised workshops
Parts & Tools Distributors
Automotive Publishers
Vehicle manufacturers
Parts manufacturers
Garage tools manufacturers
Vehicle manufacturers' network
Independent Automotive Aftermarket
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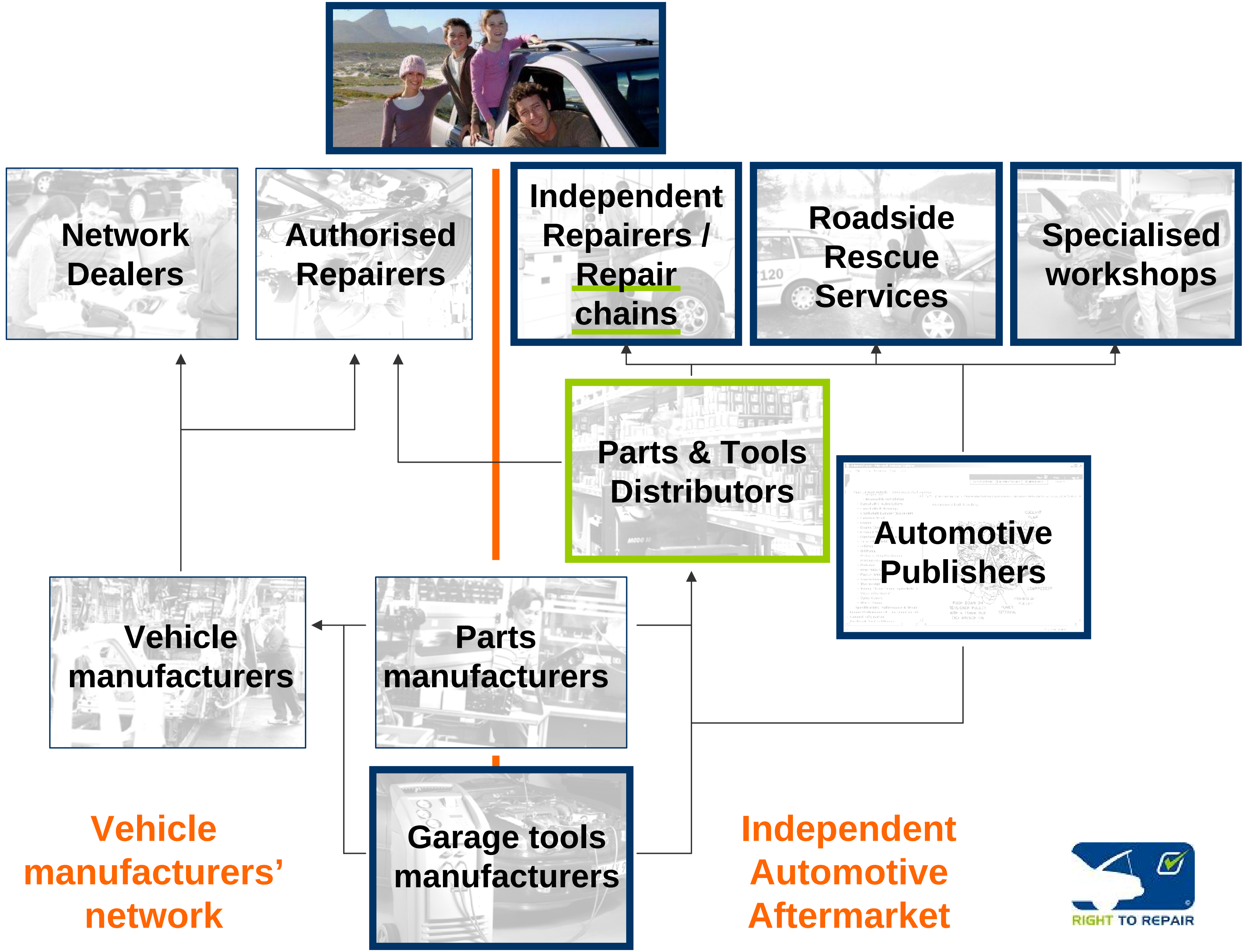
Automotive Aftermarket Distributors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Independent Automotive Aftermarket
RIGHT TO REPAIR

Chapter II "Spare Parts"

Production:

80% of all spare parts requirements do not come from the vehicle manufacturers but are produced by parts suppliers, i.e. first equipment suppliers and independent spare parts producers

Trading of parts :

Independent wholesalers of automotive spare parts and component form an integral part of the supply chain. They purchase replacement parts from first equipment suppliers and independent parts producers and provide the necessary spare parts (and information) for the repair job at hand to independent (but also authorised) workshops. They provide a full-range, rapid one-stop-shop" parts ordering and delivery service.

Section 2.3.1 “The Areas of the Aftermarket”

Suggestion to include “Manufacturers of Garage, Tools and Test Equipment” ”

Also garage equipment and diagnostic tools producers form integral part of the automotive aftermarket. They design, manufacture and supply test equipment to both vehicle manufacturers, independent and authorised workshops, inspection centres and other specialist operators in the market.

Section 2.3.1 “The areas of the aftermarket”

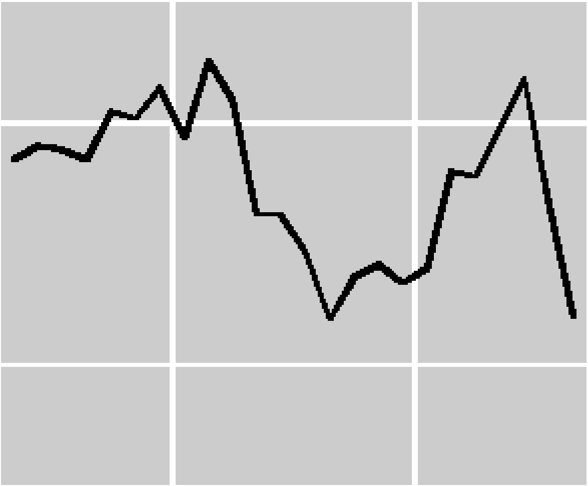
Suggestion to include “Other Service Providers”

There is a series of other market operators who all contribute to a competitive automotive aftermarket:

- **Publishers providing technical information to independent workshops**
- **Inspection Centers carrying out the periodic technical inspection**
- **Roadside Patrols providing breakdown assistance**
- **and many more…..**

THE AUTOMOTIVE AFTERMARKET

- TRENDS -



TRENDS

<u>INFLUENCING FACTORS (1)</u>:

- Increase of average vehicle age. Less mileage per year
- Trend towards a decreasing repair volume due to increased longevity of components and decreased service intervals
- Relative increase of cost of repair due to increased use of high tech parts in vehicles
- Pressure on cost of repair due to lower household income and price sensitivity of consumers

  ➔ total cost of ownership

  ➔ “low budget cars”

TRENDS

INFLUENCING FACTORS (2):

- **Increased electronics in modern vehicles, growing complexity of devices**
- **Increased number of spare parts, explosion of models and equipment variants**
- **Repair and maintenance, parts identification and design of tools becomes more complex**

➔ **Investment in and fair access to "information– tools – parts – training" becomes crucial for survival**

TRENDS

TRENDS IN THE AFTERMARKET (1):

- **EU-15: Total Market is relatively stagnating (Ø market volume > 1% p.a.)**
- **Only in new EU MST, the market is still growing (Ø market volume > 3-5% p.a.) due to increase of vehicle park**
- **Trend towards concentration in the market due to mergers and acquisitions**
- **Decrease of the number of independent repairers and parts wholesalers (companies), but number of outlets remained stable (i.e. geographic coverage and proximity to consumer is still ensured)**

TRENDS

TRENDS IN THE AFTERMARKET (2):

- **Small and medium-sized repairers and parts wholesalers increasingly tend to join independent full-service groups/chains to cope with increasing exigencies on their profession.**

  Benefits:

  - **Facilitated access to technical information, training, hotline**
  - **Bundling of parts catalogues and parts purchasing power**
  - **Sharing of marketing instruments and improved visibility of a corporate identity**
  - **Benefit of a logistics network of parts delivery network**

(➔ See point 6 (3) “Restructuring”)

TRENDS

TRENDS IN THE AFTERMARKET (3):

- Increased importance of Aftermarket business for all market players
- Trend towards concentration in the market will continue and be accelerated with the crisis
- Increased price pressure on all market operators
  - ➔ creation of new partnerships?
  - ➔ cut back of jobs?
  - ➔ new forms of customer relationships (e.g. > online support for workshops?)

TRENDS

TRENDS IN THE CURRENT CRISIS IN THE AUTOMOTIVE INDUSTRY:

Before-described trends will be accelerated.

Effect of scrapping schemes on the Aftermarket:

- **Negative effect on the residual value of used vehicles**
- **Loss of market potential (in particular when scrapping relatively young vehicles) for the independent aftermarket in repair and maintenance**

What is needed to maintain a competitive automotive aftermarket?

EU REGULATORY FRAMEWORK

- **Block Exemption Regulation (BER) N°1400/2002 – Extension and modernisation**
- **Revision of 'Inspection' Directive 96/96/EC – Adaptation to technical progress**
- **Eurodesign Directive 98/71/EC: Introduce Repairs Clause as recommended by European Parliament and EESC Opinion INT 253 and call upon Council to proceed**
- **Warranties – Include robust wording into the BER as to clarify that servicing by independent operators does not invalidate VMs' warranty**

EU REGULATORY FRAMEWORK

- **Better adaptation of legislation to needs of wholesalers, parts industry, publishers (access to raw data)**

- **EU legislation on Industrial Property Rights (IPRs) protection is comprehensive and includes instruments for enforcement**
    - **cf. Directive 2004/48/EC**
    - **cf. Regulation N° 1383/2003**

RECOMMENDATIONS

- **Creation of a High Level Study Group "Aftermarket 21"**
  - **Better coordination of EU policies affecting the automotive aftermarket**
  - **What can be done for SMEs?**
- **Promote idea of 'EcoRepair'**
- **Study on consequences of new technologies on reparability of vehicles (telematics applications, Intelligent Integrated Safety Systems)**
- **Support for training for independent operators**

THANK YOU!

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