European Foundation for the Improvement of Living and Working Conditions

EMCC case studies

Trends and drivers of change in the European automotive industry: Feu Vert

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Company profile

Within the automotive supply chain, the French company Feu Vert is positioned at the far end, i.e. involved in parts and accessories after-sales service. Feu Vert is not in direct interaction with any OEMs (original equipment manufacturers) but is supplied by first, second and third-tier component manufacturers as well as non-original equipment manufacturers specialising in the after-sales market. Feu Vert is an important example of changes occurring in the retail and services part of the value chain, which is expected to be the next function to become 'lean'.

Company concept

Feu Vert is a distribution brand dealing in car equipment and automotive services offering optimum cost, quality and timing. The company's fundamental philosophy is to sell components that help car owners to keep their vehicles in good working order. Since 2000, Feu Vert has deployed 'long life advisers' who offer free diagnosis.

Feu Vert has, since 1983, adopted the concept of franchise and agent 'auto centres' to sell components and accessories for cars and light trucks. It currently offers more than 5,000 items in self-service and proposes more than 70 standard maintenance and repair services at fixed prices.

The key element of its strategy is to set up selling and service points in the vicinity of medium-size to large urban communities of car owners and drivers.

This service-of-proximity concept is based on two pillars:

- a national training centre in Dardilly (near Lyon) in order to update regularly employees' knowledge in new technologies;
- a centralised distribution platform (Ain), which, with 11,000 m² of storage space, offers two deliveries per week within 48 hours of order, and an express delivery service within 24 hours, for each auto centre.

Company development

1972-1978: Establishment of Feu Vert

The early 1970s saw the extremely fast development of hypermarkets. The Arcan brothers set up the first Feu Vert auto centre in Ecully, near Lyon, in 1972.

From the beginning, Feu Vert targeted the 18-35 year age group, stimulating their passion for cars through an attractive brand, with a very large choice of components and accessories bearing references to car races. Within one year, three additional auto centres were opened in the suburbs of Paris.

The range was limited to accessories for tuning and tyres, but was progressively expanded to services for maintenance and fitting new equipment such as car radios. Success was immediate and outstanding, and more than 40 auto centres were opened between 1975 and 1979.

1979-1983: Growth through franchising

Despite increasing competition in car equipment distribution, Feu Vert achieved growth through exclusive franchising, selecting from an impressive number of candidates on the basis of quality and competence.

The company's first fitting and maintenance shop was opened in 1979, and the number of shops increased from 91 in 1979 to 190 in 1984. During this period, Formula 1 champion Alain Prost was hired for advertising purposes.

1984-1989: Remarkable expansion
This period saw five years of rapid growth, due to ageing vehicles (21 million cars in France), with a significant acceleration from 1987 onwards. Feu Vert started to prepare for international expansion and consolidation.

The growing competition led to major restructuring, during which Feu Vert was sold to the Monnoyeur Group (50% and then 100%), the exclusive distributor of Caterpillar in France. Feu Vert acquired 26 shops from Bertin and the network of Cora hypermarket auto centres.

During these years, Feu Vert adopted an aggressive communication strategy, with fixed prices and quality assurance for services. It hired Formula 1 champion Jacky Ickx for advertising.

1990-1995: Towards coherence
In 1990, Feu Vert Iberica was established in Spain, with a total of 110 Feu Vert centres. Strong competition emerged, with specialised auto centres such as Midas and Speedy, hypermarket auto centres (Carrefour, Leclerc, Geant Casino, etc), and car manufacturers who hoped to re-capture market shares. On its 20th anniversary, Feu Vert had 137 centres and offered more than 5,000 items.

1996-2003: Maturity and perspectives
This period saw the return of Feu Vert agents in parallel to the franchisees. The market was fundamentally different. A passion for cars had been replaced by rational behaviour. The new strategy targets new technologies and the quality of services.

In July 1998, the Monnoyeur Group and Casino decided to form a strategic alliance through a joint venture (62%-38%) in Feu Vert. In September 1998, thanks to the integration of Casino's auto service network, Feu Vert controlled 288 centres in France and in Europe.

In September 2000, Feu Vert reinforced its leadership in Spain, acquiring the Spanish network of Delauto Auto Centres, and increasing the number of centres to 296.

In March 2003, Feu Vert bought the 55 Carrefour auto services. At this stage, the global Feu Vert network had 373 auto centres in Europe: 304 in France, 63 in Spain and six in Poland. Feu Vert has a minority shareholding in Mondial Pare Brise.

The company clearly illustrates the trend towards consolidation, as discussed in the **mapping report**[1]. There is intense competition, and turnover is the key to profitability in the motor industry.

[1] MacNeill, S. (*et al*), *Trends and Drivers of change in the European automotive industry: Mapping report*, European Foundation for the Improvement of Living and Working Conditions, 2004, available at: **http://www.emcc.eurofound.eu.int/publications/2004/ef0427en.pdf**.

Key figures

Feu Vert Group
2002 turnover: €565 million
2002 number of employees: 4,800

Feu Vert France
2002 turnover: €445 million
2002 number of employees: 3,450

The Monnoyeur Group
The Monnoyeur group, a French family business set up in 1906, has been the exclusive caterpillar distributor since 1929 and holds 68% of stocks in Feu Vert.

2002 turnover: €1,540 million
2002 number of employees: 7,788

The group's two main activities are:

- equipment machinery: 63% of the total consolidated turnover;
- automobiles: 37%.

Management

The Monnoyeur Group has four executive directors and there are six associated structures within the group:

- Aprolis: forklifts;
- Eneria: engines and power generators for sale and rental;
- Bergerat Monnoyeur, in charge of Caterpillar (CAT);
- Magellan: equipment and agriculture machinery;
- Feu Vert: automobile part distribution and services;
- Impex: automobile part manufacturing (462 employees, €126m turnover in 2002).

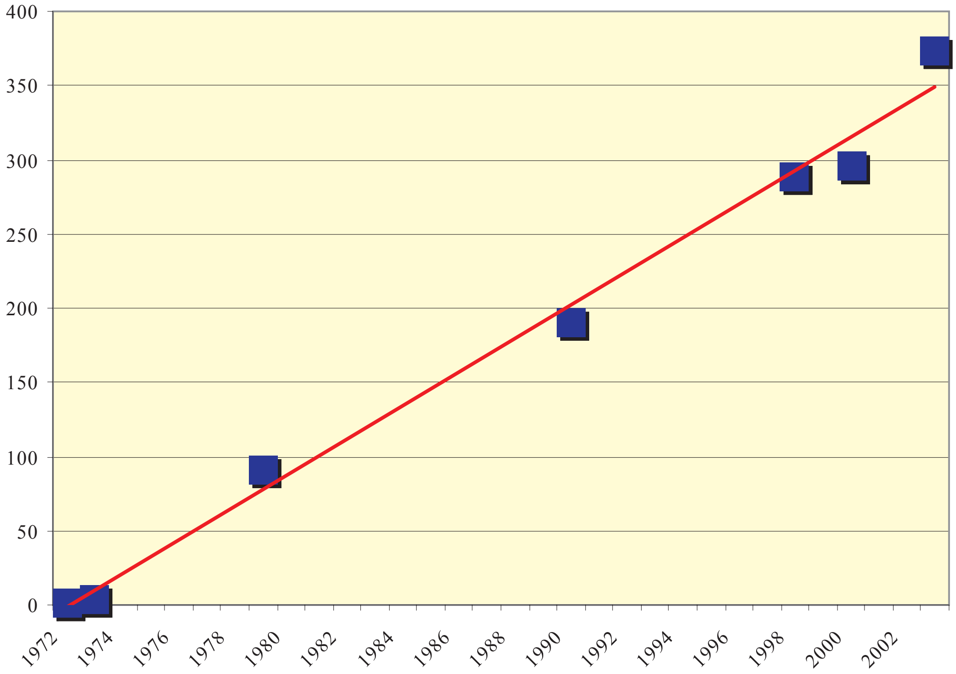
Training

Staff at Bergerat Monnoyeur (Caterpillar) received 35,000 hours of training in 2002. Feu Vert is thought to follow a similar strategy.

Market conditions

Feu Vert has seen a spectacular increase in the number of its shops.

Figure 1: *Number of shops over time, 1972-2002*



Market shares are difficult to assess since there are several areas of activity:

- parts and accessories;
- maintenance and repair;
- other services.

For the automobile repair segment, market shares were estimated at the following levels:

Table 1: *Market shares for repair sector, in %*

	1991	2001
OEMs	63.8	56.8
Auto centres	7.9	9.8
Specialised shops	6.4	9.5
Garages and services	12.5	18.0

Source: *Taylor Nelson-Sofres, 2001*

Compared to national account figures published by the French National Institute for Statistics and Economic Studies (*Institut National de la Statistique et des Études Économiques*, INSEE), Feu Vert is still a small player. For 2002, private consumption of parts and accessories, maintenance and repair is estimated at €38.1 billion. Feu Vert's market share might be estimated at 1.2%, but there is obviously room for expansion in a market that is directly linked to the growth of the number of cars in use.

Figure 2: *Expenditure for parts and repairs by household, 1990-2002*

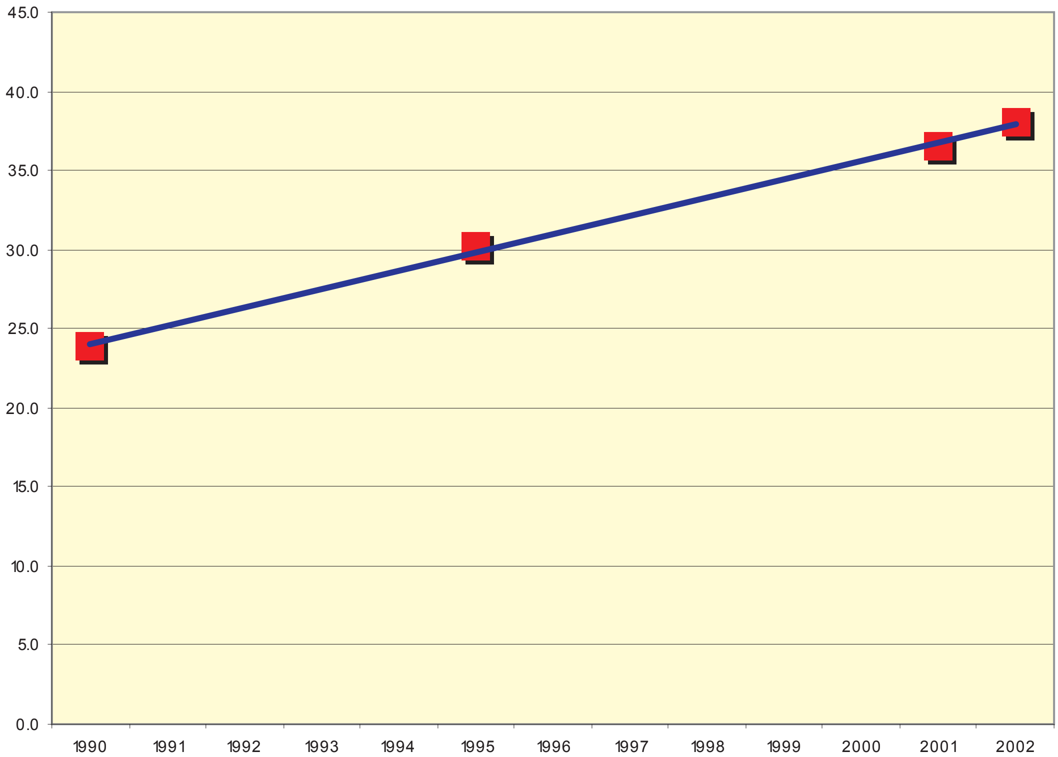


Table 2: *Main actors in France, 2003*

Company	Number of shops (France)	Turnover	Employees
Auto centres			
Norauto	262 (167)	€790m	6,000
Feu Vert	373 (304)	€445m (France)	3,450 (France)
Autodistribution, of which Maxauto	560 76	€1,220m (France)	6,000 (France)
Stationmarché	170 (155)	n.a.	n.a.
Specialists			
Kwik-Fit-Speedy	2,500 (410)	€200m (France)	1,900 (France)
Midas	2,800 (350)	€184 m (France)	2,000 (France)

Globally speaking, auto centres and specialised brands held more than 18% of the total automobile after-sales market in 2000, compared with 11% in 1990. Yet, each of the players has only limited power in the market. This was confirmed by the decision of the European Commission to allow the acquisition of Delauto in Spain and Carrefour Autocenter (as COMP/M.2087, 2000).

According to the French market competition watchdog, Feu Vert controlled 27% of the total number of auto centres in France in 2002, compared with Norauto's 14.8%; Stationmarché held 14%, FAP 9.9% and Maxauto 6.6%.

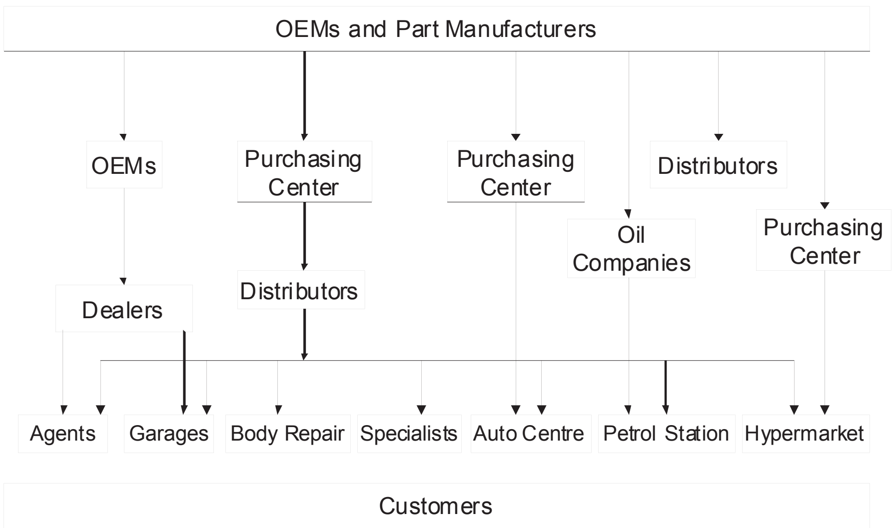
Market trends

It is important to emphasise that the automobile component after-sales market system is relatively complicated and involves many different channels, as shown in Figure 3.

In 2002, the professional association of parts distributors (*Fédération des Syndicats de la Distribution Automobile,* FEDA) estimated the total after-sales market for automobile parts and accessories in France at €10.7 billion, of which €2.5 billion (23.3%) are 'captive', i.e. made and sold only by the original vehicle manufacturers. Including their dealers and agents, the OEMs controlled around 55.6% of the total market. This figure may change as a result of the new block exemption, but the vehicle makers will obviously resist this and find routes to maintain their share of a profitable market segment.

In 1993, the total market in France was estimated at €5.9 billion, of which 40.9% were under the OEMs' control and 15.6% held by auto centres, hypermarkets and petrol stations.

Figure 3: *After-sales market channels*



Products and services

Products

There are two main groups of products:

1. components and products for maintenance and repair, including: tyres, brakes, transmissions, suspensions, exhaust systems, oils, fluids and additives, filtration, lighting, starting systems and batteries, wipers and other products;
2. components for vehicle equipment: radio and other sound systems, navigation and multimedia, vehicle protection, interior equipment, exterior equipment, tow bars and trailers, bearing bars, roof carriers, bicycle racks, ski racks, children's safety products, sunroof systems, and tuning.

Services

Services also fall into two groups:

1. long-life diagnosis on 13 items: tyres, front-wheel parallelism, steering and suspension rotules, transmissions (cardans), brake paddles, braking discs, exhaust systems, engine oil, cooling fluid, braking fluid, wipers, lighting, opening roof systems;
2. fitting services for 70 sets of components and accessories.

Strategy

Feu Vert's current strategy is based on three priorities:

- maintaining the growth in France and Spain through franchising and agents;
- developing Feu Vert agents in countries where Casino has a strong presence, particularly in Poland and Argentina;
- establishing Feu Vert in new countries where the auto centre concept is feasible.

Franchising remains a key tool for growth. The following criteria are used for selecting franchisees:

- franchising fee: €25,000;
- personal investment: €122,000;
- annual franchising payment: linked to turnover;
- global investment: between €610,000 and €760,000 – including buildings and land;
- average turnover after two years (in 2002): €1,906,000;
- towns of around 15,000 inhabitants;
- hypermarket parking and commercial zones;
- malls and avenues specialising in car products;
- area between 1,500 and 3,500 square metres, including parking lots;
- buildings: 550 to 1,200 square metres, of which 300 to 600 square metres for self-service.

Two of the key success factors in the distribution of automobile equipment and accessories are:

1. The ability to market its own distributor brand. Feu Vert has been a pioneer in this industry.

Table 3: *Feu Vert's own brand share in turnover, 2000*

	Auto centres	Hypermarkets
Batteries	74.4%	76%
Wipers	53.7%	61.9%
Spark plugs	22.4%	39.3%
Air filters	31.2%	52.4%
Oil filters	22.1%	44.0%
Oil	28.3%	34.7%
Brake pads	19.4%	21.3%

Source: *Rechange Automobile, 2002*

2. A system encouraging customer loyalty, such as a customer card. Feu Vert has also been a leader in this domain. Norauto had 100,000 card holders by the end of 2002 and Maxauto (Autodistribution) had 20,000. Feu Vert has developed a credit card with the Aurore Group.

SWOT analysis

Strengths:	**Weaknesses:**
• clear and sustained strategy; • being part of a diversified group of businesses.	• marginal position within the overall automotive value chain; • relatively limited internationalisation.
Opportunities:	**Threats:**
• growing demand for components and accessories; • new block exemption regulation; • changes in technology and request for new competencies in electronics.	• increasing competition; • unavoidable consolidation in the future; • globalisation of servicing networks.

Conclusions

Feu Vert has been a success story over the last 30 years, and there is plenty of room for further growth in the automobile component and equipment repair and services sector, which could become a very promising market in the future. This is due to several factors:

- the new block exemption regulation (NBE), which promotes competition between the OEM dealership systems and independent distributors and service providers;
- the continuing and growing trend towards do-it-yourself (DIY) automobile repair and 'tuning'[1];
- changes in technology, especially more on-board electronics, which require new competencies that are not yet being offered by traditional service and maintenance providers, and which should be disseminated by OEMs under the new NBE regime.

[1] Differentiation and improvement of the vehicle through self-fitted accessories.

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There is no published case study on Feu Vert. Most of the available literature consists of magazine articles.

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[2] All links accessed on 4 October 2004.

Annex

CONSUMER SPENDING ON PRIVATE VEHICLES

Amount and as a % of total consumer spending for the year	Unit	1990		1995		2001*		2002*		% Change 2002/2001
Purchase cost	€ billions	28.6	4.2%	26.7	3.3%	35.0	3.5%	34.6	3.3%	–1.1%
– New and used cars		26.3	3.8%	24.3	3.0%	31.7	3.1%	31.2	3.0%	–1.3%
of which new cars		22.3	3.2%	19.6	2.4%	23.3	2.3%	22.7	2.2%	–2.9%
– Caravans, motorcycles, bicycles		2.4	0.3%	2.5	0.3%	3.3	0.3%	3.4	0.3%	+1.1%
Running costs	€ billions	46.4	6.7%	56.5	6.9%	70.8	7.0%	71.9	6.8%	+1.5%
– Parts and accessories		12.8	1.9%	16.8	2.0%	20.7	2.0%	21.6	2.1%	+4.7%
– Fuel and lubricants		18.8	2.7%	21.3	2.6%	27.7	2.7%	26.8	2.5%	–3.3%
– Maintenance and repairs		11.1	1.6%	13.4	1.6%	15.8	1.6%	16.5	1.6%	+4.5%
– Tolls, parking fees, rental, driving lessons		3.7	0.5%	5.1	0.6%	6.7	0.7%	7.0	0.7%	+4.3%
Insurance	€ billions	3.2	0.5%	3.2	0.4%	3.9	0.4%	4.3	0.4%	+11.3%
Total consumer spending on private vehicles	€ billions	78.2	11.4%	86.4	10.5%	109.7	10.8%	110.8	10.5%	+1.0%
Public transport	€ billions	12.3	1.8%	13.3	1.6%	18.9	1.9%	19.6	1.9%	+3.8%
TOTAL CONSUMER SPENDING FOR THE YEAR	€ billions	688	100%	823	100%	1,014	100%	1,054	100%	+4.0%
Number of households (mainland France)	thousands	21,551		22,839		24,400		24,651		+1.0%
Spending on private vehicles per household	euros	3,628		3,784		4,496		4,495		–0.0%
Spending on private vehicles per vehicle-owning household	euros	4,743		4,826		5,606		5,605		–0.0%

** Provisional data that may be readjusted over three years.*

Source: INSEE Consumer Spending, 2001 – new base 1995.