

WITH ALL OUR EFFORTS TOWARD SUCCESS FOR EACH!

2017 / № 2

# GROUPAUTO

RUSSIA

## NEWS



### Auto-Euro:

**“We will continue to offer comprehensive solutions for the automotive industry”**

#### OSRAM

We are ready to answer the challenge of the future

#### GKN

Two centuries of history

#### KYB

Networks are the best way to develop automotive service

#### BrandMonitor

Technologies will help fight counterfeit and low margin

### GROUPAUTO France:

**“All garages of our networks rank first in France”**



A professional portrait of Vasily Agapov, a middle-aged man with short, graying hair, wearing glasses, a dark suit, a white shirt, and a blue striped tie. He is looking directly at the camera with a neutral expression. The background is a solid, light blue color.

We need to provide long-term durability of the solutions and business processes adopted, so as to comply with the ever stricter demands of our clients for service and logistics.

**Vasily Agapov,**  
managing director  
of Federal-Mogul Motorparts  
in Russia and the countries of the CIS



It is important for a consumer  
to understand that  
by choosing MAHLE  
he actually acquires  
a genuine spare part



**Maxim Legushev,**  
head of the MAHLE Rus  
- the Russian division  
of MAHLE Aftermarket GmbH





### **Esteemed colleagues, partners, friends!**

In this issue of GROUPAUTO Russia News we want to reveal the “formula for success”. But first let's define what success consists of in our business.

To the first most important ingredient of success is a correct strategy, taking into account market trends, the expectations of its participants, and prospects for its development, offering a quality product that the consumer needs. Unifying efforts is mutually beneficial, and moving ahead together leads to success for everyone.

A second ingredient is the interaction of partners and consolidation of efforts. To respond to market challenges alone is just about as unrealistic as conquering Everest without insurance. Joining forces is mutually beneficial, and moving forward together leads to success for everyone.

Both these ingredients are fundamental bases for a successful business. And a bright example of success is the Auto-Euro Company and its founder and permanent leader, Oleg Pukhov, who has built one of the most effective companies that for 25 years has been implementing a long-term strategy of providing its customers with a high level of service and quality replacement parts.

From myself personally I congratulate Oleg Pukhov, one of the founders of the Group, on its golden anniversary and the 25th anniversary of the Auto-Euro Company. For Oleg I wish new victories in business and sports!

President of GROUPAUTO Russia

**Aleksandr Krasnyy**



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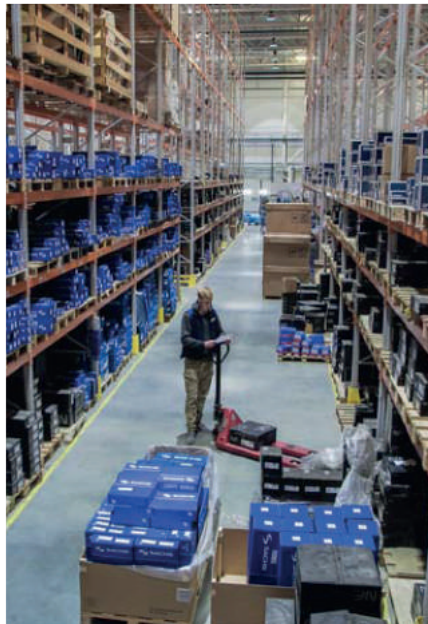
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# «The whole MAHLE business is based upon the OEM-level quality»



Three years hence MAHLE will be celebrating its centenary. For almost a century of history the Company has grown into a global player on the automotive components market, which carries out the manufacturing for both OEM and the independent market. MAHLE represents several brands in Russia, Republic of Buryatia and Kazakhstan, in particular, MAHLE Original, BEHR, CLEVITE, Knecht, IZUMI, and the Company's production facilities are located on five continents. The competence field of the Russian MAHLE office is not only our domestic market, but also the markets of Belarus and Kazakhstan. **Maxim Legushev**, head of the MAHLE Rus - the Russian division of MAHLE Aftermarket GmbH, highlighted the key events in the Company's modern history and shared the goals that MAHLE sets sights on.





MAHLE warehouse in Russia (Kaluga region).

### Path from a workshop to global scale

The MAHLE Company has been launched since December 1920, by the time when one of brothers- founders of the Company, Herman Mahle, began working in a develop- mental workshop. In the course of time he and his brother Ernst managed to bring this workshop to the level of an enterprise with its own technologies. The Company owns a number of patents, among which there are developments that have set new trends. These are, for example, ECOFORM® pistons with a special cast configuration, AUTOTHERMATIK®/HIDROTHERMATIK® pistons with an increased strength monolithic case, MONOTHERM® steel pistons and FERROTHERM® eco-friendly pistons

### Aftermarket positions

“MAHLE specializes in the OEM segment,” says Maxim Legushev, head of the MAHLE Rus, that means that the Company manufactures both products for the OEM segment and products for the independent market using one conveying system, one mechanical facilities and works in compliance with common standards. Thus, the entire business of MAHLE is set up on the quality of the OEM level”.

In the independent European market, the segment of filters remains a significant business for MAHLE. “MAHLE fills this market,” points out Maxim, “the share of this business is about 60%, ensuring the stable growth year by year. In Russia, there is another trend: MAHLE retains its share on the market, but there has been a significant increase in sales in the engine com-

ponents segment. And MAHLE's sales structure on the Russian market is distributed as follows: 50% – filters, 30% – engine parts, 10% – thermal management system components, 7% – starters and generators, 3% – centrifugal compression machines”.

crisis the demand for the new cars has decreased, the terms of possession of vehicles have increased, which leads, respectively, to an increase of car life cycle and lifetime mileage, and, what is more, it increases the frequency of technical failures of a car that belongs to one owner. Many car owners were unable to buy a new car, which means that it became more urgent to maintain the good working condition of their car “in-use”. There is a desire to save money, and one of the examples –start using air cleaning filters of the budget segment. But in truth, if, for example, the engine works with a poor-quality air cleaning filter, it receives deficient air, which increases its components wear. And as a consequence, sales of engine parts are increasing in retail and independent garage sectors”.

Business structure that MAHLE uses on the automotive components independent market, where the Company represents six product lines, is set up to a close cooperation with customers. “If a car owner, trying to save money, uses a cheap low-quality filter, this does not mean that he is not our potential client,” clarifies Maxim. “This consumer is still a MAHLE customer, since he will soon buy our engine components to repair the motor that was damaged after using a poor-quality filter”.

In the automotive component aftermarket MAHLE represents products in the premium segment. And it is important for a consumer to understand that by choosing MAHLE he actually acquires a genuine spare part, but at the same time he pays much less. For car owners who do not accept a compromise

## The Company includes 15 research and development centers

compromise when it comes to a quality, MAHLE spare parts are a reasonable and high-quality alternative to spare parts under original car manufacturer's trademark, as in many cases components and spare parts in the “original” car manufacturer's packages are produced by MAHLE.

The situation that has arisen on the market of filters is in many ways specific for the Russian market. “This segment is quite sensitive to the mood of consumers,” says Maxim. – During the

“This leads us to the importance of the MAHLE's partnership with GROUPAUTO Russia,” says Maxim. – We see noticeable positive changes in the production of the Group and we are



happy to note that car service centers of the “Careful Service” network started to use MAHLE products more often. And MAHLE, as a supplier of premium quality components, sees GROUPAUTO as a strategic partner on the Russian automotive components market”.

#### Современный размах

“Let's look at the key MAHLE indicators over the last years,” continues Maxim. – In 2016, the Company's sales growth expressed in monetary terms amounted to more than 1 billion and came up to revenue of 12.3 billion euros. At the same time, up to 91% of the MAHLE produced products are supplied to OEM. The share of products

particularly, the result of the active expansion of MAHLE's business segments, entering to these segments of the business and strengthening its positions in the traditional market segments for the Company.

In the global car market MAHLE is a top-ranked specialist in the design and manufacture of engine components (cylinder-piston group, liners, gas distributing mechanisms, valves, seats, center crankshafts, etc.), as well as it succeeds in the production of filtration systems, peripheral components and thermal management systems”. In 2013, MAHLE integrated Behr into its structure, and in 2015, the division of thermal management of Delphi,” explains Maxim. – In the field of thermal management, MAHLE develops and supplies separate components, assemblies and modules to the conveyor. Through the integration of part of Delphi's business, we got a chance to expand the range of products of thermal management systems and we are introducing a large line of air conditioner compressors to the market of automotive components in Russia this year. In this group of products, MAHLE Aftermarket continues offering thermostats and thermal switches, and in the nearest future, perhaps, we will introduce radiators, intercoolers and thermosteel sleeves”.

“After LETRIKA has been integrated in 2016, MAHLE began active participation in the field of starters and generators,” says Maxim. According to him, in 2017 MAHLE will significantly expand the range of starters and generators for commercial cars. By estimating the full range of products for the independent market of auto components, in addition, the Company offers a wide range of turbochargers that are also supplied to the conveyors of car manufacturers (for example, VAG group and BMW use MAHLE turbochargers ) and to the independent market.

“And it should not go without mention the successes in the

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**In truth, if the engine works with a low-quality air cleaning filter,  
it receives deficient air, which increases its components wear.  
And as a consequence, a consumer is forced to purchase  
engine components.**

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sales on the independent market is 9%. All over the world, MAHLE has employed more than 76,600 employees and more than 6,000 engineers. The Company includes 15 research and development centers. There are 54 MAHLE plants in Asia (China, India and Japan), 29 plants in North America, 13 plants in South America, 68 – in Europe and 2 plants in Africa, totaling more than 170 plants around the world. The last significant integration in MAHLE that has to be pointed out is the integration of the Spanish company NAGARES. NAGARES that is a manufacturer and developer of electrical equipment and electronics for car manufacturers of hybrid vehicles. The MAHLE Aftermarket division has offices in 22 countries”.

Over the past six years the Company has doubled and significantly increased its turnover. This growth became,

field of equipment for car service stations,” adds Maxim. – In this category, the Company offers a line of equipment for servicing the car air conditioning systems. In the current year the range of products of professional equipment from MAHLE will be extended by technical instruments for maintenance of automatic transmission systems. And in 2018, the Company intends to introduce a branded diagnostic scanner device”. According to Maxim, MAHLE concentrates on the work in the branch of service stations. The tendency of vehicle's components complication is quite obvious, and with this background, the issue of the technical competences of auto services is becoming more acute. The sales volume of auto components (especially for complex aggregate repairs) is increasing mainly through the garages. “Due to efficient work with our retailers we are promoting our products among the skilled specialists of car.



repair, so that car owners could get high-quality service," states Maxim

### New trends

MAHLE understands the trends of the automobile manufacturing. "The main of the modern trends are downsizing of the engine, the growth of the hybrid cars segment on the world market and the expansion of the electric vehicles segment," says Maxim. "However, MAHLE developers take into account the fact that the internal-combustion engine is going to remain in high demand for a long time."

MAHLE does not neglect the rapidly developing areas of environmentally friendly vehicles. Thus, the Company has already several patents in the field of electric vehicles, in terms of cooling and heat recuperating systems, and has become a supplier to the conveyor of a well-known manufacturer of electric cars". And here's the thing: the recent acquisitions of MAHLE," says Maxim, "demonstrate the Company's desire to expand its work in the field of electric vehicles and hybrids". A year ago, MAHLE acquired a DC series wound motor manufacturing plant in Japan, and recently has acquired an enterprise in Spain that produces control systems for power plants of hybrid cars. As can be seen from the above, MAHLE has 10 production locations around the world related to the production of components for electric motor drives".

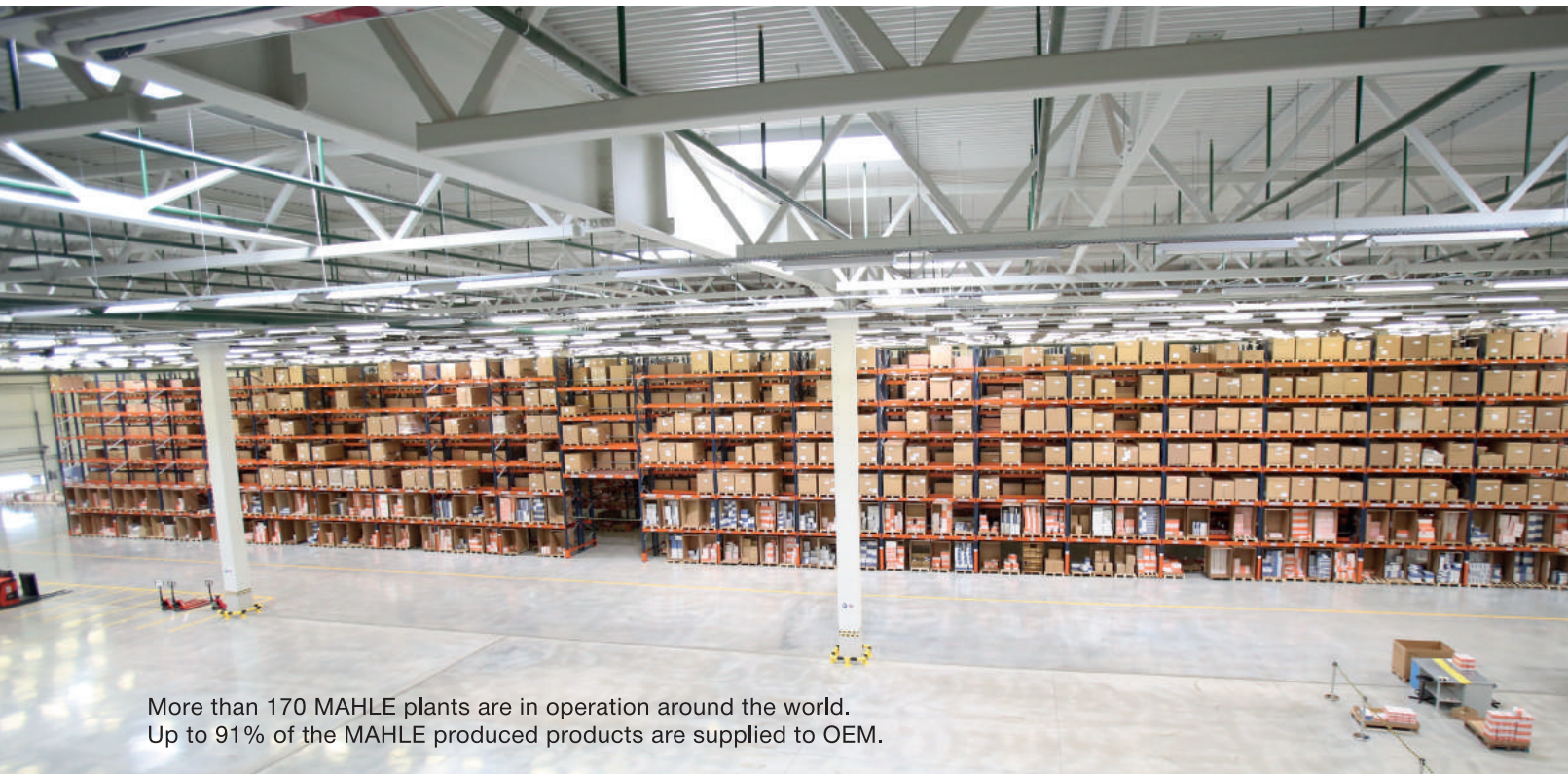


On the global market of automotive components MAHLE is a significant player. And the engineering designs of the Company, that for all these hundred years does not stop in its improvement, move the entire automotive industry and set pace towards innovative development

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**It is important for a consumer to understand that by choosing MAHLE he actually acquires a genuine spare part, but at the same time he pays much less**

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More than 170 MAHLE plants are in operation around the world.  
Up to 91% of the MAHLE produced products are supplied to OEM.



# Christian Prell: “We offer the product that market needs”



The development of automotive lighting systems is inherent in Osram brand – for decades of its work on this market the company has achieved outstanding success due to the advanced technological developments and the well-targeted business strategy. This was told by **Christian Prell**, Director of sales in Europe, Latin America and the Middle East, Osram Aftermarket.



– Before we proceed any further let's list the main stages of the company's development and its main achievements once again.

– Needless to say, that the Automotive Lighting Division is not the only department of the Osram Company, but it is important to note – it is the biggest one. Beyond that point, the company has experience in this industry for more than a century and now we take up a leading position in the production of automotive lighting components– both in supply to the conveyor and on the aftermarket. In many ways, our success has come due to the fact that, practically, we are the only company in the world that specializes only in lighting. In addition to the above, we offer not only light sources but also complex lighting solutions in accordance with customers' needs. At last, we are an OE-supplier and we guarantee the quality of the corresponding level for the aftermarket. When considering the technologies, we have always been the pioneers of the new developments. The first H1 and H4 lamps, xenon lamps in the 1990s, and finally, LED technologies in the 2000s – these are all our developments. By the way, now almost every car has at least one LED-lamp, and high-class cars are almost completely equipped with this kind of light. And this development continues, among the new directions we have Organic LED (OLED) lamps that are already mass-produced. I can safely say that Osram is always at the forefront of developing of the new technologies. Already now in cooperation with our partners we are developing products that will appear on the market in three or four years.



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**OSRAM is an OE-supplier and guarantees the quality of the corresponding level for the aftermarket. When considering the technologies, we have always been the pioneers of the new developments.**

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aftermarket segment: Osram market share is more than 30%. And in this case, it's right to speak not only about the Osram brand, but also about the another brand, which we have been actively developing for a few years on the aftermarket; and the brand we are talking about is Neolux. This brand is addressed to the consumer who wants to get a high-quality product at acceptable prices. One of the features of this brand – it has been intentionally designed for use in cars that are, shall we say, of a stately age: if a car has been in usage more than 10 years, it is especially important that the spare parts that are being manufactured now could be used for its repair.

We take into account the fact that the Russian market suffers economic troubles and is not always stable. We can act in the right way under such conditions only together with our partners, among which a special place is occupied by GROUPAUTO Russia and its participating companies. As a result of this interaction with partners, Osram demonstrates growth in Russia, which is higher than the growth rates of the market in general, even in light of such difficult conditions. We fully realize that the Russian market is one of the largest in Europe. But it has a feature that is important for us as a manufacturer of automotive lighting systems – what we call “major internationalization”: to the East of the Ural there is a huge number of Asian cars, including old ones, to the west – almost all models of European and American brands, as well

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**The Russian market suffers economic troubles and it is not always stable.  
We can act in the right way under such conditions only together with our partners,  
among which a special place is occupied by  
GROUPAUTO Russia.**

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**– How does the Company evaluate the Russian market? What is being done to strengthen positions on the aftermarket for car maintenance in Russia?**

– Here goes very accurate clarification about the aftermarket. I admit that we are working with deliveries to the conveyor in Russia, but our positions are particularly strong especially in the

as the vehicles of the Russian production. And this applies to both passenger cars and commercial vehicles. Accordingly, for successful work in Russia we as manufacturers of lighting systems need to have a very wide product range. However, this is also our advantage: smaller companies cannot provide such a wide choice.

**– What kind of distribution system for your products do you consider the most correct?**

– We believe that the Russian market will stabilize and will cease to depend so much on various crises. And under the conditions of normal growth, the most important will be not the price factor, but the opportunity for suppliers to provide the necessary product to the market in the right amount and within the required time. Accordingly, the requirements as to the qualification of the distribution system will grow – these are the changes that may occur in the nearest future.

We work with all the existing sales channels. Calculating their effectiveness is not our task: the consumers will do it. But the market needs to be prepared for the fact that the global processes taking place in the auto business will assert its influence: electric cars, autonomous driving, and so on..





**– Recently, a lot of products of the lower price segment have appeared on the market, including explicit counterfeits. What do you think of it?**

– I would like to differentiate counterfeits and cheap products. Products with an affordable price can be quite proficient – for example, for owners of the aged cars it does not make sense to install too expensive spare parts. Our brand Neolux fully meets such requests in good quality details (although, of course, this is not an OEM product) at a reasonable price. But what should be mentioned we are not against affordable prices, we are positively against the poor quality! It is important to understand that the products manufactured by manufacturers without relevant experience do not undergo certification – which are mandatory, for example, in Europe, and cannot guarantee compliance of the declared parameters with the real ones. And this is not just consumer fraud, it is also dangerous. And there is even no desire to talk about counterfeits: it's illegitimate, it damages the reputation of the brand and is also dangerous – we fight against counterfeit at every possible way in all countries where we are represented. By the way, returning back to the issue of distribution: the purchase of goods from a qualified distributor – an excellent protection against counterfeits. This fully applies to the companies – members of GROUPAUTO Russia, as the Group is reckoned among our priority partners.



and post-sales support to retailers and garages – we have an excellent team in Russia that successfully perform this function. We conduct training for specialists, we produce training videos, and we carry out online projects, including remote verification of the authenticity of our products.

Talking about the Neolux brand, we guarantee that this

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**The purchase of goods from a qualified distributor – an excellent protection against counterfeits. This fully applies to the companies – members of GROUPAUTO Russia, as the Group is reckoned among our priority partners.**

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**– How does your cooperation with GROUPAUTO Russia proceed? What are the main directions of this cooperation?**

– We consider cooperation with GROUPAUTO Russia to be very successful and efficient. This can be called a success story: every year this cooperation expands, covering new fields. This concerns not just the direct sales, although they continue to grow – we, for instance, implement the joint training programs. It is important that the Group acts as a single entity – this is what is called synergy.

**– What are the advantages the consumer has by choosing your products?**

– If we are talking about goods under the brand name of Osram, then the reason to choose exactly them is pretty obvious: this is a premium product of a guaranteed high quality that fully satisfies the requirements of the car manufacturers. You know that these requirements are very high, and all the technologies that we develop for the conveyor are also coming to the aftermarket. We have already mentioned above the widest range of products – the consumer always knows that he will find the right component in our catalog. It's worth noting that we provide the marketing

product is developed in our company, as well as that it fully complies with the standards and at the same time is cheaper than the premium one. And this is the advantage of working with Osram: we offer both premium products and also components for those consumers who are price sensitive. And by the way, pretty much all the products that enter the Russian market are produced in our factories in Europe.

**– How do you estimate the market in the coming years? What changes are you preparing for?**

–The first thing I would like to point out is that now we are thinking about what the market will look like in 2030. Electric cars, autonomous driving, and digital technologies – all this has not yet become of a large scale, but is intensively developing. What will happen to the aftermarket regarding the aforementioned? First, automobile lighting systems will remain necessary – even the machines of the future cannot functionate without light. Secondly, there will be an apparent replacement of technologies – the halogen lamps will remain, but in the minimum amount. Thirdly, we are positive that Osram will retain its technological leadership – and whatever are the challenges of the future, we are ready to respond to them.

# Sergey Beskorovaynyy: “We’re ready for stronger competition”



Resistance to fluctuations is a specialization of the KYB company; indeed even high-rise buildings in Japan damp the regular earthquakes using equipment of this specific brand. The company is also resistant to fluctuations in the market. It is one of the world's largest designers and manufacturers of shock absorbers and even in the most difficult stages in the development of the Russian market it has not changed its principles: to offer the market a premium product, along with sales support that is as complete as possible.

**Sergey Beskorovaynyy**, chief of the marketing division of KYB Eurasia, talks about how this principle is implemented at present, and also what trends are now governing the development of an independent automotive component market..



**– Sergey, please give your assessment of the automotive replacement parts market in Russia. What trends are now influencing its development?**

– As a start I'll note the particulars of the present time. Earlier market crises may have been brief, but the crisis that began in 2014 is distinguished by its duration, and we cannot unambiguously say it has ended. But we in KYB Russia do not call this period a crisis; rather, we feel it's a transition to a new reality. It's obvious that the most difficult times for the market have already passed. Through all of 2015 many players in the after sale service market felt strong pressure from unfavorable economic factors; many had to optimize their expenditures and rework their plans and processes. But 2016 became an easier period for many, largely due to the "tempering" received in the previous year. In addition, in 2016 the exchange rate of the ruble stabilized, which let suppliers and distributors predict at last both market dynamics and the vector of their own development. Dependence of the market on the currency exchange rate is obvious; in fact, more than half of all the replacement parts sold in Russia are imported products. That is why their price value in our market strongly depends on the value of the currency. With the drop of the ruble in Russia, absolutely all replacement parts went up in price, while the incomes of consumers also strongly shrank at the same time, and, of course, the purchasing power of the population also dropped. Under such conditions — and in particular for the producers of premium products, which are obtained by import

Already by the end of 2016 the purchasing power index had begun to rise. The delayed demand effect began to appear more and more; consumers became accustomed to the new prices, and demand for replacement parts began to grow. For that reason many companies in the auto components market in Russia, including KYB Eurasia, closed the past year in the black. I'm sure that trend will continue in 2017, as long as the market does not experience any unforeseen jolts. However, no analysts are making precise predictions about how the market will develop in the future.

The KYB Eurasia Company has worked up a Development Strategy up to 2020, which also includes operations in periods of market crisis.

In addition, the multi-year collaboration with our partner GROUPAUTO Russia gives a foundation for confidence. Through its own work GROUPAUTO is consolidating a large number of wholesale purchasers for effective interaction with the major market players and manufacturers. Being in the Group means receiving broad marketing support and many advantages from such a consolidation. The opportunity to exchange experience with one's colleagues, with the other companies in the Group, is also important here. And that kind of experience is a priceless source of practical knowledge about how to keep building one's work in the Russian market.

All of this gives us a basis for looking confidently at tomorrow.

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**One can predict further strengthening of competition for the independent auto components market in Russia, as well as the appearance of new brands, including in the budget products sector.**

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into Russia — it was especially difficult to move their products and deal with the strengthening popularity of products in the low-price sector.

We should not fail to note the positive trends as well.

**– What directions, in your opinion, will the market move in?**

– Speaking of the market for new automobiles, I can only agree with the predictions that this market can show





## Any price reduction of the products is associated with cutting quality, which KYB will never do

only an insignificant growth this year, not more than 10%. However, for the development of the after-sale car service market, it is important to take another factor into account as well: Russia's fleet of vehicles will continue to get older. Even now it is one of the oldest in Europe. A positive force here is the high and stable demand for replacement parts that are required for servicing the aging vehicle fleet. However, this factor cannot become a moving force for the automotive replacement parts market, since a relatively high purchasing power would be needed for this, which we do not yet have in the country. Regarding this situation one can predict further strengthening of competition for the independent auto components market in Russia, as well as the appearance of new brands, including in the budget products sector.

### – How competitive is the shock absorber market in Russia? What is the company doing so as not to let budget competitors overtake KYB?

– The shock absorber market in Russia is a sharply competitive environment. We are closely following this area and analyzing its trends, which also gives us the ability to be ready for various scenarios as events develop. As we did assume, the number of brands in the shock absorber market has been growing and is being updated. More and more brands are appearing, production of which is distributed in China. And their total share of the Russian shock absorber market is quite solid.

We in KYB Eurasia don't just sell shock absorbers; we also accompany the sales. That is, KYB Eurasia offers the market a complex approach: the products themselves and the warranty that goes with them. Precisely so as to give the consumer such a complete offer, since 2005 we've been developing the "KYB Service" program. The point is to remove the customer's concern about getting his car serviced: he gets both a quality shock absorber and professional service in installing it. I will note

that sales that are arranged in such a format are most often the prerogative of premium brands that have sufficient investments available for such operations.

And it's for just this reason that products of the KYB brand are in the category of premium products, since the price reflects investments in quality of production and in sales support. Any price reduction of the products is associated with cutting quality, which KYB will never do. Our goal is to offer the market a mass product at an acceptable price and with high quality, accompanied by an extended warranty.

### – An extended warranty is just what the manufacturers of budget analogs cannot offer.

– Yes, exactly, that's something uniquely offered to the Russian auto components market. KYB now offers the extended warranty for three years or 80,000 km of operation on all of its products. We're confident about the high quality of our products, and so we can offer these exclusive terms to our customers who buy shock absorbers from certified dealers and exchange them at garages authorized by KYB. I will note that the network of authorized stations is one of the priority focuses of our operation in the Russian and EU market. At present the project has shifted from the stage of extensive growth to the stage of improving the quality of service work in the network.

### – In your view, how should one deal with those customers who come in for service with shock absorbers purchased "on the side"?

– This phenomenon is not rare for the Russian market. With us, almost half of car owners do their own repair work. And our work is largely geared to teaching professionals at automotive service stations how best to explain to car owners why it's not worthwhile to perform complicated technical work



with cars with one's own hands, and also why one should never economize on shock absorber quality. There are many technical nuances in the work of installing a shock absorber, which is complex in its design and is responsible for safety on the road, and failure to observe these can become the cause of a breakdown and can create a dangerous situation on the road. For example, it is almost impossible to verify the angles of installation of the wheels in one's own garage, and improper angles lead to wear in the stuffing boxes, and by no means everyone can check the condition of the springs without special equipment. Not to mention the proper tightening torque: that's one of the most widespread technical errors, causing clatter from the shock absorber.

**– What trends, as you see it, will determine the direction of development of the auto service market in Russia in the future?**

– One of the recent trends in the auto repair market, which will only get stronger in the future, is the development of the institution of independent specialized masters. And since we are interested in supporting the image of our brand, as well as promoting the products under the KYB brand as much as possible, we in the company are constantly working in the area of training garage specialists. And until a while ago our training programs were directed toward garage employees in the KYB Service company network. However, we have the capacity to train specialists from the independent market as well. And in August of this year KYB Eurasia plans to announce a corresponding training program that will make it possible to strengthen the brand image in the area of independent auto repair workers, as well as starting to raise their professional qualifications. In general globally the training program that we are working on now allows several formats of work (on-site and online). It is aimed



not only at auto service masters but also to store sales personnel.

Together with GROUPAUTO Russia we are doing solid work in this direction; we are holding joint training seminars for garages; and we are participating in regional conferences for developing network garage networks.

We at KYB are in favor of network associations, since we feel that this is the best way to develop the automotive service network. And it is just such a network format that makes it possible to gain the maximum advantages from working with buyers' unions.

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**One of the trends in the auto repair market is the development of the institution of independent specialized masters.**

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# Frank Hürter: «All technological developments for the conveyor come to the aftermarket»



There are many companies in the auto business that have a hundred-year history. But having more than 250 years on the market is a unique phenomenon. GKN originates from the British manufacturers who founded the production back in 1759, and remains among the technological leaders in the field of metalworking production. **Frank Hürter**, Commercial Director Automotive Aftermarket GKN Driveline, tells the story of success for a period of two centuries.



**– Tell us about the company's main achievements. What marks you out from your competitors?**

– Thanks for a good question – for me it is especially pleasant to answer it. The fact is that GKN is the largest supplier of transmission and drive parts for the conveyor of the world's topline manufacturers. In the other sectors of the auto components market there are usually several comparable manufacturers that supply their products to the conveyor. In our case the situation is different: almost all car manufacturers use our parts: for example, in Europe GKN covers 67% of this market, on a global scale – 45%. The second thing that needs to be mentioned is the growing demands of auto groups. Now they are more than before, committed to such issues as the weight of the parts, the possibility of their non-standard placement, in the case of our products, it is also required to turn the steering wheel to a greater angle for maneuvering capability of the car in a narrow road space, increased resistance to dynamic loads etc. Currently the technologies of electronically controlled driving (e-driving) are of high priority – and we have the inventive developments in this direction that are yet future-oriented. We are able to meet the requirements of car manufacturers, and the best proof of this is the already mentioned 67% of the European market.

We are often asked the following question: what will change in your work with the development of electric vehicles? The answer is simple: no matter how the industry develops, the engine – hybrid or electric – will still remain in the car. And it will remain somewhere inside the car – in front or in the back side, that is not so important, in any case not on the wheel. Which means the engine energy will have to be transferred to the wheels, that is, the transmission will stay at its place –



and this is exactly what we are competently doing. As an example of our latest developments are the modern cars with the hybrid setups, such as BMW I8, Peugeot 4008.

And it is very important to stress that all new technological developments for the conveyor come as well to the aftermarket. This is our advantage: among the suppliers of the OE-quality we practically have no competitors.

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**All new technological developments for the conveyor come as well to the aftermarket. This is our advantage: among the suppliers of the OE-quality we practically have no competitors.**

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**Whereas we draw the attention of mechanical engineers to the fact that maintaining the proper quality of service of cars less than 10 years, especially the expensive models, is possible only with the use of spare parts that conform to the quality.**

**– How do you assess the Russian market and the existing distribution system in Russia?**

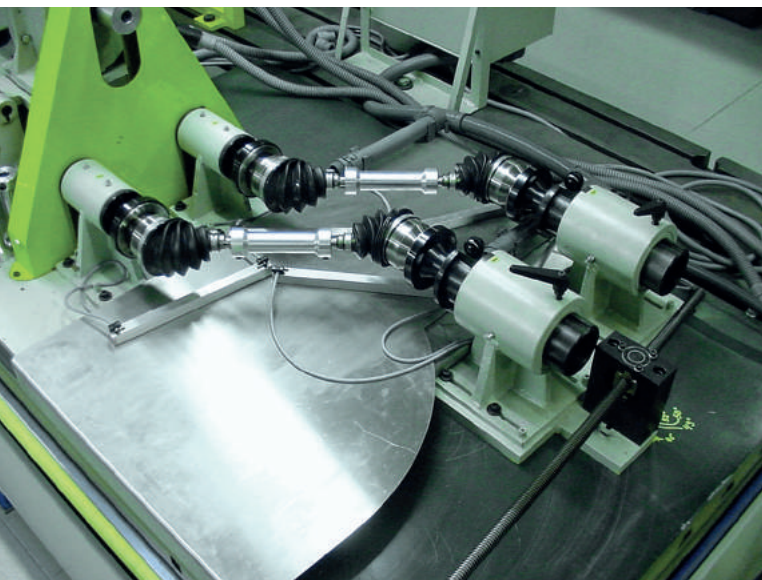
– According to our statistics, last year the sales of GKN on the Russian market increased by 20% and our shares are approximately 10% of the Russian market. This year, by the

results of the first half of the year a growth is even bigger, that's why we consider Russia a top-priority market. I am sure that the GKN brand is well known to the professionals, especially due to the initial vehicle configuration.

Now we have about 10 major retail companies and about 15 smaller retailers. For such a large country as Russia, this is not that much, but we do not strive to increase the number of partners and even have to refuse candidates: our task is to support the business of the existing partner companies. The goal of the today's stage of our development is not just the growth of the network, but an in-depth analysis, the coverage of those regions where we are still underrepresented.

**– What are the advantages of cooperation with GROUPAUTO Russia?**

– GROUPAUTO Russia is our long-term reliable partner. For the moment we are working not with all the partners of the Group, we are considering these opportunities under scopes of the overall strategy. And of course, we cooperate with the Group on a global scale – for example, several projects are currently being implemented to expand our business in Poland and China, which we are doing together with the French head office of GROUPAUTO.





GKN Company is the largest supplier of transmission and drive parts for the leading world manufacturers



**– How does the company support the sales in Russia?**

– I know that many of our partners in Russia are developing the trade through the Internet quite intensively. This makes

of course, presents certain difficulties on the markets that are price sensitive. And we understand that it is necessary for our retailers to offer customers something in the middle price range. Actually, this explains the wide presence of low-cost Asian products on the Russian market. Whereas we draw the attention of mechanical engineers to the fact that maintaining the proper quality of service of cars less than 10 years, especially the expensive models, is possible only with the use of spare parts that conform to the quality. It is necessary to understand that the installation of spare parts of poor quality can affect not only the comfort of driving, but also the traffic safety. Let me repeat that OE-quality spare parts are offered to the market only by us, that's why each expert can make the conclusions himself – and try to explain it to the client.

Working with GKN products, a mechanical engineer can always be sure not only that the part of premium quality he has installed, but also that his customer will be satisfied with the result after replacement, which is very crucial for the car service.

**– What are you expecting in the near future and how is the company preparing to respond to future challenges?**

– In Russia, the number of Asian cars is increasing, which, of course, is a kind of challenge for us, as we cover an Asian park in a lesser extent than the European and American. But we prefer to talk about it as the challenge, not as the problem: right now we have something to offer for Asian cars, and we will work to expand this offer.

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**We review the network projects with a keen interest: they allow us to provide not only a guaranteed volume of sales, but also the necessary quality of service.**

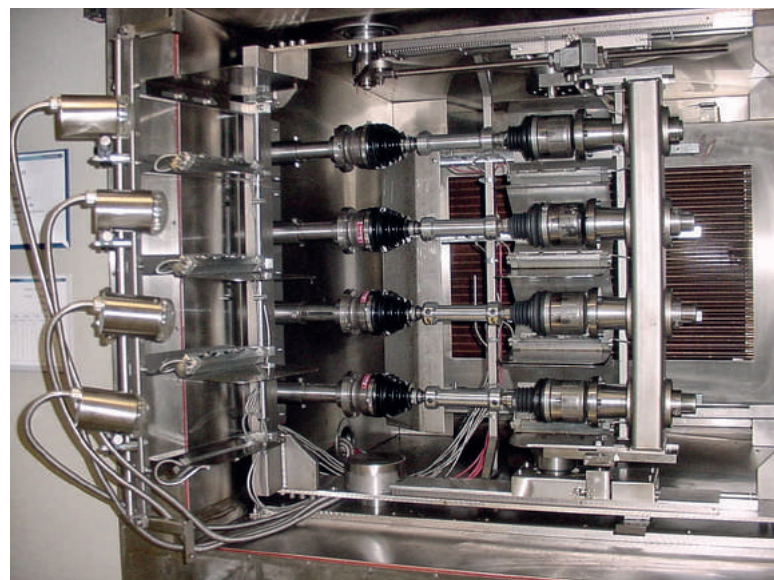
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sense: it helps to develop business in the vast Russian territory, as well as online technologies allow you to inform the audience immediately about any new products and technologies. We, in turn, support the information spread via the Internet through our own website and our instructional videos. Our products are present in TecDoc online catalog, moreover, back in the day we became one of the initiators of its creation.

We review the network projects with a keen interest: they allow us to provide not only a guaranteed volume of sales, but also the necessary quality of service. We hope that the wide network of garages will develop in Russia that is advantageous for the market in general.

**– What are the advantages for the garages when using your products and how do they risk, refusing premium-leveled parts to the benefit of the cheap analogs?**

– Our products are of exclusively premium quality, which,

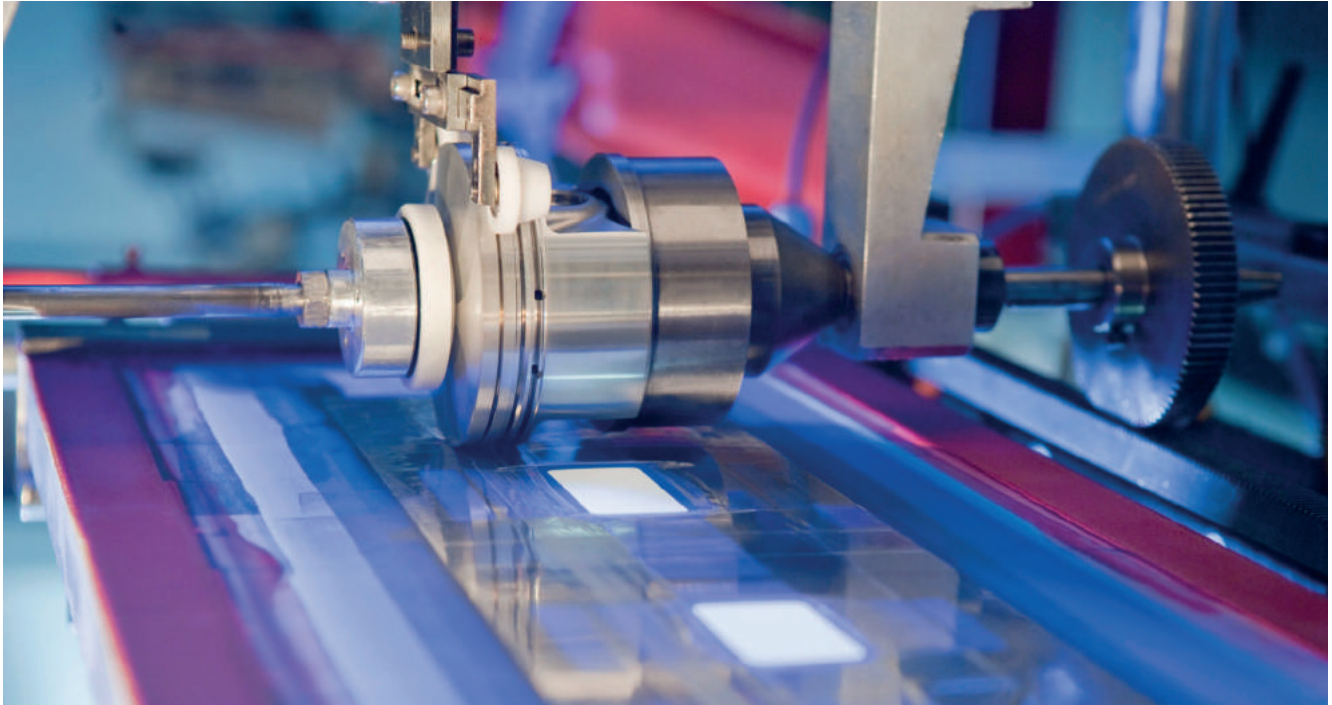


# Vasiliy Agapov: “We will become the suppliers of solutions”



A broad portfolio of brands, their own production in Russia, delivery to the conveyor, and active operation in the secondary market—all this is the Federal-Mogul Company. **Vasiliy Agapov**, managing director of Federal-Mogul Motorparts in Russia and the countries of the CIS, tells about the company's structure and plans.





– **Federal-Mogul is one of the leading players in the automotive market. The name is well known, but it would be worthwhile telling about the company’s structure.**

– The Federal-Mogul Company is one of the leading developers and manufacturers of automotive components, having a powerful manufacturing and scientific-technical base, which is constantly expanding. The company invests 4% of its turnover in scientific-technical development, and our engineers annually obtain new patents for their inventions.

Although Federal-Mogul is often taken to be a single company, in fact it is two independent business subdivisions: Federal-Mogul Powertrain (development, manufacturing, and conveyor supply of engine parts) and Federal-Mogul Motorparts (development, manufacturing, conveyor supply, and distribution of parts in brake, suspension, and steering systems, windshield wipers, filters, ignition system components, as well as management of all of the company’s brands in the secondary market). Federal-Mogul’s portfolio includes around 20 brands. the company’s brands.

We offer the following brands in Russia:

- AE, Goetze, Glyco, Nüral and Payen—engine parts;
- Ferodo, Wagner, Beral—brake system components;
- Champion — ignition system components, windshield wipers, and filters;
- MOOG—suspension and steering parts;
- BERU—ignition system components.

In 2014 we localized the Federal-Mogul Motorparts business in Russia, increased our staff, and opened a warehouse in Moscow, which let us become closer to the Russian consumer. Since then the business in Russia has been successfully developing, in spite of the difficulties associated with the economic and political situation.

– **The particulars of the company’s activities are a broad portfolio of brands. In that connection, how do you see the advantages of the brand for consumers?**

– The broad portfolio of brands is our key specialty and advantage. We are one of few companies in the market

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## The quality of suspension and braking system parts directly determines your safety on the road.

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– **How do you assess the company’s position in the Russian market? In its own activities, how does FM take into account the unfavorable economic situation?**

– We deal with selling products for the post-warranty market, and our basic task is to increase the market share of

that offer the full assortment of auto parts both for major engine overhaul and for routine automotive servicing. With such an assortment we can meet any service center’s demand for parts. The main advantage of working with us for our partners is access to a huge assortment of products in our warehouse in Moscow.



**When you buy replacements parts of known brands together with having them installed in a professional service center, you are getting a guarantee on the whole set of operations and parts, as well as insuring yourself against getting the wrong parts.**

**– How do you see the sales structure of automotive components in Russia? Do you agree with the point of view that the volume of sales through garages will grow while sales through stores will shrink?**

– For us here in Russia a culture of civilized auto service has not yet been formed. The problem is that often service stations are opened not by professional managers but by rogue mechanics who don't know how to run a business or earn money. A lot is done "on their knees", intuitively, even though all the technologies and business models were worked out long ago in the West. For the situation to change, what's needed is time. That will require the appearance

of players of a totally new makeup in the service market. Such companies exist now, but there are rather few of them. Therefore it is very important to bring information about the proper conduct of business to the players in the auto service market and train them.

**– Final consumers strive to reduce repair costs by bringing parts that they have bought themselves, often of low quality. What arguments should a garage manager bring out so as to convince a customer not to do that?**

– In the current economic situation many car owners feel that they will save substantially on parts by buying them in a store or even in the market at a low price. This kind of saving is fraught with problems for vehicles, since the use of replacement parts of dubious quality can not only lead to a quick breakdown of one or another part, but also to a more serious failure (if the matter has to do with engine parts). And the quality of suspension and braking system parts directly determines your safety on the road. When you buy replacement parts of known brands together with having them installed in a professional service center, you are getting a guarantee on the whole set of operations and parts, as well as insuring yourself against getting the wrong parts.

**– In Russia the development of automotive service networks is still clearly lagging behind Europe. How would you present the importance and usefulness of participating in network projects for garages?**

– Participation in international network projects, such as GROUPAUTO Russia's "Evrycar—Careful service", for example, lets Russian services gain access to the ready-made technologies and tools that have been worked up in the West. In the final analysis introducing new operating principles allows a service to optimize their key business processes and increase their profits.







**GROUPAUTO Russia’s “Evrycar — Careful service”, for example, lets Russians gain access to the ready-made technologies and tools that have been worked up in the West.**

**– What do you see as the primary advantages of working with your company’s products?**

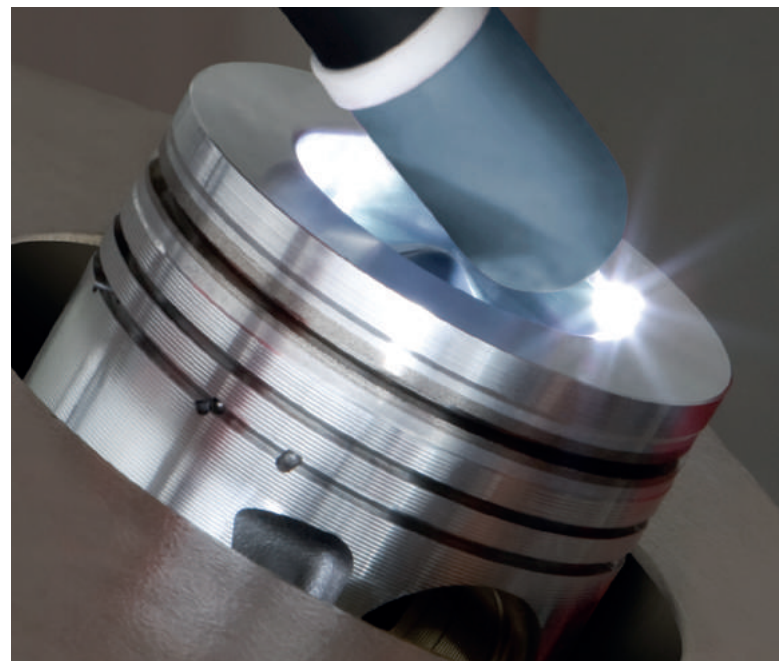
– Federal-Mogul holds a leading position in conveyor deliveries of manufactured products in many product lines. The products offered for the secondary market are produced according to the technologies for the same components at the same enterprises that manufacture parts for conveyor deliveries to world auto manufacturers. Our products have special protective measures against counterfeiting (a unique code and a holographic sticker on the package). All clients can familiarize themselves with the particulars of this system of protection and can verify the authenticity of the origin of a part themselves at our website. All the parts that we offer are covered by a one-year guarantee without a distance limitation, which is an important advantage for our customers.

**– What tasks for the future is the company setting for itself? What sorts of development plans?**

– We intend to interact closely with our clients, to more effectively satisfy their growing demands as distributors of our products. We need to provide long-term durability of the solutions and business processes adopted, so as to comply with the ever stricter demands of our clients for service and logistics. We should also do what we need to so that our products and services will be in demand by technical specialists when they are doing service work for end consumers.

In the future we will encounter a growth in demands from distributors and customers with regard to service that extends far beyond selling quality products. In this connection we must

preserve and expand the interaction with clients in marketing, logistics, and interactive business initiatives. In the long range we anticipate exchanging roles. We will turn into a supplier of solutions that can provide fast and flexible distribution of parts and marketing and technical support. Consequently we must offer quality service and grow our presence in cyberspace, so we can more effectively offer services and sell products.



# Dayco is constantly moving ahead



The Dayco Company has been in business now for more than 110 years. Over that time an enormous amount of experience has been amassed, allowing the Company to assume a leadership position in the world auto spare parts market.





Dayton Rubber Manufacturing – именно так изначально называлась компания Dayco – была основана в 1905 г. в США. Начав свою деятельность с изготовления садовых шлангов и резиновых уплотнителей для крышек, используемых в консервной промышленности, компания сразу выбрала инновационный путь развития, сделав ставку на передовые технологические достижения. Именно эта стратегия, лаконично выраженная в слогане компании: «Move Forward. Always», – позволила ей с течением времени превратиться во всемирно известного производителя широкого ассортимента ремней, натяжных устройств, демпферов, шкивов, шлангов и гидравлического оборудования для автопроизводителей, промышленных предприятий и рынка автозапчастей премиального уровня. Сегодня Dayco, безусловно, является одним из лидеров своего сегмента, создав эффективно функционирующую систему, включающую все этапы создания высококачественной продукции: исследования, разработки, производство и дистрибуцию.

Dayco manufactures premium spare parts. The Company produces the original-quality parts for the auto spare parts market thanks to a longstanding, well established partnership

with leading world auto manufacturers, manufacturers — and competent resolution of the issues they present.

**Gianluca Fantozzi**, Manager of the Dayco's technical department:

*– Dayco's engineers are very familiar with the primary trends in the modern auto industry. That includes reduction of emissions of harmful substances and CO2, lowering fuel consumption, and shrinking the size of the power train along with increasing power, among other things. They possess the requisite professionalism to offer customers complete and effective solutions within their fields of expertise—especially in lowering levels of noise and vibration, as well as the successful operation of today's tiniest and the most powerful engines.*

4300 employees, 19 manufacturing sites, 10 distribution centers, and 25 scientific research centers in 16 countries of the world—all this potential that the Company has is dedicated to satisfying the demands of OE customers, and, as a result, in the independent auto spare parts market there are more than

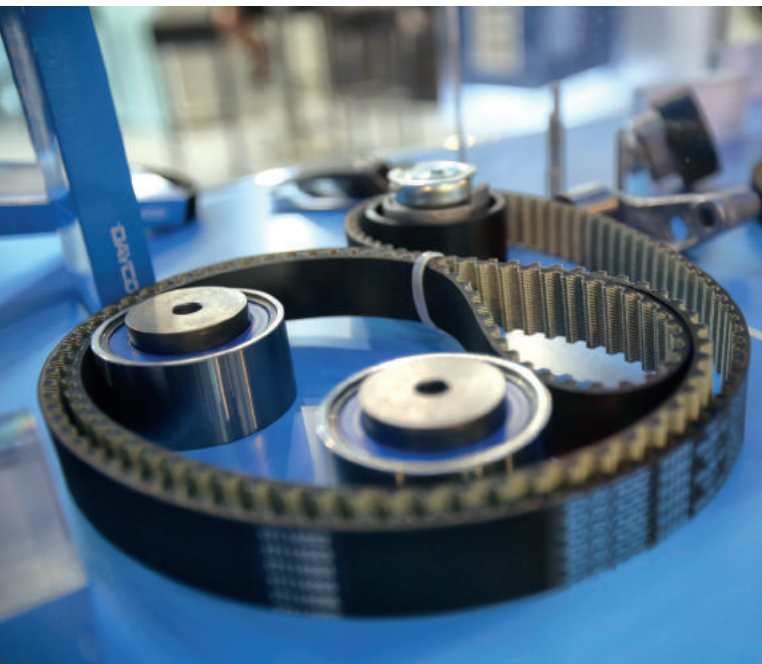
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**Dayco's entire experience, all of its high-level competence, transfers back to the auto component market, producing premium-quality spare parts. They are all produced on the same equipment and assembly lines as are parts for the OE sector.**

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This partnership rests on providing a foundation of outstanding material and technical manufacturing processes, highly qualified personnel, broad representation in the major world markets, and, perhaps most importantly, close attention to all inquiries from our customers — the auto

1500 distributors of Dayco products in 100 countries. The qualities of the Company's products are highly valued by a professional society: The winners in 7 of the 12 categories in the contest "International Engine of the Year" are equipped with Dayco engine modules and drive systems.



But Dayco can rightfully be proud not just of achievements like these, but because there was a reason for receiving them—as has been said more than once, the superior quality of the products that we provide and their strict compliance with auto manufacturing standards.

**Gianluca Fantozzi:**

*– Dayco's entire experience, all of its high-level competence, transfers back to the auto component market, producing premium-quality spare parts. They are all produced on the same equipment and assembly lines as are parts for the OE sector, by the same technologies and from the same materials. The only things different are the packaging and the means of distribution.*

When you get to the Dayco Enterprises (we managed to visit the plant in the city of Ivrea, where they produce the so-called hard components: rollers, pulleys, tensioners, etc.), the first thing that really impresses you is the high technical standards of the production cycle. Automation here has reached 75 to 80%. All areas and zones are strictly and clearly planned; the internal logistics is impeccable. This plant has been in operation since 2000 and since then it has undergone considerable restructuring and reorganization, but it functions like a well coordinated living organism; it hasn't stopped for a moment, and the paces and the volumes of output of end products has only grown.

The enterprise actually operates round-the-clock in 4 shifts (6 hours each, depending on the particulars of production) — because of great demand of the Dayco premium auto spare parts and products in the OE sector and in the market. Halts are only for national holidays such as the Christmas break and the weekly servicing, which is conducted on Sundays. At all other time the stations and lines are working at full speed, producing thousands, hundreds of thousands of products units. According to Gianluca Fantozzi, "All our efforts are dedicated essentially to one single objective: to create quality, reliable components, capable of functioning correctly through their designated service life. The concern for quality is without exaggeration the primary concern of each specific employee of the Company. And that is obvious: The manufactured product has great significance for the overall operation of the major unit of any mechanical transport vehicle — the engine."

To solve this problem, a whole set of various methods and techniques are employed—from the simplest and (at first glance) least significant to rather serious ones. Thus, for example, no one in the workshop works at one spot for more than 20 minutes—assembly line operators change their positions every third of an hour so they don't get stuck on one operation—so that, as the saying goes, their eyes don't glaze over, so they can keep their attention at peak concentration. As Dayco's experience shows, this way of arranging the work greatly reduces the rate of defective parts.

By the way, regarding the defective parts: Not one item rejected in the process of manufacturing is ever put back for reworking; every defective piece is completely destroyed or is thrown into the scrap bin. A specially selected staff of quality controllers constantly monitors the total number of defective parts that emerge. Next to almost every work station there is a red container, and if there are one or two items in them, it is not a matter of concern. But, as soon as the number of defects increases, the controllers immediately raise the alarm, and production is stopped until the reasons for the defects is determined.

Several checking systems and mechanisms for revealing the sources of defects are in use—whether the factor is human, or use of the wrong equipment, etc. They are all promptly worked up, so as to determine precisely what was the reason for the defects. That is, quality review is carried out, among other ways, by such preventive measures. And, of course, every end product undergoes a thorough final





quality check according to specially developed algorithms.

But the “quality chain” does not end there. Information about every manufactured product is stored in a special archive for a rather long time. Therefore, if problems

developed a set of cambelts in an oil bath, known under the name Belt in Oil, which already won a prize in 2009 for its innovativeness. Over time all the major auto manufacturers have chosen it as original equipment:

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## Quality control in the literal sense of the word is total.

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suddenly arise for the purchaser of a Dayco product, it will always be possible to find out when and by whom a piece was manufactured, on what lines or work stations, and from what raw material, since every employee, when starting to work on the current assignment at his work station, scans his name badge, allowing him to be identified. If this is not done the work station will not start to operate. That is, quality control in the literal sense of the word is total — starting from the very first production stage and in fact up to expiration of the part’s service life.

The question may arise for some readers: Why has Dayco—a well known and authoritative manufacturer of automotive belts—undertaken independent production of belt drive parts as well?

The answer is simple, and is also in harmony with the company’s basic strategy: Dayco is a company that is constantly moving ahead, not standing on its achievements. Having a perfect understanding of its clients’ needs—both auto manufacturers and auto repair facilities, it strives to provide them with comprehensive solutions for its urgent problems. Therefore, they are offered the entire drive as a unit, both the rigid elements and the flexible ones. In this connection, all components of that drive are developed directly by Dayco designers. Their engineering skill is focused on finishing every engine as a whole, striving to improve it and make it highly efficient and long-lasting.

Following this concept, the Dayco Company has

Ford, Volkswagen, the PSA Group...

In this way, it was possible to replace the system of cogwheels and chain drive with pulleys and toothed belts, which allows reduction of costs (both in manufacturing and in subsequent use), without compromising the usage characteristics of the vehicle.

Yet another advanced Dayco innovation is a pump that is disengaged by means of a friction actuator: until the engine reaches its working temperature, the cooling fluid is prevented from circulating in the system. Thanks to this, power is conserved, the engine’s warmup time is reduced, and, as a consequence, harmful emissions are reduced and less fuel is consumed.

Because of the complexity and miniature size of the parts in this drive, their assembly is carried out semiautomatically. In so doing the maximum level of quality control is provided.

That is, as it becomes apparent from everything above said, Dayco is not just a manufacturer of automotive parts. In its activities, the Company maintains the principle of creating advantage for all interested parties: Dayco improves the way how the world moves, working on making products and systems and building long-lasting interrelationships. Dayco keeps its promises, always delivering its products on time, and complying with its obligation to serve its clients, regardless of difficulties and obstacles that arise. Over a period of more than a hundred years, Dayco has constantly resolved complex problems, becoming a steadily stronger and smarter company.

# Igor Plotnikov: «Our task is to make the exhaust system in the secondary market work no worse than the original one»



The components of the car's exhaust system are not among the most demanded auto parts on the market. But their sale is a very stable and highly profitable business. About the peculiarities of this business, about how these components are developed, we are talking with **Igor Plotnikov**, Sales Director in Russia, BOSAL Russia.



**– What are the main features of the development and production of components of the exhaust system?**

– Unlike spare parts, let's say, of the first need for scheduled maintenance, in the segment of premium components of the exhaust system, deliveries to the auto parts market are not so strongly interrelated with the initial equipment car configuration. This is due to the fact that the demand for them in the aftermarket is observed only 7-10 years after the car model was launched on the conveyor. That is, when there is a need to repair the exhaust system, the car's

market in advance. As I said, the peak falls on average for 7-10 years, so for the 5th-6th year of the life cycle of the model, we gradually launch the corresponding premium product. In the mass segment, we often go along the path of simplifying the design, which is necessary after-sales service to optimize the installation and dismantling process and perform repair work. Here very often our engineers come to the aid of new, more advanced technologies that have appeared during this period of time as well as technologies that could not be used on the conveyor previously. Such flexibility provided by

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**All technical solutions implemented for the initial car configuration are also used in premium parts**

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release may even be discontinued. But all technical solutions implemented for the initial car configuration are, of course, used in premium spare parts.

As one of the most vivid examples of the improvement of the system for the secondary market, I would like to use our premium catalytic converters Bosal Plus, which the company started selling last year in Germany. Their distinctive feature is an increased level of exhaust gas purification, which is confirmed by the sign of ecological safety «Blue Angel».

**– How does this improvement process happen or, in other words, how does this process optimize the exhaust system for the auto parts market?**

– As a conveyor supplier, we begin to bring the system to the

the fact that the company works in the premium spare parts segment allows not only to reproduce the product, but also in some cases to make it more optimal in terms of price.

**– From technology, let's move on to another, no less important component of your activities – business. In what condition is the Bosal Company on the Russian market today?**

– Now the Company is actively developing the assortment in the warehouse and additional sales channels. Many of our customers already work without intermediate storage. Today, when everybody lacks money, especially in the



## Spare parts of premium quality, although more expensive, but only they can provide the proper consumer qualities, and low-grade handicrafts will bring only additional problems.

regions where one cannot put even a couple of extra mufflers in the warehouse, such a system works very effectively and increases, on the one hand, our sales, on the other one – the effectiveness of our clients' businesses. In response to the market demands, we create the most favorable conditions for the growth of exhaust systems business – we try constantly to bring up-to-date information to all market participants. Therefore, in terms of increasing turnover and market share, our prospects are very good.

### – What role did the opening of the warehouse play in this process?

– The opening of the warehouse a year and a half ago



radically changed the process of interaction with customers. If we did not open the warehouse then we could forget about Bosal, our positions would go far down. Warehouse is a matter not just of development, but of life and death. And in a fierce competition not only with foreign brands, but also with domestic producers, because none of the Russian exhaust system manufacturers have such assortment as we have now. With such a wide range now we are the only ones on the Russian market with our own warehouse. Nobody else decided to open its own warehouse.

And Bosal – on the contrary. All our customers are very satisfied and thank us for this step, because, really, it greatly simplified life. When we opened, the currency rate was a complete mess. It constantly fell and rose. Everyone suffered from this: both manufactures and distributors, for whom it was simply unprofitable to import goods under such conditions and keep them in warehouse. Everything that takes up a lot of space physically, is very money-consuming and unstable – all these products have been almost thrown out of warehouses and such business has been almost finished.

We took the initiative very early and returned the status quo, not allowing the situation to fall into the final dive, to get out of control. We switched over to rubles, we collect orders within two hours for express deliveries. Moreover, I can say that this year we have worked well not only on the assortment, but also on the availability. At our company, since April, the products availability in a warehouse is 99%. This is even higher than our internal criterion. Such indicators were achieved thanks to building a system of regular supplies, tracking demand, back-orders. We always clearly know what the client wants now and what he, maybe, will want tomorrow – exactly what we owe to the client.

In addition, Bosal has counted on strong, reliable companies, we welcome, if they themselves develop the distribution network, we go to meet them in every possible way. The question is not just how to quickly ship. When the rebuilt scheme begins to work effectively, other problems arise, for example, a return. This is a certain burden, but our clients and we earn a reputation as a reliable supplier.

At the same time, we do not force anyone to buy everything. On the contrary. If someone has doubts, we say: let's try, we have a warehouse here, you should not pick up a lot, take a little bit, if it works – fine, if not – you may return. We are very open in this regard. We understand those who do not cooperate with us yet, because the product is really complicated, heavy (physically), but, nevertheless, life is life, the exhaust system is the same product as any other and there is exist a demand for it.





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## The full range of products produced by BOSAL in Europe is about 5-6 thousand items

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### – You said about 99% of the availability. How much is this in physical terms?

– The complete range produced by Bosal in Europe is about 5,000-6,000 items. In the warehouse in Russia we keep about 2 thousand items. And we are ready for expansion anytime. These 2 thousand are not due to our abilities, but to the fact that now demand is limited to this number of positions. If it increases, we get more, we have all the possibilities for this.

### – How do you assess the current situation in the market and in connection with it – the Company's prospects?

– Of course, the general situation that has developed now in the Russian auto parts market is quite complicated. When car owners do not have money and they limit themselves in many respects, we can offer them even two mufflers at the price of one, launch mass advertising on central television – there will be no use of this. We need different approaches, other motivational factors, which we try to realize as a producer of premium products.

In April, there was already a revival and we can say now: the ice has broken. On the one hand, people have money, on the other – customers realized that nothing will return back, they realized that premium parts are more expensive, but only such parts can provide the proper consumer qualities, and low-grade handicrafts will bring only additional problems. Therefore, sales intensified, demand began to grow.

Therefore, I can safely say: our premium products have very good potential for development. I do not see any restrictions for it. On the contrary, I am sure that if we correctly approach certain processes, if we correctly use what we already have, we will significantly strengthen our

positions and come out together with our clients to a new level of our joint business.





# Suren Pereverzev

## “Bardahl is a unique asset for car service centers”



The Bardahl brand is well known to professionals around the world, but it is not widely represented yet at the Russian market. **Suren Pereverzev**, the Head of the Bardahl representative office have told about the brand and plans of the company for its promotion in Russia.

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**The Bardahl Company became the supplier of GROUPAUTO Russia.  
For Bardahl, this is a good opportunity to expand the sales geography.  
For distributors - to include in their portfolio the European highly marginal  
premium brand.**

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## Bardahl is a great product with a clearly regulated price in Russian rubles, and with high trade mark-up.

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**- The brand has proved itself greatly around the world, but in Russia it has not yet taken the appropriate positions. What is the reason and how is it planned to change the situation?**

- Bardahl is a great, internationally recognized product, but for a number of reasons its supply to Russia has non-systemic nature, and in connection with this, it was known only to a narrow group of specialists and sportsmen. This year, together with Bardahl we established a distribution company in Moscow, the central warehouse of Bardahl in Russia was organized, the forming of the distribution and sales network was started, as well as the arrangement and formalization of relations in the Russian market was began.

At the moment, Bardahl products cover various fields of application: oils and lubricants for automotive and other means of transport, various industrial sectors; various additives to lubricants and fuels; special products - glues, threaded joint fixing fluids, joint compounds, cleaning solutions of various types, as well as a wide range of car care products. Car oils are presented in standard type, as well as oils with improved properties. All oils, depending on the type, can be used in engines of passenger and commercial vehicles of various types, in two-stroke and four-stroke engines. In addition to motor oils, the product line includes transmission fluids for automatic and manual transfer gearboxes, for, double-reduction axles and reducers.

It is worth noting that Bardahl Company is the international largest supplier of automobile chemistry products for OEM and OES - up to 70% of all manufactured products. Bardahl automobile chemistry products is represented by a wide range

of products for various application fields, this category includes additives for motor oil, additives for the gearbox and hydraulic power steering (HPS) system, fuel system cleaning solutions, cooling system additives, fuel additives, penetrating and grease lubricants, various cleaning solutions, brake fluid, joint compounds, anaerobic adhesives and threaded joint fixing fluids, joint compounds, car body and interior cleaning solutions, hand cleaning solutions, glues for plastic, tools for mounting of automobile glass, sealing compound for tires.





For distributors of GROUPAUTO, cooperation with Bardahl gives an opportunity to include in their portfolio an European highly-marginal premium brand.

- Popular brands of oils have a pretty low mark-up on the Russian market. Bardahl acts as a high-margin and, among other things, high-quality product - this is an important advantage. What are the other benefits of working with a brand for distribution companies?

- Bardahl is a great, internationally recognized product. We have the widest range of products for all industries: oils and automobile chemistry products for passenger cars, commercial vehicles, industry, and moto transport. All aforementioned products have a clearly regulated price in Russian rubles, a high trade mark-up (30% for distributors), and information support.

Presence of a Bardahl warehouse in the Russian Federation, work with the provision of a full package of documents for tax accounting, as well as using of electronic document management is an important advantage.

In addition, Bardahl in virtue of low popularity of its products do not have a counterfeiting at the moment, but in the future the situation may change, and we carry out a line of preventive measures in advance. In particular, we register the Bardahl brand in customs authorities in order to eliminate the possibility of illegal deliveries, we attach the protective elements on cans, on labels, and also, we perform the sealing of the necks with a protective membrane.

- You start cooperation with GROUPAUTO Russia. What are the advantages of cooperation with the Group you can note?

-The Bardahl Company became the supplier of GROUPAUTO Russia for establishment and forming of distribution system in Russia. This decision is connected with the fact that GROUPAUTO is the largest association of distributors, leaders of the auto spare parts market on territory from the Far East and to Kaliningrad. For Bardahl, this is a good opportunity to expand the sales geography and establish mutually beneficial relations with successful distribution companies in Russia both for passenger cars and commercial vehicles sectors. For distributors of GROUPAUTO, cooperation with Bardahl gives an opportunity to include in their portfolio the European highly marginal premium brand with a very large range of high-quality oils, additives, automobile chemistry products and a line of unique products.







**- What are the advantages of using your products by car service centers? Does the brand have any special programs of cooperation with the garages?**

- Bardahl is a unique asset for a car service centers. A huge range of products and the highest quality guarantee a good income for our partners and allow not to worrying about the quality and the presence of counterfeits. We have a special program for the development of garages. Together with GROUPAUTO Russia, we are developing a program of support for the garages, which includes the developing of corporate identity design of Bardahl Company for garages-participants of projects of GROUPAUTO Russia, provision of POS materials, various marketing activities, provision with necessary equipment,

- The Bardahl Company was founded in 1939 in Seattle (USA). The Company entered to the market with several types of cleaning solutions and additives for oil, well proven on race tracks. Today the Company consists of two divisions: American (USA, Mexico and Brazil) and European (Belgium, France and Italy). Latter division engages in management of markets of the Eastern Hemisphere: Europe, Asia, Africa and Australia. At this time, Bardahl is a large chemical company, run by the relatives of its founder, products of the company are very popular all over the world, especially in Europe.

Also, the company successfully works with car service centers and technical centers, both independent and authorized.

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**Unlike most competitors, Bardahl manufacturing all products only at its own production capacities.**

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overalls, information support. There will be implemented the training seminars and webinars. Next year we plan to bring on the market a unique offer for the garages: we will have soon a unique device for cleaning the fuel system, intake manifold, turbocharger, EGR valve and particulate filter. We plan to offer this device for garages for free; the client will pay only for the necessary automobile chemistry products which is necessary for its use.

Garages will get access to the widest range of lubricants and automobile chemistry products from a single manufacturer that can cover all the station needs in this field, and also provide their services with added value owing to improved standards and quality of service, as well as being a part of the world brand.

**- Let's recall the main development milestones of the Company and its features, little known to the Russian consumer.**

As it is known, most of the automobile chemistry products available today on the market is made by oil refining companies. Additives for these companies are not the main their "specialty". Bardahl has been developing automobile chemistry products for 65 years, and these products form up to 99% of the company's products. All intellectual potential of the Company is investing in this sector. At the same time, Bardahl strictly follows the principle of a unified quality: it means that the properties of a particular product are not depending on who it is intended for: an amateur or the professional, the European or Asian consumer. Therefore, Bardahl does not provide for the separation of products into professional and non-professional categories. Products can differ by the level of impact, but not by quality. By the way, unlike most competitors, Bardahl manufacturing all products only at its own production capacities.

# “Auto-Euro”: “Our formula for success lies in the very name of the Company”



The Auto-Euro Company is well-known to the Russian automobile business: for more than 20 years of its history, it has established itself as a reliable and profitable partner for hundreds of automobile services and spare parts stores, and cars with the logo "Auto-Euro" on board can be found in different Regions of Russia. Since 2002, the Company is one of the largest partners of GROUPAUTO Russia and actively participates in the Group's activities.

**Oleg Puhov**, the owner of the Auto-Euro Company, tells us how he manages to maintain a confident position even under difficult conditions.





**– How do you assess the state of the market? Is it possible to say that the crisis has ended – or has the industry adapted to the new conditions?**

— The situation on the market remains difficult: the content of the purse of consumers no longer increases, and in some regions only decreases, and in such a situation it is not necessary to expect explosive growth. The currency rate jumps also did not contribute to stability, as imports occupy a significant market share, especially in the premium segment. Promotional campaigns of automakers to support the sales of the «original parts» are also playing a negative role in the instability: we are working with the real exchange rate, and auto companies can maintain the rate low artificially thanks to their resources. To tell the truth, these problems were acute in the past year – in the first half of this year, the established stability of the exchange rate played in our favor, and now we successfully sell both premium segment spare parts and middle-price products while remaining in profit. It

should be noted that we very much appreciate those suppliers of auto components who think about their partners and are ready to support us, helping to compensate for the exchange rate jumps – fortunately, there are many of such suppliers among our partners.

Illusions should not be indulged. Yes, now we observe growth, but this is a pent-up demand, bonuses of which we can use now, and the situation can change quickly enough. People have less money; new cars are bought less often; old ones need maintenance. The role and redistribution of market shares among wholesale companies played a role in this situation too: several large players left the market and their volumes went to those who worked more actively.

**– How promising, in your opinion, is the sale of auto components through services?**

– The specificity of the Russian market is that a significant amount of auto parts is sold not through garages, but through specialized stores, this distinguishes

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**The need for shops will largely disappear when distributors can provide high-end service, delivering within a few hours. The car owner needs a result, and preferably quickly.**

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Distributors become logistics: the trading margin is already determined by the market, and success depends on how quickly and efficiently we can meet the customers' needs

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us from Europe. The situation is changing, this tendency is traced, but it will not happen quickly. From our experience, we noticed: when there was no fast Internet access, the number of our partners who used the network at least to download price lists was small. Over time, this number has grown, and now almost everyone uses new

specialized diagnostic devices, and it is simply impossible to select a complex spare part and install it «in uncle Vasya's garage» («in amateur's garage») correctly. Finally, for the car owner it is no longer so important to personally monitor all stages of repair – he needs a result, and preferably quickly.

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**Now we observe growth, but this is a pent-up demand, bonuses of which we can use now, and the situation can change quickly enough.**

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technologies. The same situation is with stores: people are used to them, they want to touch the purchase with their hands, ask questions – this is the current pattern of behavior of the current generation.

In addition, many services are not ready to keep their own spare parts warehouse and the corresponding personnel – it is easier for them to work with the store in the neighborhood. When distributors can provide high-end service, delivering within a few hours, the need for shops will largely disappear. Especially as the cars themselves become more complicated, maintenance requires

However, the stores will not disappear at all, even when the bulk of sales of spare parts will be sold through the garages: there will remain accessories, additional equipment and other items that car owners will continue to buy in stores.

**– How does the company prepare for changes? What is being done in order to stay in the group of market leaders?**

– There are several elements of the strategy. Let's start with the delivery: it's been said for a long time that distribution companies are no longer trading and are in-



**Our customers say that we have the widest range.  
At the same time, it is important for them to get exactly  
what is needed, and at the right time.**

creasingly becoming the logistic ones. The trading margins are determined by the market and there is no wide possibility for maneuver, and our success depends on how quickly and efficiently we can meet the needs of our customers. Now we have the best delivery rates in Moscow and in a number of regions, although there is still much to be desired. Logistics is largely related to the effectiveness of management: you can provide prompt delivery, but you must clearly understand what and how much to keep in stock, at what price to sell, etc. The cost of management error is much more expensive than any other component. By the way, the prices of federal shipping companies become more attractive, and it is often more profitable to use their services than to deliver goods on our own cost.

The subject of our special pride and the project, through which we plan to improve significantly the efficiency of the Company, is a new warehouse that is being commissioned in August. Our warehouse by the

size and quality of the goods processed will be the most modern in the market, and we expect to keep this position. We provide the highest level of automation, conveyor, operational processing of orders. The storage area of the warehouse is 45 thousand m<sup>2</sup>, which gives an opportunity for expansion: now, in my opinion, the normal typical size of the federal warehouse is 20 thousand m<sup>2</sup>.

Customers usually say that we have the widest offer in the market and the widest range – this is our competitive advantage. This is important, because low price and fast delivery do not play any role, if the product is brought quickly and cheaply, but it is not what you need. Therefore, our goal is to organize the work so that the client receives exactly what he needs, and at the right time.

I am confident that our formula for success lies in the very name of the «Auto-Euro» Company: we are able to provide





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**Golfers are special people: if they are really passionate, then they play constantly, to the most twilight years. This is a wonderful game for a lifetime – and it allows, what is very important, to remove stress from everyday work**

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automobile business with services of European level.

**– The Auto-Euro Company is one of the oldest members of GROUPAUTO Russia. What is the strength of such a partnership.**

– I am ready to say that GROUPAUTO Russia is “our everything”. We believe in the Group very much – both in its activities at this stage and in the development prospects. I want to note that over the past year we have achieved a lot in mutual understanding within the Group, we see common goals and are ready to work together to implement them. The interaction is conducted on an ongoing basis; we coordinate our actions with the management of GROUPAUTO Russia, and with our partners in the Group. Singles on the market do not have such a competitive advantage.

We are interested in the network projects of the Group; they are ready to support them with the prospect for

10-15 years. In Europe, network projects are working long and successfully, I would like to see that we have the same system.

**– We know that this year you celebrate the golden jubilee – our Editorial Board joins congratulations that you are already receiving from relatives, friends and colleagues. On such days, you can tell a little about yourself: what are you passionate about? How do you spend your free time?**

– Many people know that my hobby is golf. Last year I won seven golf competitions in Russia, there is much to boast about. Golfers are special people: if they are really passionate, then they play constantly, to the most twilight years. A wonderful game for a lifetime – and it allows, what is very important, to remove stress from everyday work: in the game you have to turn off extraneous thoughts, if you do not know how to do this – you become helpless. Concentration and experience – these are the things that are necessary for success.

# HAPPY BIRTHDAY, OLEG GEORGIEVICH!



**Oleg Georgievich**, please accept our most sincere congratulations from the NTN SNR Company on this day that is unforgettable for you! We've been collaborating with you for seven years already and throughout that time we've seen positive changes in the company, which you have led. You are successful in business! Success in business is impossible without good partners and colleagues! In this as well you are to be envied! The only remaining thing to wish for is harmony and prosperity, as well as the most important one—without which any victory will not be so sweet—health! May you and your loved ones always have it in abundance!

Sincerely yours, **Leonid Nerezov and the employees of the NTN-SNR Company**



The Delphi Company congratulates **Oleg Georgievich Pukhov** on their anniversary and wishes him health, good fortune, and well-being!

**Oleg Georgievich**, may success in your work and in all your endeavors accompany you and may your organizational and leadership qualities, which are one of the most important factors in the success of the AutoEuro Company, never lead you astray. For our part we hope for continued fruitful collaboration with you and your company, which for many years already has been our reliable partner.

**Alisher Khudayberdiev**,  
development director for the Delphi Business in Russia



**Esteemed Oleg Georgievich!**

From myself personally and from the team of the company Auto ms, Ltd. (brand FEBEST), I cordially congratulate you on your golden anniversary! Your professionalism, responsibility, and attentive regard for those around you have always characterized you as a competent leader and sincere person. Your goal-orientation and your work-readiness have made the company's development and prosperity possible. May good fortune and success accompany you in all your undertakings in your responsible post! With all my heart I wish you strong health, great happiness, joy, and love to your family and those near and dear!

**Aleksandr Penkov, General director for the company Auto-ms**



Being a good leader—that takes talent! A stable, prospering business cannot occur by happenstance. That requires leadership qualities above all, being goal-oriented, and the strength of will of a leader. Esteemed **Oleg Georgievich**, please accept our congratulations on your anniversary! Ambitious plans, profitable income, new opportunities, competent and productive subordinates, reliable partners, true friends!

**Boris Kormilitsin, territorial manager for the countries of the CIS, Brembo Russia, Ltd.**



On this joyful day we congratulate our wonderful partner and leader of the Auto-Euro Company, **Oleg Georgievich Pukhov**, on his anniversary.

We wish you health, good fortune, and success in all your endeavors!

We take note of his inexhaustible optimism, multifaceted approach to the solution of various problems, and clarity and consistency in his work. We are used to working together and further strengthening our connections day by day. Actively developing, together we will achieve still greater successes. You are setting a worthy example for us all!

Congratulations on your birthday and the anniversary!

**Your team – bilsteingroup**  
**Valeriy Balashov**



**Esteemed Oleg Georgievich!**

*On the day of your anniversary please accept my sincere congratulations and wishes for health and happiness! You've done a lot and are continuing to do a lot to develop the domestic automotive components market and you can be rightfully proud of your own achievements — under your direction the AutoEuro Company deservedly took a leadership position. We wish you further prosperity, good fortune in all your endeavors, and implementation of your boldest and most ambitious plans!*

**Ilya Sokolov, regional manager of DENSO RUS,  
and the DENSO Company team**



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*The KYB Company congratulates its partners!*

*We congratulate the leader the Auto-Euro Company, **Oleg Georgievich Pukhov**, on his golden anniversary. We appreciate your excellent work and we wish for you conquest of new business horizons!*

**The KYB Company**



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**Esteemed Oleg Georgievich!**

*The Ajusa Company congratulates you on your fiftieth anniversary!*

*We wish you vigorous health, family happiness, a prospering business, and successful realization of all your endeavors. May good fortune be always with you!*

**The AJUSA Company team**



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**Esteemed Oleg Georgievich!**

*The entire Hella team and company hastens to congratulate you on this wonderful day and excellent holiday—Happy Birthday! We'd like to wish that your successes be Olympic, your sales be beyond the clouds, your happiness be unearthly, your love be French, your harmony be Japanese, your money be American, your car be only German, your health be Siberian, and most importantly, real and true friends and those near and dear around you.*

*Happy Birthday!*

**The Hella Company team**



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*In the name of the Federal-Mogul Motorparts Company we congratulate Oleg Georgievich Pukhov on his anniversary. We wish Oleg Georgievich health, business success, and conquering new business heights! The AutoEuro Company is a longtime partner of Federal-Mogul Motorparts; working together has been interesting not only from the point of view of business but has been pleasant in the human sense. This is a company of real professionals and wonderful people. We are sure that opening a new warehouse will strengthen the company's position in the Russian market and will lead to its further growth and prosperity.*

**The Federal-Mogul Motorparts Company**



# “Orum Merka” will direct the development thrust to collaboration with independent service stations



A vigorous Russian company with the Finnish background and great development plans both in the North-Western Region and outside it – it is a short characteristic of “Orum Merka”. **Andrey Pavlov**, general director of “Orum Merka”, talks about a story and strategy of the company.





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**We never promise if we can't perform something, thus,  
we are a reliable and systematic partner,  
on which one can rely.**

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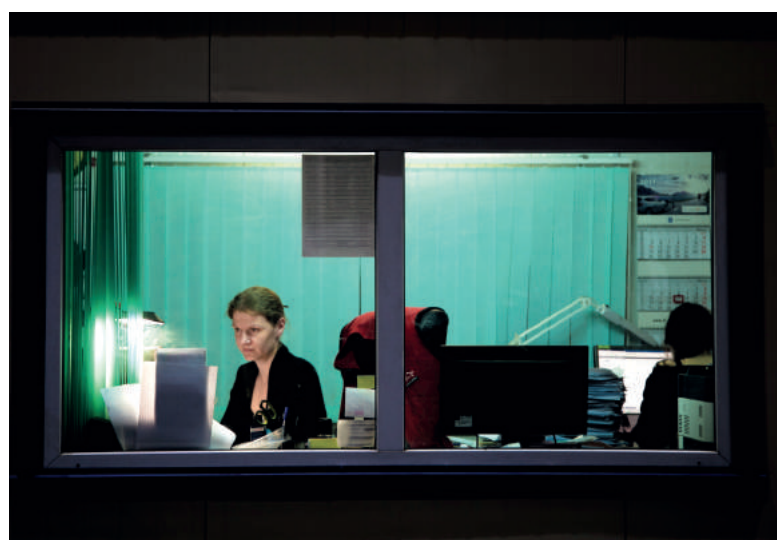
“Orum Merka” is a relatively young company by standards of the car spare parts market: a commencement of our operating activities as an independent legal entity – 2009. At first the company was a subsidiary of the Finnish company Orum, a leader of the market of spare parts of Finland: the first important event in our story – establishment of the representative office of this Finnish company in 2007 in Saint Petersburg. At this stage the market has been researched, the business development strategy in Russia has been prepared.

The second strategic event, of course, is a business start in the form of fully functional autonomous company Orum Merka LLC in 2009. The company began to act as a qualified distributor of spare parts in the North-Western region of the Russian Federation. At that time the principles of our work, by which we are governed nowadays, have already been established:

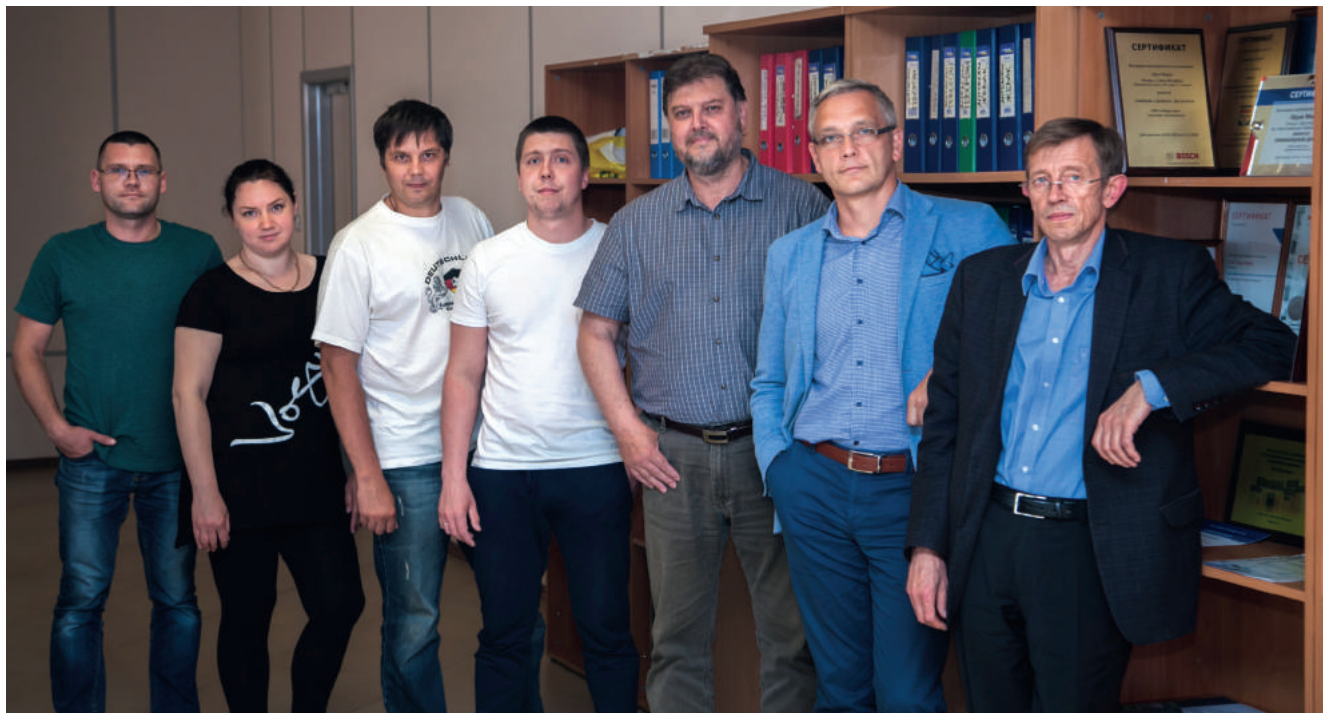
- 100% of business legality;
- transparency of all company's business processes;
- sale of only products of verified quality, preferably of premium brands;
- establishment of long-term and mutually profitable relations with all partners.

The third important step was a change in management of Orum Merka LLC in 2011. Then a course was held for active business development – as a result, sales grew in 2011 as compared to 2010 by 80 % and there was a further annual growth.

The next and, maybe, the most important period started in April 2016, when Finnish company Orum sold its business in Russia. It was related to the political instability, introduction of sanctions against the Russian Federation, as well as to inordinate dramatic cheapening of rouble against euro. The company, which became an owner of Orum Merka LLC, has its own experience of work in the market of car components and for a long time it has been one of the largest distributors of goods under trademark Federal-Mogul.







For the period from 2009 to 2016 inclusively the company's turnover has jumped almost 5 times, nowadays it is equal nearly to RUB 500 mln per year. During the entire time it has been focused on business development in the North-Western region of the Russian Federation: over 90 % of the company's clients are located in the North-Western region. At present we have no network of branches, only two offices in Saint Petersburg

(in the northern and southern parts of the city – for convenience of employees and clients), as well as representatives in Velikiy Novgorod and Moscow.

The company's structure is very simple: staff number – a shade over 30 people, there is no generally accepted vertical, all decisions are made collectively and quickly. We will try to save our flexibility in future – I'm sure that it is our competitive strength in the market.

The company's current development strategy includes:

- expansion of an assortment, increase of a number of product lines provided in order to ensure constant growth of the service level for our clients;
- creation of a brand new system of goods delivery to clients;
- entry into the regional markets of car spare parts.

New owners decided to become a partner of GROUPAUTO Russia. This decision was related to the fact that GROUPAUTO Russia carries out activities related to provision of an assistance and help to its partners in collaboration with any leading suppliers of spare parts to the Russian market and it is a strong, stable and reliable company.

Due to the Group we have already received several contracts with famous suppliers of spare parts which are important for us. We also like projects of GROUPAUTO Russia, in particular, the project of development of the network of independent car service stations: the Group's experience in such an area will be extremely useful for us, and we will be pleased to join this project in the nearest future.

Of course, we are not considered as the largest distributor of spare parts within the Russian Federation and in the Northern West yet, but we captured our own share of market, we are constantly trying to increase our company's attractiveness for partners, we do not stand still and develop in all directions, whether with regard to assortment, sales, staff or logistics. We never promise if we can't perform something, thus, we are







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**The main business development thrust is related to enrichment of a job with independent service stations.**

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a reliable and systematic partner, on which one can rely.

I believe that our collaboration with shops, bulk companies and internet shops is arranged well, although we always have something to aim at, as something best is an enemy for good one. The main development thrust, as I see, is a business direction related to enrichment of a job with independent service stations – for this purpose much remains to be done in order to compete with the market leaders. Our company's staff professionalism plays an essential role, it is our advantage. Our employees are able, and what is more important, are always ready to give high-quality and professional consultations to clients, to quickly react to their requests. Our company's strength, as I think, is also an availability of goods within the scope of products of those brands, with which we collaborate: if, for example, our supplier is Bosch, we have a maximum full assortment of products of this brand to be available so that to satisfy our clients' needs and we do the same with regard to the entire assortment.

Summing up, I can say that our company's main competitive strengths are as follows:

- professional staff of the sales department;
- flexibility and speed in a decision-making process;
- comfortable logistics for clients;
- individual approach to every client;
- continuous work aimed at optimization of the company's business processes;
- transparency in collaboration with all company's partners.





# “TrackMotors”: Main rule: you should not stand still in business activities



Service of commercial transport – special business and professionalism in this area of car service are especially appreciated. **Egor Zelenyi**, procurement, logistics and marketing manager of “TrackMotors”, tells about business success, development strategies as well as about tasks and their solution



**– What peculiarities of the market of spare parts for commercial transport do you see? How do these peculiarities influence your business? How do they help, what difficulties do you see?**

– The main peculiarity is that commercial transport allows the private owner or company to receive a direct profit. One day of demurrage often constitutes great losses. Thus, spare parts are required here and now, moreover, at a profitable price. This stimulates us to constantly work towards opening of new branches, launch of new routes, to monitor their efficiency.

Clients' preferences are changed as well as a budget for repair do. Exchange rate fluctuations also have an impact on availability of spare parts, as almost the entire nomenclature is supplied from abroad and mutual settlements between the "manufacturer and distributor" shall be made in a foreign currency. It is important for the company, which is a distributor, to guess opportunities for clients at any particular moment. For example, when in 2014–2015 euro exchange rate was doubled, clients had to use cheaper brands – at that time their budget was not just ready for it. And we, in our turn, prepared appropriate proposals for them.

**– In your opinion, what are the main problems of the Russian market of car spare parts distribution and ways of their solution? What shall be a correct distribution model, as you think?**

– Main problems for manufacturers are inefficient distributors and an absence of correct information about the market. The Russian market for many manufacturers is a "sombre forest", therefore, they begin to conclude contracts with new distributors, hire representatives, create local warehouses and try to independently manage an assortment. Sometimes it is efficient, but more often it is not. New distributors give no proper sale growth, they, in general, wash out volumes of existing partners, in addition, new companies, aiming at fulfillment of obligations, begin to reduce prices, and it leads to the fact that it shortly thereafter becomes unprofitably for large distributors to work with the manufacturer. Moreover, local warehouses have no proper level of width and depth of inventories. This all leads to additional expenses for the manufacturer, and sales of the Russian Federation are not considerably changed or remain at the same level. And spent expenses could be sent by the manufacturer for marketing purposes or for changes of a pricing policy.

In my opinion, the correct distribution model shall look like as follows.



1. The manufacturer shall support a limited number of distributors, specialized in their segments.

2. Distributors shall have all necessary qualifications with regard to import of goods, efficient management of an assortment, inventories, marketing activities.

3. Distributors shall have a developed structure of sale channels, efficient sale, delivery, pricing management system.

**– How do you think a "correctly operating portfolio of brands" of the distributor shall look like?**

– There is no universal answer, everything depends on channels of distribution, which are used by the distributor, on its clients, on the cars, serviced by them. There are a lot of clients, they have various demands, each of them has its own budget, its own preference, its own philosophy. For example, "TrackMotors" uses all channels of distribution, except for retail sale. It is important for us to have an assortment of brands at all prices according to various demands of clients.

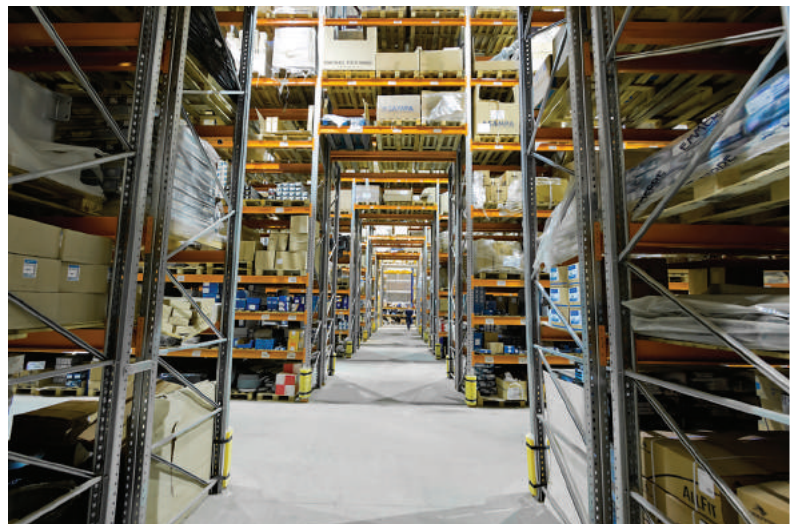
**– Tell about your company: how has it developed, what are its main achievements?**

– "TrackMotors" was established in 2001. We are specialized in wholesale of spare parts for European trucks, buses, trailers and semi-trailers. We were always leaders of innovations – for example, in the very beginning of our development we were first in Russia who created online-area for spare parts sale. In 2011 we launched a unique service, due to which spare parts not only from our warehouses, but from the warehouses of hundreds of our partners, became available for clients within the entire territory of Russia. Nowadays "TrackMotors" is in Top 3 of the largest companies carrying out activities related to the sale of spare parts for trucks. Our assortment includes over 120 brands, and a number of nomenclature items, which are constantly

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**One day of demurrage often constitutes great losses. Thus, spare parts are required here and now, moreover, at a profitable price. This stimulates us to constantly work towards opening of new branches, launch of new routes, to monitor their efficiency.**

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available, is over 60,000. We are presented in all largest cities in the Russian Federation, have a developed network of branches, regional warehouses and nearly 100 routes of delivery to various parts of Russia.

If we speak about the results of the previous year, we have something to mention. Firstly, opening of new branches in Saint Petersburg, Kazan and Rostov-on-Don. Secondly, we increased our assortment by 60 %, and growth of a client base was equal to over 30 %. And, at last, fourthly, according to the order, but not according to a relevance: the 15-th anniversary of "TrackMotors", which we celebrated together with our partners. This all is a result of our cohesive team's work.

#### – What development strategy does the company adhere to?

– We create an efficient, unabated and upcoming enterprise, which is able to keep high positions in the market, and we achieve it through an attentive attitude to a client, active participant in its development, sincere interest to its needs and demands and their maximum satisfaction.

Our strategy is based on the following main directions:

- broad assortment;
- new regional warehouses, developed network of delivery routes, minimum time for a spare part to be received;
- individual approach in work with corporate clients;
- efficient work with suppliers for productive business development in the Russian Federation.

We are constantly working out something new and unique. In my opinion, when you start your own business of spare parts or service stations, the most important thing is

not to loosen up and remember the main rule: you should not stand still in business activities. If you stand still and others do not, – you have already lost touch.

The company has several new projects now, I think that within a year we will present something actually unique in the market again.

#### – What are the main advantages of collaboration with "TrackMotors"?

– "TrackMotors" has a broad assortment, which is one of the broadest in the market. We offer an opportunity to buy spare parts at various prices: from available to original, supplied to assembly lines. We have the most developed and convenient internet-portal for acquisition of spare parts. Every client has its own individual access to its personal account with a rich functionality.

The slogan of our company is: "Simply and comfortably!" – and it's no accident, it means that we do all our best for the client so that it can work with us as simply and comfortably as possible. In particular, we have an individual approach to work with corporate clients. There is a specific team, efficiently working with large parks and motor transport enterprises.

And, of course, an important advantage is our representation within the entire territory of Russia. We sell and deliver spare parts as soon as possible almost to any part of the country.

For independent service stations and shops of spare parts, I would also mention such a peculiarity as a simple and comfortable collaboration: in order to start it, you are required to make minimum efforts, all that you need is to be simply registered in our company's internet-portal, and you

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**There are a lot of clients, they have various demands, each of them has its own budget, its own preference, its own philosophy. It is important for us to have an assortment of brands at all prices according to various demands of clients.**

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The slogan of our company is: “Simply and comfortably!” – and it’s no accident, it means that we do all our best for the client so that it can work with us as simply and comfortably as possible.

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will immediately receive an access to one of the broadest assortment within the freight program in the Russian Federation. You will also be provided with a personal manager, constantly accompanying you and developing our collaboration.

– What are your plans related to your work as a member of GROUPAUTO Russia? What are the group’s strength as you see?

– We lay high hopes on partnership with GROUPAUTO Russia. Firstly, some brands, supported by the Group, become interesting for us with regard to investments, there is an additional motive to achieve a result. Secondly, we hope to receive contracts with a range of manufacturers which were previously unavailable for us. Received preferences will make it possible for us to invest in brands and common projects.



# Vincent Congnet: “Every professional of the market will find his place in our partner family”



France is one of the leading automobile manufacturing countries in Europe, and GROUPAUTO France is the founder of the international Group and its active participant. The network projects implemented by the Group also occupy a leading position in France. What is the secret of success in French? We are talking about this with **Vincent Congnet**, the Head of the network projects of GROUPAUTO France.





**– Vincent, tell us about the network projects of GROUPAUTO France – when did they start?**

– GROUPAUTO France started creating networks in the very beginning of the 2000s. The first five years were spent to build the basic principles of the network, to understand how and in what direction to develop. Then the such structure began to take shape, which now occupies a leading position in the French market.

**– You have a lot of network programs – what is the main reason of it?**

– It's true: we have more than 10 network projects. This system is designed in such a way that any professional in the automobile service market can find his place in our partner family.

- The leading role is played by the Eurogarage network – in France it is called TopGarage. By the end of the year, according to our plans, the number of stations of this network will reach 900.
- The second format is the Garage Premier network: it includes small garages. The decision to create this network was completely deliberate: three years ago we realized that a garage

with two or three employees cannot meet the Eurogarage standards, but such stations have considerable potential, so we created this format for them.

- The next network is Top Carrosserie, which combines services that specialize in car body repair.
- Finally, the Etape Auto network – it includes stations, which we call autocenters: these are services that also have their own accessory store.

These are the main elements of the structure of our network projects. A similar system exists in the direction of repair and maintenance of commercial vehicles. Plus – and it's quite interesting – by agreement with Bosch we also manage stations of the Bosch Auto Service network: usually we open such garages if specialization is required (for example, maintenance of diesel engines) or the territory is already saturated by garages of the Top Garage network and something new is required.

If to talk about the figures, then all garages of our networks, taken together, rank first in France and the revenue from network projects is 22% of GROUPAUTO France's total revenue. Three years ago, this figure was only 12% – a noticeable increase. Our goal now is to ensure that the share of network projects in the





Group's business reaches 35%, and we would like to achieve this goal within next five years.

The number of network projects will not be reduced, even on the contrary: by the end of the year a new multi-brand network for servicing commercial vehicles will work. But it's too early to disclose all the secrets.

**– With such a rich choice of network projects, did you ever think about opening networks specializing in promising areas – for servicing electric vehicles, for example?**

– We are already doing this. So far, not a full-fledged brand was created, but what in French is called a «label» certification

expensive and require a particularly careful approach to servicing.

**– How do you choose garages which you intend to include into the network? What are the minimum requirements for candidates?**

– There are three evaluation criteria. The first one is the turnover that the station can guarantee us. If the garage can buy spare parts from us in the amount of 25 thousand euros per year – it may be a part of the Garage Premier network. If this figure reaches 65-75 thousand euros – this is the scale of Top Garage. Finally, more than 200 thousand – the level of the auto center of the network Etape Auto. The second criterion is the number of qualified employees: in Top Garage there should be more than three of them. Of course, the network station must also comply with the quality of service standards, keep the recommended price level and implement a joint marketing plan. Regarding direct payments – they are minimal: for Garage Premier it is 25 euros per month, for Top Garage – about 300 euros per month, for Etape Auto – 2% of turnover.

We understand that if the garage cannot fulfill our standards, then it will not be able to work at the appropriate level. Based on the results of the annual audit, we break approximately 65 contracts, removing stations from the network. To tell the truth, sometimes this is not a complete break, but simply a lowering of the network level: if there is no possibility to meet the standards of Top Garage – they can continue to work as Garage Premier.

Our network projects are not the only ones on the French market. But we have a huge advantage – diversification: a large choice of both the network formats for the garages, and our «labels». Garage can choose the format most suitable for it. In addition, we do not have requirements for compulsory

**We understand that if the garage cannot fulfill our standards, then it will not be able to work at the appropriate level.**

system, after which a garage gets the right to call itself a service specializing in a particular kind of service. We also develop similar «signs» inside the network – the first was the certification «Professional of the maintenance of light commercial vehicles». A similar «sign» we prepared for hybrid cars and electric vehicles – now about 175 garages indicate that they can professionally handle their maintenance. It is not expedient to allocate maintenance of hybrids in a separate network – now the master servicing such machines requires a wider qualification.

About one such «sign» I want to tell in more detail - this is a unique project not only for France, but for the whole of Europe. It's about the maintenance of the automobile classics: TopGarage Classic. Do not confuse the classics cars with just the old ones: retro cars are a collectible, they are very

monthly turnover, only annual is taken into account, as we understand: this business is seasonal, in different months the turnover may vary very much. Finally, we have the most complete and beautiful visualization concept: our network services look better than competitors' ones.

**– What are the concerns of the garages in the process of deciding on participation in the network? How do you deal with these fears?**

– The stations that worked with the cars of the main French manufacturers, there some fears appear like «what if I will lose customers with the cars of these brands?». We have the answer to this question: if you are servicing, for example, Peugeot, then you have a maximum of 25% of the market, and with Eurogarage – already 100% is at your disposal. This is the advantage of



multi-brand service. By the way, in such situations we usually give the phone number of one of the garage owners, who used to specialize in a certain brand, and then moved to our network and increased profits – this example of a colleague is very bright.

The second concern is that the owners of independent garages are afraid of losing their independence. In this case, we explain that the station remains independent, it needs to meet the standards, but otherwise we do not interfere with its activities. According to statistics, only 25% of garages in France would like to remain completely independent and not enter any of the networks, and among clients, almost 100% prefer to service their cars in network garages.

#### **– What benefits does the garage receive from participating in the network?**

– Direct: according to our calculations, membership in the Top Garage network allows garages to save around 200 thousand euro annually. What does this figure include? First, information technology – even the development of your own website requires costs, and its maintenance costs are even bigger. Our network site is one of the best in France; it actively works for the benefit of the whole network. For example, you can register for the service online, it seems like a simple action, but serious resources are required to implement such function. The second component is insurance against consumer extremism: we have lawyers who specialize in such matters, they help garages to solve emerging problems, and this often saves very substantial amounts. Third – network contracts: the same accident insurance will cost the garage great money, and a member of the network has the opportunity to purchase such insurance at half of its cost.

Finally, there is something that cannot be counted in concrete amounts, but what, perhaps, is even more important: communication. To independent garage, it is extremely difficult



independent garage will never be able to afford something like that.

#### **– How to work with suppliers? Whom do you recommend to the network garages?**

– We have a list of recommended suppliers. Garages are not obliged to use their services, but we recommend them and guarantee delivery at the most favorable prices through distribution companies that are members of GROUPAUTO France. There are three selection criteria for recommended suppliers. First, it must be manufacturers of high quality products. Secondly, the supplier must participate in our marketing programs. Finally, the third criterion is availability. We arrange delivery of spare parts to the services three times a day, and

## **We support garages in the relationship with our customers; we have a unified CRM-system**

to follow all the innovations of the industry, changes in legislation, etc. Regular meetings are held for the members of the network, where they learn news and discuss them with each other.

Of course, we support garages in the relationship with our customers; we have a unified CRM-system that tracks the satisfaction of car owners. We also provide them with access to the technical information of automakers - for an independent garage, it is also very difficult to obtain it directly, and we receive this information and distribute it among the network participants. Participation in technical trainings for the stations is not necessary, but we also provide this possibility: weekly and two-three-day trainings. Do not forget about the advertising support: we place advertising on national TV channels, on the first pages of search engines, etc. – it's very expensive, an

the components of the recommended supplier must be available in the required quantity.

A special issue is warranty cases. If this happens, we take the defective part and check whose fault was the failure. We appeal to technical experts – there are specialists who consider similar cases ordered by insurance companies, we at our expense involve them and find out the cause of the breakdown. By the way, practice shows that in most cases, the problem is not the correct installation, but is a detail quality – then it is replaced at the manufacturer's expense.

Concluding the story, I want to note that network projects are the present and, of course, the future of an independent car service. It is pleasant to customers, it is convenient to suppliers and it is profitable for garages themselves, and rapid development of our networks is the best proof of this.

# Strategic partnership of GROUPAUTO with GiPA

For all players in the car business a true understanding of the market trends is the key to implementing effective strategic development plans, as well as the basis for making the right decisions aimed at achieving the stable growth and development. For this purpose many companies of this market from Europe to Japan and the US cooperate with GiPA, receiving analytical studies of the automobile sector.

Since 2012, GROUPAUTO Russia and GiPA Russia have been actively cooperating, conducting joint statistical and marketing research in the field of after-sales service of cars and the auto components market.

**Alexandr Gruzdev**, Director General of GiPA in Russia and the CIS, an expert in market research for after-sales service and vehicle operation.

– Without professional analysis and accurate interpretation, the statistics remain not properly understood, and most importantly – it remain as almost inapplicable and useless figures. It is important to understand the significant differences between statistics and the analytical report. Based on my experience and trust of our partners, including GROUPAUTO Russia, I can firmly say that we can clearly grasp the vectors (trends) in the development of the main areas of the aftersales car service market, the auto components market, taking into account the different sales channels, in the context of the product groups, changes of patterns of behavior, and preferences of the car owners.

Partnership with GROUPAUTO Russia is not limited only to the statistical researches: GiPA Russia provides the Groups with an annual analysis of trends on the auto market in Russia, an analysis of changes in the behavior of drivers, the development of sales channels and forms a forecast for the development of the market in general.

“I personally take part in the development of trainings and tutorial programs, as well as in the writing of analytical articles and reviews for the corporate magazine of the Group (“GROUPAUTO Russia news”), GiPA Russia data are used and applied by the Group to create the marketing and promotional materials for the garage network “Euricar – Thoughtful Service”, which form the motivation for the clients of the network”, says Alexandr Gruzdev.

Since 2016 GiPA Russia is an active participant in the regional seminars and conferences of GROUPAUTO Russia, which are held in many cities of Russia.

## Perspective of GROUPAUTO Russia

The Group's cooperation with GiPA is an important strategic partnership.

Together with Alexandr Gruzdev there has been carried out a complex work using various analytical data, research and interviews with target audiences that take into account the characteristics of consumer psychology. This work is multi-sided, thorough and thanks to Alexandr Gruzdev it is quite concentrated and diligent.

This approach makes it possible to identify correctly the prerequisites and observe the trends of the modern market.

In the context of cooperation and in order to study the prospects for the development of the Russian market for car components, GROUPAUTO Russia and GiPA have jointly prepared an analytical report on the topic “The market of auto components in Russia: challenges, trends, prospects”.

We gladly invite partners, colleagues and readers to the presentation that will be held on August 21, 2017 at 3:30 p.m. in Moscow, Expocentre, Glass Dome Hall, on the territory of the MIMS Automechanika 2017 exhibition. Registration is on the site: <http://conf.groupautorussia.ru>

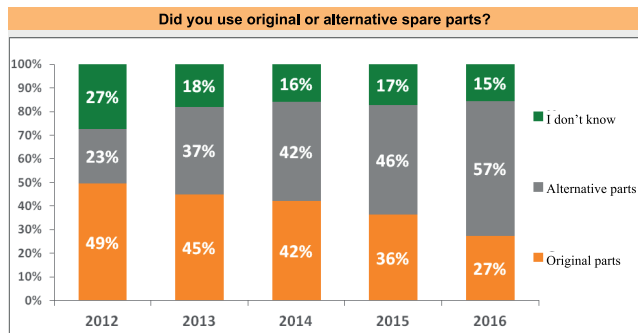


# Russian market of spare parts: from original to premium



According to the most recent data of research of the Russian spare parts market, conducted by the "GiPA Russia" Analytical Agency, more and more car enthusiasts are abandon the original in favor of premium parts. **Alexander Gruzdev**, Director General of "GiPA Russia", tells about this situation.

Every year more and more car owners abandon original spare parts (Figure 1).



In 2016, share of such parts was only 27%, falling at once by 9% compared to 2015. This fact indicates that car owners understand the absence of a difference between the original and spare parts of premium quality.

However, there is one key aspect that needs to overview.

**Alexander Gruzdev:**

- For an accurate analysis of the market situation, we use such an indicator as "operations level": the number of drivers who change a particular part in the period under review. This is the main indicator for each type of auto parts, which assessing the demand of consumer for it: fall or growth

So, in 2016, relative to 2015, this indicator for most types of spare parts is almost unchanged. I mean, it seems like there was stability come to all groups of products: filters, brake pads, shock absorbers, belts, spark plugs, etc. There were no positive or negative trends, but we saw a change in the behavior of drivers in sense of what they are buying. Demand for the original parts was reduced both in 2015 and in 2016. Moreover, consumers did not buy low-quality products (analogs and substitutes) in larger quantities, but they are quite actively switched from premium brands of auto parts to cheaper ones

That is, in general, the sector of non-original auto spare parts strengthened its positions; however within the segment the picture was very interesting if we observe the groups: the switch from the original to premium spare parts was less than the switch from premium spare parts to a low-budget alternative.

**Alexander Gruzdev:**

- We noticed that last year there was no growth of operations level. This means that in the last year, deferred demand was not presented yet. On the contrary, the deferred demand of 2016 was added to the deferred demand shaped in 2015. And only from the second half of 2017, judging by the opinions of various companies, our partners and customers, all this aggregate deferred demand starts to be presented.

Why people postpone buying, we think, there no reasons to explain. But we will explain why it is begun to be presented at this time. Firstly, the situation is partially stabilized. Secondly, for many commodity groups, now it is physically impossible to postpone the buying, repair and replacement. Parts have already exhausted their useful life and work at the limit of their capabilities. For example, the belts of gas distribution mechanism are recommended to change through 80 thousand operational km. But, in principle, they can go through 90 thousand, and 100 thousand km. It's risky, but possible. After 100 thousand km, the risks are significantly increased; therefore, not every car owner will dare to continue play such game "it breaks or it will not break" and buys a belt.

Thus, as already noted above, in many commodity items, the deferred demand is presented for satisfaction. This is a serious trend in the second half of 2017.

**Alexander Gruzdev:**

- But there is an interesting fact. Obviously, deferred demand will not be presented in full scope, since the additional useful life of some spare parts above limits has not yet been exhausted. Something like this we see in the body repair: things that prevents the normal operation of the car, is being repaired, and that does not prevents (something insignificant: dents, chips, etc.) is not presented until now. And for the rest of the spare parts situation will be the same.

So here it is the important conclusion: if earlier car owners quickly returned to their regular consumer behavior after a short-term crisis, now, when we can observe a protracted crisis, such return may not happen in the near future, since the driver who received a positive experience (at his opinion) of using non-premium spare parts will not want to buy premium parts in the future.

**Alexander Gruzdev:**

- The problem is that car owners are non-professionals. They quite often unable to assess the advantages of premium parts expertly and correctly, therefore they will be content oneself with a low-budget alternative. Therefore, the main negative consequence of the current crisis is that some of the customers who "switched" from premium spare parts to the alternative parts will not return back.

Crisis lasts for several years, and people have been using a cheap analogue for several years. And in many cases this experience, according to their opinion, is positive, therefore we cannot expect that they will quickly return to previous preferences. The time lag (an indicator characterizing the time interval between two interrelated economic phenomena. - Editor's note.) is too large: they have already tried and consider that it is possible to use cheaper spare parts for them. Crisis made people try what they had not tried before.



Accordingly, in the near future, due to the fact that the car fleet will grow old for a few more years, and car owners will switch from official dealers to the independent garages, I think the share of the premium spare parts market will remain more or less stable.

However, again, there is no point to jump to a conclusion and refuse from sales of premium spare parts, because the quality of cheap parts is low and by using them you put your reputation at serious risk, devote yourself to streams of claims and endless proceedings with customers.

**Alexander Gruzdev:**

- You should bear in mind, that the customer must be mentally trained. Official car dealers with the "help" of their attitude to customers in 2005-2008, have formed a negative image for themselves. Car owners saw that they did not appreciate customers, they manipulated prices and services, and now car dealers were forced out from the market by their independent competitors - stations that proved to be more loyal to the customer.

This happened because they did not explain to their customer why services and parts are more expensive, and why it is necessary to perform such operations. Car owner simply received an invoice for a sky-high amount.

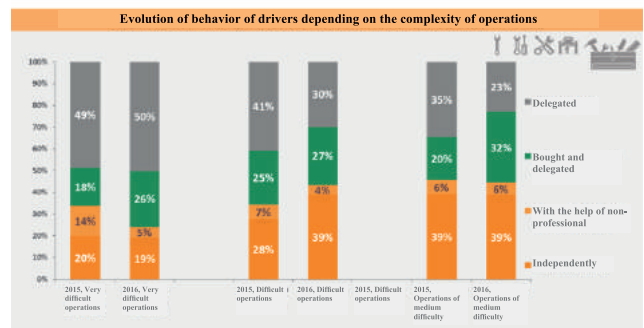
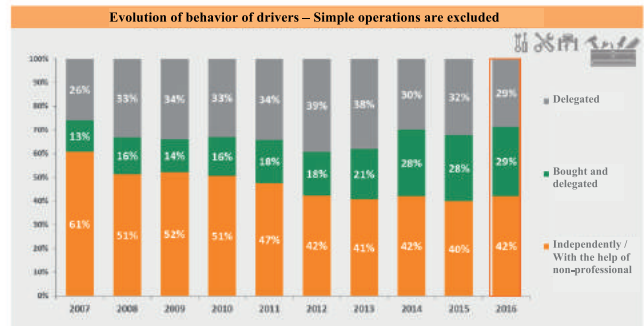
Independent service centers risk to get caught up in a similar situation. Customers visits them after bad experience of working with official dealers and at the same time expect lower prices. In order not to lose this audience, you need to work with them correctly; you need to educate them, explaining in detail the connection between the expected quality of repair and the use of premium parts.

It is need to learn to work with the objections of the customer, do not follow the beliefs of car owners and use the cheap spare parts. Otherwise, you will be blame for the next problems.

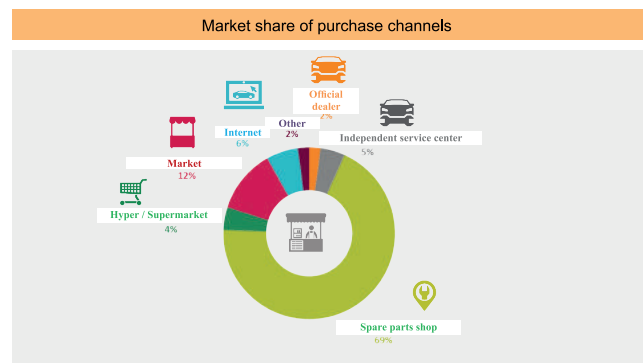
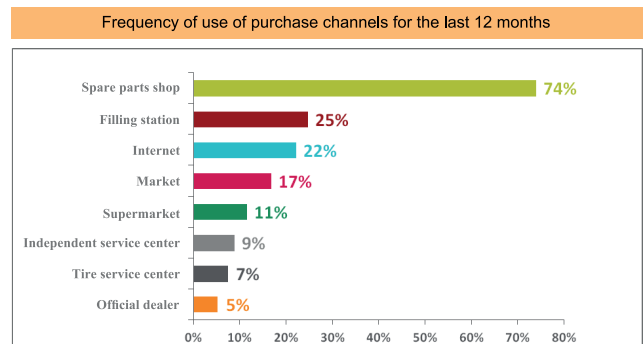
From the point of view of sales channels for auto spare parts, there have not been any revolutionary changes in the market recently. As before, pride of the place goes to the auto spare parts stores.

**Alexander Gruzdev:**

- Latest researches conducted by us this year, expressly give evidence of the following: auto spare parts shops is at better condition than other sales channels at this moment. On the one hand, we see no tendency to increase the share of independent execution of work, but there is still a tendency in the "bought-and-delegated" sector (Figure 2.3. - Editor's note). Therefore, for the last 2 years, auto spare part stores hold a dominant position. Although at the same time the share of sales of auto parts in garages (both dealer and independent) in the last year has not exactly reduced, it rather stabilized.



As we can be seen from the diagrams (Figures 4, 5), 69% of the purchases made by drivers independently were made in the spare parts store, and only 2% of the products purchased for the "Independently" or "Bought-and-Delegated" operations were purchased from authorized dealers. In general, 74% of drivers at least once in the last 12 months has visit the spare parts store.



# Modern technologies will help fight counterfeit and low margin



How to combat the online traffic in counterfeit goods using modern online technologies was revealed by **Yuri Vopilov**, CEO of BrandMonitor.



Today BrandMonitor advocates the interests of more than one hundred major manufacturers from different production sectors: consumer electronics and gadgets, sportswear and footwear, accessories, even fuel and lubricants. BrandMonitor is an analytical, technology and legal company which protects brands on the Internet by blocking offers of counterfeit and smuggled products, thwarting the illegal use of trademarks and cases of "gray imports", suppressing all violations with regard to intellectual property rights.

The company's specialists have been acting as online enforcers for eight years, four of which they have spent protecting brand names and fighting against counterfeit and contraband.

### **Tens of thousands of sites sell counterfeit on the Internet**

Distribution of counterfeit is an illegal way of using the trademark, which is a broad concept regulated by a number of laws: the Civil and Criminal Codes, the Competition Protection Law.

The share of illegal merchandise turnover in some sectors of Russian economy has amounted to 30%, this announcement was made by Denis Manturov, the Head of the Ministry of Industry and Trade, at the international Anti-Counterfeit forum, which was held in in November 2016.

The study, which High School of Economics did for Rusbrand, the total share of counterfeits on the Russian market is about 15-17%.

Tens of thousands of sites sell counterfeit on the Internet. There are just as many sites which sell "smuggled" goods – they were produced officially, but were brought in Russia illegally. The sites that illegally use trademarks also abound. We can simply find online stores that sell "white" products, which were legally put into economy, but their domain names contain trademarks. This leads us to have a false idea of ownership, and the manufacturer' reputation can be damaged.

we have to monitor all of the market at the same time. Simultaneous analysis and processing of huge data arrays requires a lot of automation, technical training, expertise and powerful equipment. In 2016, BrandMonitor detected and blocked several thousand sites, which together made about 500,000 illegal counterfeit offers.

*The technology used by BrandMonitor is called "computer vision", " which scans the Internet environment 24 hours a day, seven times a week, and searches the pages for logos and original trademarks,"* says Yury Vopilov, the company's CEO.

Once a dubious Internet site is detected, we initiate the sequence of making claims. Our lawyers contact the site administration, find out the people's names and the grounds for using the intellectual property of the right holder. The site must confirm its official distributor status or offer evidence of distributing "white" legally imported goods. Otherwise, the lawyers require the site to stop using logos, marks, official images, in other words stop doing business on behalf of the brand if there is any.

If the site disobeys, we launch a clear action protocol, which, through the pre-trial process, restricts any access to illegal websites and hinder their promotion. From the very beginning our actions have a strong impact on the online store's promotion, its indexation by search engines and its business life, so the owners are simply obliged to stop any illegal activities.

Due to combined efforts of lawyers, programmers and engineers we have managed to streamline the process of combating counterfeit. For each of several thousand sites, that we control, we have established interaction with the administrator, the hosting providers, the search engines, the advertising systems, the domain name registrars. However, it is not enough to automate and standardize the process. It is

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## **Anti-counterfeit measured should be combined in a multi-direction system, equally efficient both online and offline.**

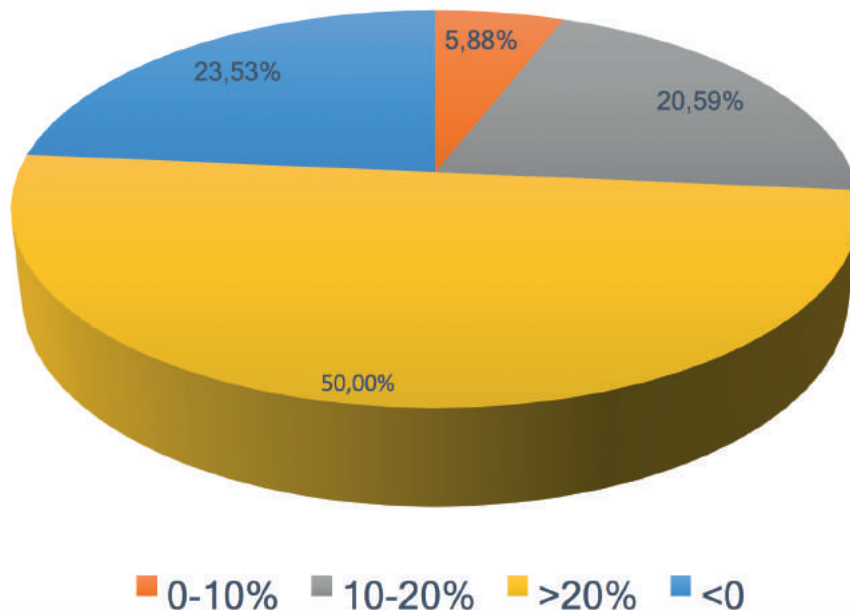
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A large-scale solution to legal problems requires advanced technological methods. Not every online store that allegedly works "officially" provides proper service; lots of them are unable to service their customers as efficiently as the trademark owner does.

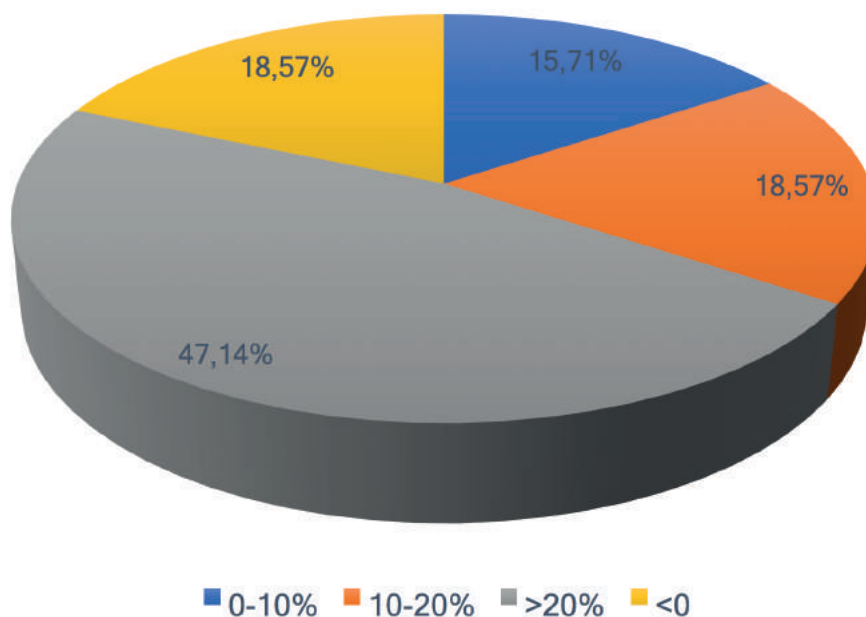
One advantage of doing business online is that your laptop screen can quickly unveil a broad countrywide picture and highlight every sale offer related to the brand. On the other hand,

equally important for us to stay legally correct, because Internet commerce and trademark-related issues are very delicate. For example, different countries regulate the use of trademarks in different ways: some apply the national principle of exhaustion of trademarks rights, others apply international standards. Nuances are plenty, therefore it is necessary to observe legality and provide resources for technically burdened activities with massive communications.

**Deviation from the RRC in terms of “spark plugs”**  
(based on 100 Internet sites selected)



**Deviation from the RRC in terms of “shock absorbers”**  
(based on 100 Internet sites selected)



Let's see how effectively the company copes with controlling the circulation of illegal goods online and eliminating counterfeit offers by conducting a selective analysis of the car components market.

**Selective analysis of the car components market.**

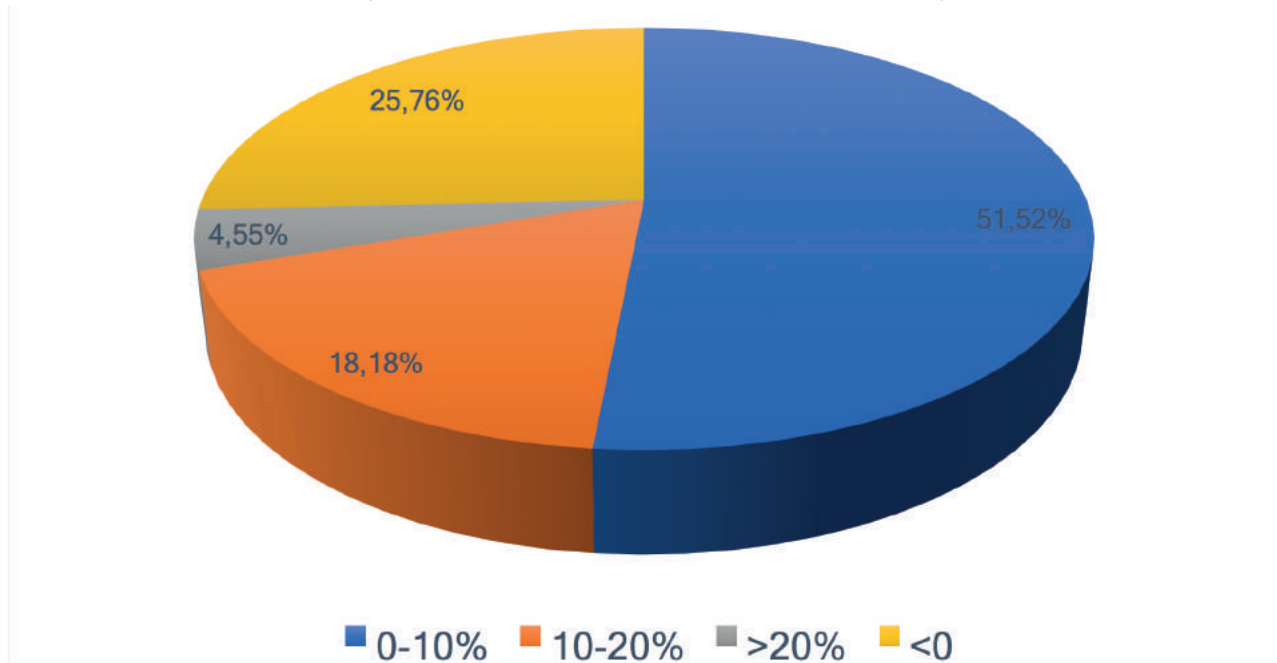
In 2015, the Russian Ministry of Industry and Trade estimated the amount of counterfeit in the used car component's market to be 30% and the illegal turnover of car components to be 295 billion rubles per year. This year, the Economic Sector Development Department of the Russian Ministry of Economics

are already referring to about 50% of counterfeit, with the volume of the spare parts market amounting to about \$ 40 billion per year.

Online traffic in counterfeits is gaining momentum, while any counter measures to such activities are available only in the off-line mode. Until recently, much less attention has been paid to the Internet, and the legislative base is only approaching the minimum standards. Examples of court cases are plenty, but it is the possibility of pre-trial regulation which matters most, because prosecuting in court every one of thousands of Internet sites will tire out any trademark holder.



## Deviation from the RRC in terms of "belts" (based on 100 Internet sites selected)



Today, the auto parts market is low-margin, because most of offers consist of "gray" imports. The study, which BrandMonitor conducted on 100 sites in three product segments, revealed a deviation from the recommended price to be more than 10%, the deviation ratio in car plug sales offers is almost 96%, in shock absorbers - 84%, and only the belts fare slightly better - about 48%.

Almost half (47%) of shock absorber offers include a 20% plus deviation, when it comes to car plugs and belts, the ratios are 50% and 5%, respectively.

network. Speaking of systemic measure preventing the counterfeit turnover, we must mention the necessity to register trademarks at customs, control counterfeit sales in offline stores, markets and other "ground-based" outlets.

Counterfeiting and illegal trade plague the industry as a whole, and the rights holders should act in several ways.

Activities should be combined in a multi-direction system, capable of suppressing all unauthorized sales channels: during customs clearance, during registration of trademarks, during offline and online trade.

## Distribution of counterfeit is an illegal way of using the trademark, which is a broad concept regulated by a number of laws: the Civil and Criminal Codes, the Competition Protection Law.

The audience of sites selling shock absorbers with a 20% plus deviation from RRP is almost 5 million MAU, the sites offering timing belts attract about 3 million MAU (data for one particular model in each product group). With an average invoice being 4237.9 and 5309 rubles, respectively, the site's annual turnover per one specific model in each product group must be about 25 million rubles.

### The victims are both buyers and manufacturers

The sellers of illegal goods have gradually settled in the

The garages should carefully choose reliable suppliers who can provide full service: quality and ready-to-delivery assortment, guarantee and prompt delivery, assortment of components. With low margins, the only competitive advantage that remains is the service. Checking its quality on the Internet is as difficult as identifying the goods origin.

It is extremely important for manufacturers to have a full understanding of Internet trade, to choose the right sales channels, to monitor sales points using new technological tools and to seek discrepancies in trademark use and pricing.



## Textar presents innovative bimetal brake discs

Bimetal compound disks by Textar consist of aluminum brake disc and a high-carbon iron frictional ring which are interconnected by rivets. Due to the use of aluminum, the weight of the brake disc is reduced by 15-20%, due to which the unsprung weight of the suspension is reduced as well. In addition to improved driving performance, the light-weight brake disc also provides for lower fuel consumption and emissions.

The new Textar bimetallic brake discs enter the spare parts markets with innovative advantages that were previously available only for the car manufacturer: optimized driving performance via reduced unsprung weight; lower fuel consumption and, consequently, much fewer CO2 emissions; improved thermal conductivity, which reduces thermal deformation and, consequently, minimizes vibration when braking. All Bi-metal brake discs by Textar are supplied with additional screw kits.

## Enjoy the silence: elastic couplings by Febi bilstein



For the indie auto parts market, Febi Bilstein offers the cutting-edge line of elastic cardan couplings, the quality of which corresponds to that of the original parts. This SGF Standard Line is the solution for standard engines and SGF Power Line is the solution for high-load engines. The parts are made in Germany, the service life is doubled. The optimum torque transmission is ensured thanks to Tenpu® technology. The novelties demonstrate improved performance with the previous dimensions, torsion angle compensation being up to 5, axle deviation offset being within +/- 2 mm.



Elring has produced the third generation of metallic gaskets Metaloflex® with so-called stamped relief reinforcing elements in the shape of meander, rhombus, segment. Thanks to the new stamping technology, the performance of the sealing system is even better, due to the increased maximum cycle pressure, increased injection pressure and the use of alternative fuels. In addition, Elring Klinger has developed a new elastomeric material which partially coats micro-sealings. The material was developed specifically to ensure high load resistance in a modern engine.

## Elring presents Metaloflex, multi-layer metal gaskets for the cylinder head.





# **GROUPAUTO** *Russia*



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# REPLACEMENT PARTS: CHOOSE THEM CORRECTLY! PREMIUM BRANDS MEAN ORIGINAL QUALITY!



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