

T R A D E

Under the brand name “Elring – Das Original,” ElringKlinger supplies a wide range of automobile and truck spare parts to retail partners and independent vehicle workshops all over the world. As the two biggest vehicle markets, China and the

Joe Liu

Director Sales China
ElringKlinger China, Ltd.



LIU — Over the last decade, China has become the world's biggest vehicle market, so, in the medium term, we expect to see strong growth in demand for spare parts. It's worth noting, though, that the average age of vehicles in China is just five years at present. Average mileage is also relatively low, so vehicles are not serviced nearly as often as in the USA.

Notwithstanding the tremendous potential for growth, the Chinese aftermarket presents a whole series of challenges for the *Elring* brand. Unlike the OEM segment, where you have just a handful of competitors, the aftermarket is much more diversified, with hundreds of competing firms.

That creates a huge range in terms of both price and product quality. In China, one of the big challenges facing premium aftermarket suppliers such as *Elring* is protecting themselves against counterfeit products and patent violations.

1 What's the current situation in your particular market? What are the specific challenges you face?

Bill Atkinson

Sales Manager USA
ElringKlinger North America, Inc.



ATKINSON — The US vehicle market is dominated by large, powerful engines – in both the automobile and truck sectors. Vehicles tend to run up a lot of miles and also have a very long operating life. As a result, they need frequent servicing, and that's good for us because it creates strong demand for spare parts.

Having said that, it's relatively difficult to break into the North American aftermarket as it's already pretty well developed. *Elring* has to compete against a large number of established and mostly US-based suppliers.

You have to understand the specific features of each market and make sure that you comply with all the strict procedures. Let me give you an example. Our *Elring* product catalog did not comply with the US industry standard, so we had to adapt it before local warehouse distributors would consider our brand. As our most critical element, we understand cataloging to be a continual task going forward.

LIU — We launched our products in China towards the end of 2015. Since then, we have made continuous efforts to establish *Elring* as a recognized brand in the Chinese aftermarket. Our sales and marketing strategy focuses above all on megacities such as Shanghai, where most of the biggest part wholesalers are based.

To attract new retail partners, we emphasize the quality of our sealing components and our wide-ranging expertise in both automobile and truck applications – that's quite a rare combination among competitors in the Chinese aftermarket. In the medium term, our market objectives are to keep increasing our regional coverage and the annual revenue we generate from our key distributors. In fact, we have already done that in the last few years.

LIU — Although we've only been operating in the Chinese market for a relatively short time, we've already achieved some important milestones. Thanks to the sales and marketing strategy we adopted, general recognition of *Elring* as a brand has increased enormously in a very short time. One of the key factors has been our presence at Automechanika, the world's biggest trade show for the automotive aftermarket. We've had a booth there every year since 2015. Also, word has quickly got around in the Chinese market of just how good our products are.

That growing product acceptance is reflected in our revenue figures, which just keep going up and up. If we look at it in euros, *Elring* first broke through the seven-digit revenue mark in Asia in 2017, and in 2018 the result was even higher. Our goal now is to maintain this upward trend and consolidate *Elring's* position in the Chinese aftermarket.

2 What's your strategy for penetrating the market? What steps have you taken so far?

ATKINSON — To begin with, we focused on developing a sales strategy for the local market. It's simply a matter of choosing the right sales channels and distributors. We've established close ties to a number of national distributors with a large network of contacts to our key target audiences.

In the medium term, we want to increase brand recognition significantly in the US market and keep improving *Elring's* market share. We plan to achieve this with the help of our connections to key program groups, whose expertise is in final mile selling to the aftermarket service segment. We also have a number of marketing activities in the pipeline to drive home that message. Although *Elring* products are sold all over the world, as far as North America is concerned, only distributors with a focus on European vehicle requirements were familiar with the brand.

We also sharpened our focus on customer relations by assembling a team of *ElringKlinger* associates that will be eager to assist in the growth and success of customers' business.

3 What milestones have you achieved so far? What are the next steps?

ATKINSON — Adapting our product catalog to US industry standards was the crucial first step that allowed us to enter the market. In the second half of 2018, we started shipping operations at our new aftermarket facility in Fremont, California. The new warehouse has enough capacity to meet demand for the whole West Coast. We've also ramped up our trade show activities by exhibiting our products at AAPEX (Automotive Aftermarket Products Expo) in Las Vegas and AWDA (Automotive Warehouse Distributors Association) for direct contact with full service warehouse distributors.

In terms of our ongoing portfolio development, we're focused on what the market needs so that we can harness whatever potential is out there and boost our sales. We aim to keep expanding our customer base in the USA with a combination of best-in-class products and outstanding service. All these measures are designed to help us achieve our ultimate goal of becoming the USA's most responsive and supportive supplier of aftermarket sealing products to customers.