



# Aftermarket Excellence

A strong team of people and an effective business strategy are the keys to Rhiag Group's success as a distributor and seller of car and industrial vehicle spare parts in the Italian and broader European marketplace.

Images by Yuma Migliacco

**R**hiag Group is a leader in Europe's independent automotive aftermarket sector. It is a multinational business and has the mission to constantly improve the performance of its B2B distribution model, to consistently expand its product lines and services, and to support the professional development of garages and workshops operating in its target market.

Rhiag Group manages, either independently or through its subsidiary companies, which are directly controlled by it, distribution activities in the automotive sector. Its principles of loyalty, fairness, transparency, efficiency, and openness are shown in all its operations by delivering a high-quality and efficient service to

its customers. The automotive aftermarket sector is complex and competitive; however, Rhiag Group has been able to navigate it well to come out as a leading player.

Founded in 1962, the company began in Milan, Italy. Its initial focus was on the progressive expansion of its product lines and distribution networks. By the late 70s, it was ready to expand internationally, and began by entering the Swiss market. A number of years later, in 1995, it acquired auto parts distributor Elit Group, which enabled it to enter the markets of Eastern Europe, specifically the Czech Republic, Slovakia, and Ukraine. This marked the beginning of a significant growth period.

In 1999, Rhiag Group acquired its key competitor in Italy, the

distributor Bertolotti, from the US Federal-Mogul Group, which further strengthened its position in the country. Today, Italy still remains its single biggest market with 48 per cent of sales and earnings generated there. In 2000, the company expanded its international presence when it commenced a takeover of Elit Romania and the Hungarian company called Lang.

After roughly a decade, Rhiag Group acquired Auto Kelly CZ and its subsidiary Auto Kelly Slovakia to become the first independent distributor in the Czech Republic and Slovakia. In 2013, it opened a warehouse in the Bulgarian capital Sofia for Auto Kelly BG to operate from, and last year it introduced its business in the Polish market via the company Elit PL. It also >



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strengthened the business in Italy through the acquisition of the Italian aftermarket distributor ERA.

ERA specialises in electric and electronic spare parts, distributing a wide portfolio of products to customers in Italy as well as internationally through its private label ERA and Messmer. ERA distributes to more than 70 countries worldwide. In 2013, its turnover hit €39 million, making it a substantial asset to Rhiag Group's operations.

Today, Rhiag Group operates in Italy, Switzerland, Spain, and seven Eastern European countries (Bulgaria, Czech Republic, Slovakia, Hungary, Ukraine, Romania, and Poland). It holds a leading position in Italy and in the CEE region. In 2014, the group's gross sales peaked at €800 million and that figure is continuing to rise under the direction of CEO Luca Zacchetti.

Luca has been leading Rhiag Group for the last seven years. Since his appointment in 2008, he has been working hard to deliver a set of strategies to match and exceed the distribution activity in already mature markets, and to secure a significant market share in Italy and wider Europe. His current plan is to increase Rhiag Group's market share through the constant improvement of its distribution performance. This is being achieved through updating product ranges and services, as well as ensuring the ongoing professional growth of the independent workshops working in the same reference market.

Luca holds a degree in business administration and he has a broad range of experience, having previously held a number of executive positions. From 1992 to 1999, he served as the group controlling and accounting director for the financial holding corporation Sopaf and followed

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that with a stint with Tecnoforge as CEO and chairman from 2000 until the beginning of 2005. Next, he was appointed general director of Avio where he stayed for three years, was promoted to the CEO position, and then decided to leave to join the team at Rhiag Group.

"Over the past 15 years, I have held executive positions in manufacturing companies such as component makers, in the oil and gas industry and in the aviation industry," Luca says. "All the experience that I have had, I can say, is borrowed, because I crossed many different industries and different types of companies. This led me to understand a few things, which I always keep in mind in my current CEO role at Rhiag Group.

"Firstly, I believe it is paramount to avail myself of a team of strong professionals and strong characters who are internationally minded and to keep them very motivated so that they perform at the best of their abilities.

"Secondly, I always bear in mind, relying on my past professional experience, that a company is excellent only if there is a strong strategy, a strong operational plan, a strong execution, and a strong and effective control system. These elements must work well together and then success can be achieved. The third pillar of my business philosophy is that executives, without any exception, must be removed if they don't deliver good results." >

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“The people within the team trust the leader and recognise him or her as the person who has a clear vision, and who is able to transfer that vision to them in order to create value for the company.”

- Luca Zacchetti

According to Luca, there are a number of core qualities that every great leader tends to possess. They might vary depending on the industry or the type of company, and every situation might require different personality traits or skills; however, there are some behaviours which the majority of people in leadership positions exhibit.

“I think that one of the key competences of a leader is the capability to surround him or herself with a team of strong and highly capable people. This provides the company with a wide and internationally broad mindset. A leader is the person who is able to lead and influence this team, to build group cohesion, and make people willing to follow him. At least, that is as far as my experience and the environments I have worked in are concerned.

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Rhiag Group's distribution model is characterised upstream by its established relationships with suppliers and component manufacturers, and downstream by its ability to reach its B2B customers efficiently and with a wide range of products. To achieve this, it has a network of 11 central warehouses as well as 220 distribution branches serving more than 100,000 clients. In Italy there are two central warehouses and 17 branches; in Switzerland there are two national warehouses; in Eastern Europe there are six central warehouses and 203 branches; and in Spain there is one warehouse.

The business supply chain is based on the flow of orders and



customer demand. This allows it to constantly maintain optimum stock levels and ensure that the distribution system operates at maximum efficiency to promptly meet the demands of customers wherever they are in the world.

Rhiag Group's focus on the independent aftermarket segment means it is responsible for selling and distributing spare parts for cars, as well as for industrial and commercial vehicles to wholesalers.

The group has gathered 3,000 independent repair workshops into structured networks of garages in most of the countries in which it operates. It constantly offers technical and professional support and training services to affiliated garages so that they're able to intervene professionally on every type of vehicle.

Its product range is an extensive offering of auto parts for cars, industrial and commercial vehicles. This includes chassis parts such as shock absorbers, brake pads, brake discs, clutches, and steering and

suspension parts; engine parts such as gaskets, pistons, piston rings, bearings, and valves; electrical spare parts such as spark plugs, lights, batteries; electronics; tyres; lubricants and chemicals; body parts and accessories.

The business has a private brand called Starline, which consists of about 17,000 references and was developed by Rhiag Group's subsidiary Auto Kelly. Starline has been disseminated to all the areas in which the group operates and prides itself on offering a high-quality and affordable solution for customers so they can meet their motoring needs now and in the future.

Finally, the group has succeeded in becoming an acknowledged interlocutor of long and short car-lease companies such as Arval, LeasePlan, Avis Budget Group, Locauto Enterprise, and privately owned car fleets such as Generali Assicurazioni and Allianz, by offering specific software which, combined with the professionalism of its garage networks, allows it to optimise >

*“ZF Services and Rhiag share a strong long-term cooperation. They embody the highest quality of products for cars and CVs, workshop concepts, and provide valuable services. ZF Services is among the largest of Rhiag's suppliers—they are a trustworthy business partner for us.” - Helmut Ernst, Chairman of the Board of Directors, ZF Services*



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the planning and handling of their car servicing.

Throughout Luca's time as CEO of Rhiag Group, he has witnessed many significant changes within the industry. Ever since the Global Financial Crisis in the late 2000s, which goes hand in hand with the consumption crisis, there has been a transformation in the marketplace. Luca says this presented Rhiag Group with some big challenges over the years.

"Our industry was affected by the financial and consumption crises, although I can say to a lesser extent compared to some other industries," Luca explains. "As a consequence, nevertheless, increasing our sales became more complex and also more expensive. We have seen a big drop in the registration of new cars. We have also seen that car owners have become much more careful about the prices they are willing to pay for servicing their cars. We have seen the web and online channels as a new and much stronger competitor and, finally, we have seen a breakthrough of new technologies in both cars and the spare parts fields. These are the major changes and

challenges we have faced in the last five to six years."

Luca cites Rhiag Group's people as the reason for its success in navigating the bumpy journey and coming out on top. "In a general sense, I would say that it was possible to overcome these challenges and changes successfully, because we have primarily always had a great management team in place. They understood that it was highly necessary to break the prior rules of the business with no exceptions, and at the same time they understood that it was crucial to continue to stick to our core strategy of being a B2B distributor in the automotive aftermarket sector.

"As a team, we worked hard to reinforce the partnerships we had with our suppliers, and in some cases to also introduce new ones. All of the relationships that Rhiag Group has with its suppliers and business partners have been developed for the long term. In some cases, this has even extended to more than 35 years, thanks to the solid collaborations which have been nurtured on the basis of reliability, understanding, mutual respect, and economic satisfaction. I'm proud to say that our suppliers are among the most important European manufacturers: just as an example, I can mention ZF,

Federal-Mogul, TMD Friction, Mahle, Mann+Hummel, Brembo, Schaeffler Group, Contitech, NGK, and Valeo.

"As well, we have introduced new product lines to our catalogue. We have opened up to new geographies. We have introduced a private labels line in our product range. We have searched more intensively for effective synergies and have invested in the expansion of our logistic networks in a much more scalable manner. Finally, we have invested a lot in information technology to overcome the growing complexity of the distribution process."

Rhiag Group has managed to grow and expand throughout the years to become a leader in Europe's independent car aftermarket sector. This has been via organic means as well as through mergers and acquisitions. Luca says that Rhiag Group has a plan in place for each strategy to continue on a positive growth trajectory.

"Firstly, with regard to organic growth, if we look at the current situation of the automotive aftermarket, we immediately notice that the market share is still very fragmented," Luca says. "In such a scenario, Rhiag Group's strategy is aimed at reaching an increasing number of B2B customers through the expansion of its distributive >

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- Petra Engels, Vice President Sales Automotive Aftermarket, MANN-FILTER



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network— that means through the continuous opening of new branches and warehouses.” In parallel, Rhiag Group aims to increase the loyalty of B2B customers by studying their needs very accurately and scientifically, to satisfy all their growing necessities. Luca says that Rhiag Group is well positioned to execute such strategy.

Recently, Rhiag Group’s organic growth has been helped by the acquisition of B2C customers, too, through a dedicated range of products and services tailored for those clients.

“Rhiag Group is growing also thanks to the acquisition of selected companies. The rationale behind those acquisitions is the improvement of the acquired businesses, which get stronger than before. This is predominantly thanks to the provision of know-how and the great experience and expertise that Rhiag Group can transfer to them.”

Luca adds that the automotive aftermarket industry is showing signs of rapid evolution towards consolidation at all levels. As a consequence, Luca can foresee that the market will end up with a much lower number of players in it than there are today.

“Rhiag Group is currently playing an active role in the consolidation

“I believe that if Rhiag Group strongly sticks to its core strategy of being a B2B pan-European distributor for passenger cars and industrial vehicle spare parts, complemented with a very strong execution, then we will no doubt have a strong future.”

- Luca Zacchetti

*“The cooperation between the Rhiag Group and MAHLE has been a trusting partnership lasting several decades. We believe the integrated market reach of our partner in particular complements our system-oriented product portfolio perfectly—particularly for the Knecht and MAHLE original brands in Italy.”*  
- Niko Johannidis, Head of Sales Central Europe, MAHLE



process in order to continue being, even in a distant future, one of these few leading players which are left on the market. Nevertheless, I cannot dismiss that Rhiag Group could be consolidated as well at a certain point in time.

“I believe that if Rhiag Group strongly sticks to its core strategy of being a B2B pan-European distributor for passenger cars and industrial vehicle spare parts, complemented with a very strong execution, then we will no doubt have a strong future. We are really 100 per cent focused on the execution of that strategy and 100 per cent focused on the continuous improvement of our business processes.

“We have not been distracted by any ideas of diverting our core strategies away from being a distributor. In this frame, organic growth is permanently reached via the continued strengthening

of the core of the business, which is our key competitive advantage compared to our competitors. As well, we put our people first, and that combined with our strong values and commitment to continually improving our scale and our results also gives us an edge.

“There are some points which we will be focusing on very much in the future: our relationship with suppliers, our relationship with customers, the extension of our product offering, and the scalable extension of our logistic network. All of this allows us to increase the number of the customers we reach as well as our penetration in their share of wallet. That’s how Rhiag Group has grown every year—not only in sales, I am proud to say, but also in profits.

“Such an approach is complemented with certain selected acquisitions whose rationale is the improvement of >





the acquired businesses, the consolidation of our market share and the achievement of operational synergies.

“What makes me proud to be a part of Rhiag Group is the ability to be successful every day on a European scale. Complementing this is the capability of maintaining and enhancing the trust and reliance from our customers, suppliers, and collaborators.”

Rhiag Group recognises that its people play a vital role in its ongoing growth and success. Therefore, Luca says it devotes a significant amount of time and money into the training and development of its staff. “We have a valuable concept we call the Rhiag Group Lab, which is used for training staff to develop their skills,” Luca explains. “The goal of the lab is to put employees in a comfortable position so that they can face the challenges which they are confronted with on a day-to-day basis. We run the lab to be the basis for employees’ personal and professional growth.”

Created in Italy in 2009, the Rhiag Group Lab aims to facilitate the whole training program to develop the skills of Rhiag employees under a single brand. It is structured in two main training paths.

The first is the Master Rhiag Lab, which is dedicated to new employees aged under 30. Its main focus is on cross-competencies such as negotiation, public speaking, project management, and time management. The second path consists of training courses that are dedicated to the entire organisation and aimed at developing technical skills such as language improvement and IT skills.

Classes comprise employees from different departments and this permits the direct exchange of views and information between colleagues who usually would not get the chance to speak to each other.

Employees can also take advantage of an e-learning platform that provides “training pills”, as Luca calls them, which are useful in providing extra knowledge to take to class and to apply on the work floor. Staff can also access a library, which has a wide range of publications to reinforce what they have learned in the training courses.

Luca also invests some of his time in meeting staff at all levels of the business. “I am not talking about management; I am talking precisely about staff,” he says. “Once I meet with them, I answer any questions they might have about the company and about

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the business as a whole. I also give them some tips and advice on how to run their portion of the business.”

There are a number of key values which are central to Rhiag Group’s operations and are instilled in staff early on when they first join the company. The most prominent ones are a keenness to innovate and problem-solve, a passion for their work, transparency in communication, and a simple approach. “Through such values, we want to achieve a high level of customer satisfaction, a high level of supplier satisfaction and a high level of staff satisfaction,” Luca says.

“I would like to highlight, in particular, transparency and simplicity, because simple things and simple wording make situations clearer and much easier to understand. Such values are instilled in staff through our open and daily communication via several means. Regular communication is carried out via several committees which exist within Rhiag Group, the web, written communication, and also

the daily dialogue between the executives and the staff.”

As well as the commitment to putting its people first, Rhiag Group also places a strong emphasis on the use of technology. Technological advances have been significant over the years and automotive spare parts have become more advanced, with complex electronic components.

“Technology for Rhiag Group plays a key role, mainly in the information technology side of things,” Luca says. “I mean intrinsically sophisticated information technology solutions which, by the way, require increasingly skilled professionals and professionalism. This then allows us to improve how we manage our business processes. For example,

*“TMD Friction and Rhiag have been partners for more than 30 years. The drive and creativity of the Rhiag team in cooperation with the world’s largest manufacturer of brake friction materials have culminated in securing Textar as the number one brake pad brand in Italy.” - David Baines, Head of Global Aftermarket, TMD Friction*



from the electronic catalogue to e-commerce, from the online connection of all our warehouses to the electronic processing of the warehouse activities, from being online with the operation of our suppliers to being online with the operation of our customers. It is so important.

“Our vision is positive for Rhiag Group because we are in an acyclical industry. We are a resilient asset, we have an excellent management team, and we have scale. Therefore, I am confident that Rhiag Group will

continue on its growth trajectory either organically or via selected mergers and acquisitions. The ultimate goal is to grow continuously in a profitable manner.”

Evidently, Rhiag Group has a strong future ahead and will continue to hold its leading position in the European automotive aftermarket sector as long as it continues to concentrate on its core distribution strategy of automotive spare parts and looks after its loyal team of staff. •



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