



CBI Product Factsheet for Engine Oil filters in the EU5

'Practical market insights for your product'

The market for oil filters follows the scale and structure of the EU5 vehicle fleet. Vehicle production figures have a minor impact on total demand as most car owners in the market change their oil filters yearly, putting annual demand at well over 100 million units. This market is attractive to any developing country (DC) supplier capable of manufacturing large volumes. The majority of oil filters are changed by independent workshops and there is a significant market for non-branded oil filters. The aftermarket sector is growing and is less consolidated than the OEM market, which makes entry into this sector easier. The most opportune markets for DC suppliers are Germany and Italy.

Product definition

Automotive oil filters (HS codes 84212300; 84212390) are grouped under the Automotive Parts and Components sub-category "Parts, components and accessories for all kinds of common automotive vehicles". This Product Factsheet analyses the market for oil filters in EU5 countries (i.e. the biggest EU economies: Germany, France, the UK, Italy and Spain).

Product specifications

Quality

Compliance with international standards and the European standards on safety is required, as well as conformity with existing EU and national legislation and practices. The ISO/TS 16949 standard is considered to be the highest level of quality. This standard is important for the European automotive industry as it outlines best practices for the design, development, manufacture, installation and servicing of automotive products.

Materials

Oil filters usually consist of a painted and printed steel canister and components of sealants, tin, rubber and filter paper.

Design

Oil filters are used on a large variety of vehicles with varying specifications. Each OEM will have specific requirements for suppliers. The aftermarket sector has a wider range of requirements as companies focus on multiple brands.

Packaging & Labelling

In general, packaging is dependent on the buyer: either the OEM or end user (the aftermarket sector). In the aftermarket sector, the packaging is typically disposable, as it is discarded after being used just once. Returnable packaging is most often used by OEM suppliers, so as to reduce cost and to improve the efficiency of packaging operations. Returnable packaging is not discarded after use and the empty packaging is recycled by the OEM or by a designated packaging operator.

In order to export to the EU, product packaging must comply with EU standards. To reduce the harmful impact of packaging on the environment, the EU has instituted legislation concerning the management of packaging and packaging waste.

Automotive oil filters are usually packed in plastic bags and placed in cardboard boxes to protect them from damage.

Considerations for action

- For more information on packaging and packing waste requirements, please refer to the CBI Buyer Requirements database on [EU legislation: Packaging and packaging waste](#)

Figure 1: Engine oil filters and packaging



Buyer Requirements

Legislative Requirements: The most important requirement for automotive components is that they comply with the technical standards set by EU legislation in order to guarantee vehicle and environmental safety.

Type-approval is a certification for various types of motor vehicles and their components, which includes agricultural and forestry tractors. The type-approval or certification is valid in all EU Member States and is required when selling any products in the EU. Many automotive components are not approved until the final assembly, in which case certification of individual components is not necessary, although these components will still have to comply with type-approval requirements.

The End of Life Vehicles (ELV) Directive aims to

Considerations for action

- Check with your buyer, or with [the approval authority of the country you want to export to](#), what the specific standards are for the parts you are manufacturing.
- Read more about type approval at the [EU Export Helpdesk](#).
- Check if your buyer uses the International

avoid environmental pollution during the scrapping process through reducing the hazardous materials used in vehicle production. Vehicles must be designed to facilitate proper dismantling and recycling (by coding the components), and the use of heavy metals such as lead, mercury, cadmium and hexavalent chromium is prohibited (with the exception of a few applications).

Material Data System (IMDS). This is a collective, computer-based data system developed by automotive OEMs to manage environmentally relevant aspects of the different parts used in vehicles. It has been adopted as the global standard for reporting on material content in the automotive industry.

Common buyer requirements: In addition to the legislative approval, there are other common buyer requirements. While these are not obligatory in the legal sense, they are implemented by various competitors in the market and are thus necessary in order to compete effectively.

Quality Management: In order to apply for type-approval, production processes need to meet quality management criteria. ISO TS/16949 and ISO 9001 are accepted as standard requirements and EU buyers and manufacturers often insist on them.

Corporate social responsibility (CSR) and the extent to which buyers expect a certain level of social and environmental performance is becoming increasingly important. Bigger EU companies have developed their own CSR policies and require their suppliers (and their sub-suppliers) to conform to these. Signing a supplier code of conduct is often a prerequisite. These codes of conduct generally cover compliance with local laws, protection regarding workers' health and safety, respecting basic labour rights and also business ethics. The implementation of an environmental management system is often a requirement for core suppliers.

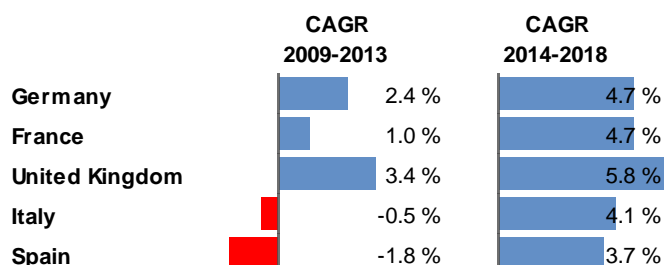
Considerations for action

- Implement ISO 9001 and ISO TS/16949, as it is a standard requirement of EU buyers. Click [here](#) for more information on ISO TS/16949 at the ISO website
- Most big car brands publish their CSR policies and supplier code of conduct on their websites. An internet search for these may give valuable insight into assessing your company's performance by comparison.
- Implement an environmental management system, such as [ISO 14001](#), as it is a common requirement.

Macroeconomic statistics

The GDPs of the EU5 countries grew by only 1.3% on average between 2009 and 2013. However, the IMF predicts a considerable rise in the GDPs of all of the EU5 countries between 2014 and 2018. The estimated UK GDP CAGR for 2014-2018 is an impressive 5.8%, followed by solid increases in all other EU5 countries. Italy and Spain, in particular, went from negative growth in 2009-2013 to a predicted growth of close to 4% for 2014-2018.

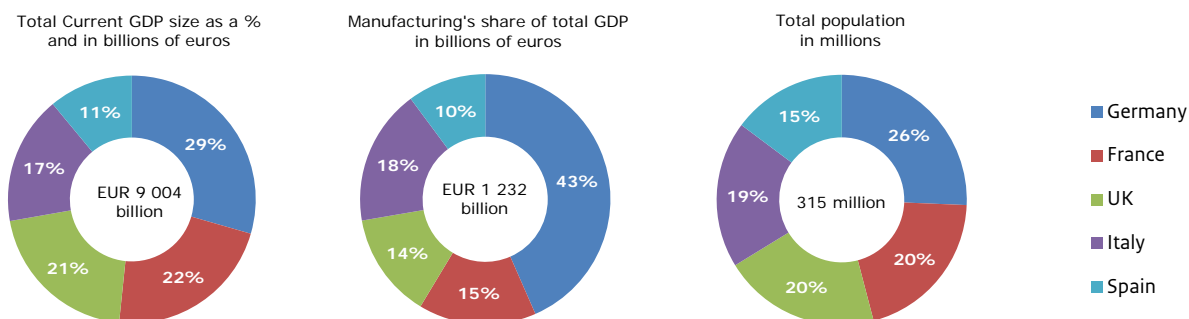
Figure 2: GDP Compound (current prices) Annual Growth Rate (CAGR) for 2009-2013 and 2014-2018 in EU5



Data source: IMF 2014, World Economic Outlook Database

The total GDP for the EU5 countries was estimated at more than €9 trillion in 2013. Germany is the largest market in the EU5 with a GDP of €2.65 trillion, accounting for almost one-third of the total GDP, and with by far the strongest manufacturing base of all the EU5 nations (€535 billion in 2013). Germany is followed by France and the UK, each of which represent roughly one-fifth of the GDP value and 15% of total manufacturing for the five countries. With its GDP in 2013 close to €1 trillion and manufacturing at €125 billion, Spain is the smallest of the five economies.

Figure 3: Key 2013 macroeconomic indicators for EU5, in billions of euros (population in millions)



Data source: IMF and OECD 2014

Trade Statistics

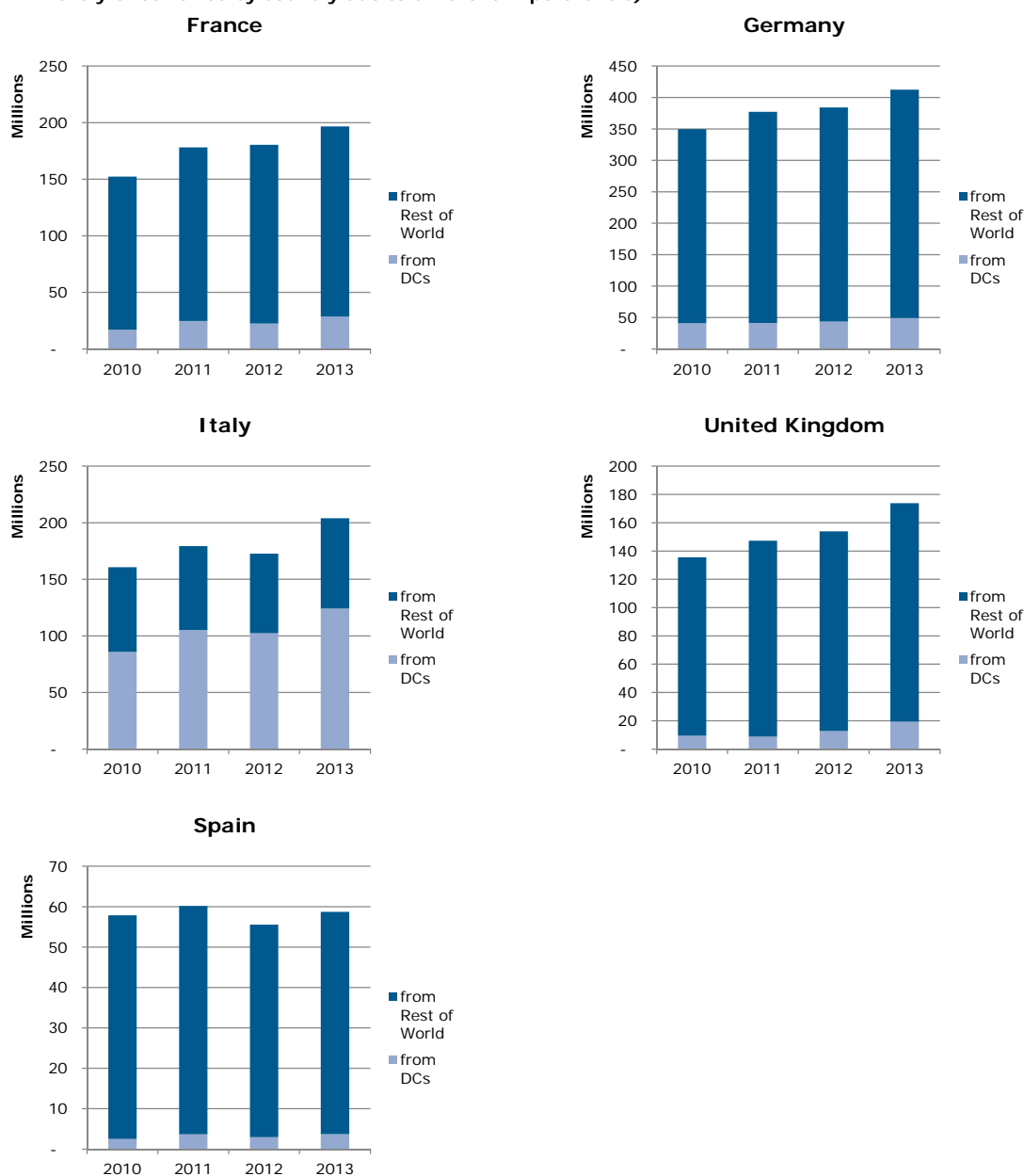
Imports and exports

The EU5 imported roughly €1 billion worth of oil filters in 2013. Germany alone represents nearly 40% of the imports, standing at €412 million in 2013. It is followed by Italy at €204 million and France at €197 million. The imported oil filters are shipped mainly from Western and Eastern Europe as well as from other developed countries such as the United States and China.

Imports of oil filters from the DCs to the EU5 represented almost €225 million (21.5% of total imports) in 2013 and have grown at a CAGR of 13.1% between 2010 and 2013. Germany and Italy together represent over 77% of DC oil filter imports with an import value of €173 million.

The biggest DC exporters of oil filters to the EU5 are China (€120 million), Tunisia (€41 million) and India (€12 million) accounting for approximately 77% of oil filter imports from the DCs to the EU5. Italy has the largest share of oil filter imports from the DCs at nearly 61%, indicating that the country is switching its oil filter procurement to developing country manufacturers. The share of DC imports as part of total imports has also been growing for all other EU5 countries, indicating an interest in sourcing oil filters from developing countries. Based on current trends, the future outlook is that imports from the DCs will continue to grow at a faster rate than the total imports, effectively increasing the share of DC exporters in the market.

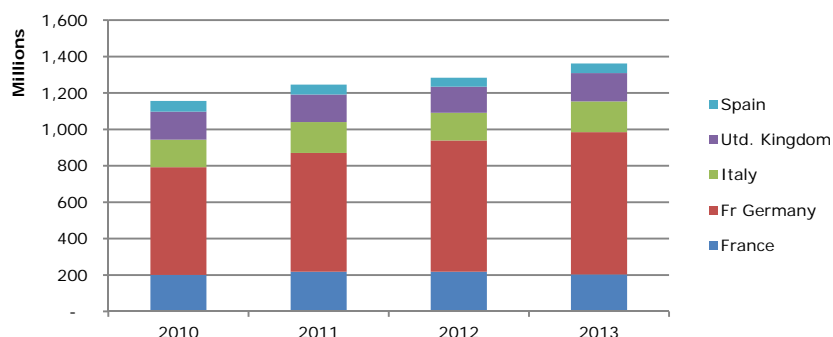
Figure 4: Total Import oil filters from the EU5, in millions of euros (the range of the y-axes varies by country due to different import levels)



Data source: Eurostat 2014

The EU5 is a net exporter of oil filters, and in 2013 it exported close to €1.4 billion worth of them. Germany is by far the largest exporter of oil filters among the EU5 countries, with nearly €781 million in exports (a 57% share of all EU5 oil filter exports). It is followed by France with €203 million (a 15% share of the total). EU5 oil filter exports have grown at a 5.6% CAGR between 2010 and 2013. The export market is subject to demand from developed countries, as roughly 79% of the exports are eventually sold in Western and Eastern Europe and in other developed countries. However, it must be noted that exports to the DCs have been growing at a much higher rate than exports to the Rest of the World. Between 2010 and 2013, they grew at a CAGR of 13.3%. China, Turkey, Brazil and South Africa are the largest importers and together account for roughly €163 million.

Figure 5: Total Export of oil filters from the EU5 countries, in millions of euros



Data source: Eurostat 2014

Market trends and opportunities

Although the European market for automotive parts is expected to stagnate over the short/medium term, there are still opportunities to be explored by the DC exporters within the EU5, particularly in Germany and other aftermarket sectors within these nations.

Germany is the biggest European market for oil filters with estimated imports of €412 million in 2013 (up from €350 million in 2010). With an average compound growth of 9% per year (the highest in EU5) and a 12% share of imports originating from the DCs, Germany is an excellent market for DC oil filter exporters. Italy and France are the second and the third largest EU5 markets for oil filters, with imports of €204 million and €197 million respectively in 2013. Italy has the highest share of DC imports for oil filters in the EU5 at nearly 61%. The share of DC imports as part of total imports has also been growing for all other EU5 countries, which indicates that the Western European region is extremely willing to source oil filters from developing countries.

For more information on automotive market trends and opportunities, please refer to [Trend Mapping for Automotive Parts and Components](#).

Price

Apart from the distribution of new parts, the aftermarket for automotive parts also encompasses the vigorous distribution of used or overhauled parts and components. Pricing depends on supply chain positioning. The aftermarket sector, in particular, is very discount-driven and has varied mark-ups at each distribution step for different parts and components. Due to the large variation in parts types and models, it is difficult to provide a general overview of oil filter prices, but it is possible to provide

some insight into the margins imposed by different players in the supply chain. Based on the margin ranges, DC suppliers selling to a tier 3 supplier in the OEM supply chain could price their products at between 64% and 81% of the OEM delivery price. In order to better ascertain prices of specific products and models,

check the internet to determine the appropriate range, or talk directly to wholesalers and/or retailers. The price of branded spare parts will not differ greatly among the various countries. Those players who are active in several European countries have largely harmonised their prices, and any differences in pricing may be because of different logistical and local costs. In the Original Equipment sector, the price is set by contracts of four years or more, which usually include a 3-5% price reduction each year after the first year. In the aftermarket sector, the prices are negotiated every year.

OEM supply chain	Margin
Tier 1 supplier delivering to OEM	6-8%
Tier 2 supplier delivering to tier 1	6-15%
Tier 3 supplier delivering to tier 2	10-25%
Aftermarket OES supply chain	Margin
Tier 1 delivering to OEM for OES sales through approved service chain	10-30%
Tier 1 delivering to OEM for OES sales through independent outlets	10-25%
OEM delivering OES parts through its approved service chain	25-65%
OEM delivering OES parts through independent outlets	30-40%

Main sources

- [European Commission's macroeconomic publications](#)
- [IMF](#) – a good source for macroeconomic information
- [OECD](#) – a good source for macroeconomic and industry-specific information
- [European Commission's Directives and Regulations pertaining to motor vehicles, their trailers, systems and components](#)
- [CLEPA](#) - the European Association of Automotive Suppliers
- [ACEA](#) - the European Automobile Manufacturers Association
- [Ernst & Young's Automotive information](#) - Automotive information – a good source of automotive information
- [Ernst & Young's European Automotive Survey 2013](#) – interviews mostly with automotive suppliers
- [Inovev](#) - Worldwide automotive knowledge platform that offers free-of-charge and fee-based content
- Trade fairs are a good place to network, to meet buyers and to promote your company. The most prominent automotive trade fairs in Western Europe are: [Hannover Messe](#) - the world's leading trade fair for industrial technology taking place in Germany; [Internationale Automobil-Ausstellung](#) (annual) – German automotive trade fair; the [Barcelona Motor Show](#) (annual) – Spanish automotive trade fair; the [British International Motor Show](#) (organized by SMMT once every two years); the [Paris Motor Show](#) (biennial) – French automotive trade fair and the [Bologna Motor Show](#) (annual) – Italian automotive trade fair.

More information

CBI market information:

- [CBI Buyer Requirements: Automotive Parts and Components](#)
- [CBI Buyers' Black Box: Automotive Parts and Components](#)
- [CBI Market Channels and Segments Automotive Parts and Components](#)
- [CBI Market Competitiveness Automotive Parts and Components](#)

This survey was compiled for CBI by the Global Intelligence Alliance

Disclaimer CBI market information tools: <http://www.cbi.eu/disclaimer>