



CASE

Genuine Parts Company

Genuine Parts Company (GPC) founded in 1928, "is a service organization engaged in the distribution of automotive replacement parts, industrial replacement parts, office products, and electrical/electronic materials."³² From annual sales in 1928 of \$75,129 with a loss of \$2,570, GPC has grown to annual sales of \$12.5 billion and a net profit after taxes of \$565 million in 2011. Importantly, with the exception of the loss experienced in 1928, its founding year, GPC has operated for 82 years without a loss, something few other businesses have achieved.

The automotive parts group, operating under the NAPA banner is the largest segment of business for GPC. NAPA is the brand for the National Automotive Parts Association and is a wholesaler-sponsored voluntary group (see Chapter 5). NAPA was formed in 1925 to facilitate the nationwide distribution of automotive parts in the United States. GPC is the largest NAPA member, owning approximately 95 percent of NAPA. GPC serves approximately 5,700 NAPA AUTO PARTS stores throughout the United States and approximately 690 wholesalers in Canada. In the United States, 950 of the stores are company-owned and the remainder independently operated. NAPA AUTO PARTS stores have over 435,000 parts available through GPC. Also GPC in conjunction with NAPA offers the store owner-operators a variety of services such as training, cataloging, marketing, and inventory management.

On January 1, 2012, GPC purchased 30 percent of the Exego Group (Exego) for approximately \$150 million in cash.³³ Exego distributes after-market automotive parts and accessories. The corporate headquarters for Exego is Melbourne, Australia, and operates over 430 company-owned stores across Australia and New Zealand. GPC has an option to purchase an additional 70 percent of Exego over the next several years.

Regardless of whether GPC is operating in the United States, Canada, Australia, or New Zealand, they face a tough competitive market for automotive replacement parts. Competition include the original equipment manufacturers, rebuild manufacturers and retail auto dealers, independent repair facilities, warehouse clubs, and specialty auto mass merchants, such as AutoZone and Advantage Auto Parts, and predictably there are many online providers of automotive parts.

Automobiles are becoming more sophisticated in terms of technology and especially electronics. Consequently, fewer people are repairing their own cars. In addition, most people are part of dual-income families, and do not have time to do auto repair for themselves. Thus there is solid growth in automotive repair service. In fact, NAPA Auto Care Centers are quite popular (<http://www.napaautocare.com>) as are Firestone Complete Auto Care Centers and Brake Max Auto Care centers. Of course, there are also many mom-and-pop auto care and repair centers, but due to the increasing cost of diagnostic equipment and facilities, these are generally in decline as chain retailers enter this business.

Although the financial performance of the automotive segment of GPC is relatively healthy (see the accompanying exhibit), there is some concern that to be competitive in the future, it is necessary to make its stores more contemporary. Although GPC cannot mandate to independent operators how to design and operate their stores, they can certainly provide them advice. And with nearly 1,000 company-operated NAPA stores, it can set the standard for others. As a recent college graduate and new employee at GPC, you have been asked to help work with others to design a store of the future; explicitly one not for next year but for 2020.