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SAG accelerates its diversification to compensate for the fall in its business

By Gilles Cayuela, May 27, 2020

Struck by the Covid-19 pandemic and the abrupt shutdown of activity in the heavy goods vehicle industry, SAG France is exploring ways of diversifying to compensate for the fall of its traditional markets. With this in mind, the Loire-based tank manufacturer has embarked on the production of an aluminium hydroalcoholic gel dispenser.



▲ HGV fuel tank maker SAG France expects sales to fall by 15% in September and 25% in October. — Photo: Gilles Cayuela - The Journal of Business

Specializing in the production of tanks for lifting equipment and heavy-duty vehicles, SAG France (110 employees; 20 million euros in sales) is experiencing difficult times. The small business of L'Horme, in the Loire, has been hit hard by the sudden shutdown of the Covid-19 pandemic, which is highly dependent on its two major contractors, Renault Volvo Trucks and Manitou, which account for almost 90% of its turnover.

Sales down 90% in April

"We restarted on April 22 with very little activity, because health measures have complicated the resumption of activity among our contractors. In April, we lost 90% of the revenue originally forecast. This figure was already down 25% from 2019. And this fall comes after a complicated March in which we achieved only 50% of the expected figure," explains Vincent Heydecker, the director of the French subsidiary of the Austrian group SAG Motion (1,500 employees, present in 7 countries).

And the coming months do not necessarily encourage optimism. "We're going to end May at -25% and we're expecting -15% in June, July and August. But the hardest part is expected for the start of the new year. For now, contractors consume their order books that have accumulated during containment. We are in a catch-up phenomenon, but we expect a fall from September. This will reflect the concerns of the contractors about taking new orders," says Vincent Heydecker.

An aluminum gel dispenser

If the leader's forecast proves correct, SAG France could fall by 15% in September and 25% in October. A black scenario that has forced the company to accelerate, in recent weeks, the diversification of its activities and its customer portfolio to free itself from its dependence on Renault Volvo Trucks and Manitou.

With this in mind, SAG France took advantage of the health crisis to enter a new market: hydro-alcoholic gel distributors. "In five weeks, we were able to launch a mass production of an aluminum standing gel dispenser. This product is of interest to distributors. We receive orders and that now accounts for about 15% of our business. This allows us to offset the loss in our traditional markets a little bit," commented the executive.

Tracks in green mobility

Problem, if today SAG France produces about 100 gel dispensers per day, nothing says that the market will not run out of steam in the coming months. "It's a possibility, but I'm counting on the fact that many companies today are equipped with DIY products or with a limited lifespan," heydecker says.

The leader is now exploring new avenues of diversification. Among the markets explored, those of green mobility "where the weight-to-resistance ratio allows our aluminum products to be very well positioned," argues the leader. We also have ongoing issues in the marine industry, which can be interesting even though, by volume, we are a long way from what we can have in the heavy-duty industry."

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