

Palau in Gironde (1925–2003): a beacon for the evolution of Ford dealership in France

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THE PALAU LOCAL DEALERSHIP symbolises the various steps in the evolution of the Ford network in France in the last third of the twentieth century. It was established in the 1970s as a modern “concession” in the outskirts of Bordeaux, yet the garage and its *Ford* trade name originated as early as the 1920s. The revolution in car retail distribution involving the emergence of huge of advertising and marketing campaigns and the exhibition of cars in large shopping centres is also well illustrated in the Palau case. Such a micro-history may therefore shed light on the commercial challenges faced by Ford at ground-level to enlarge or preserve its market-share in France. Business history must include commercial struggles as well as industrial innovation. Along with design and trade marks, distribution belongs to that immaterial capital which is managed by the “visible hand” of Ford in Europe. The tasks assumed by car dealers have been essential to the shaping of Ford’s market shares all over Europe, in competition with local brand names deep-rooted in European commercial culture and with General Motors’ efficient network, which were supported by its broad marketing and advertising skills¹. That immaterial capital in car trading, which contributed so much to sales, has become a key topics of business history; and the Palau case can be used as a beacon for the history of car retail networks.

1. The prehistory of car dealing

The company Maleville & Pigeon – already active in Libourne – became the first *Ford* dealer in Bordeaux in the 1920s. It had exchanged a large field on the edge of Bordeaux – where Ford set up its plant manufacturing the *Ford T* – for a little workshop where the company already assembled cars, in a semi-industrial area located between the railway station and downtown. From 1921 therefore, Maleville & Pigeon managed there a garage (located on Sainte-Croix square, 8, Fort-Louis street and Abattoir street), equipped with a large show-room; they sold limousines and *Fordson* tractors – but, later on, the garage left *Ford* and moved to *Peugeot*.

Meanwhile, a few other dealers appeared. On the left bank, near the very centre of Bordeaux, an official Ford agency was active for a while, Agence Verdun². On the right bank of the Garonne, in the industrial area of Bordeaux named La Bastide: in 1925, a little mechanical craftsman, Ferdinand Palau, opened a garage on rue Jardel (with 500 m² and five companions) and fixed the *Ford* sign on its front wall. He sold there the *Ford T*. During the 1920-1940s that Palau garage provided rich customers with the *Tudor*, *Zephyr*, *Thunderbird* or *V8* which were the symbols of the American way of life and of affluent society in a somehow backward Western Europe – whilst selling also the prewar *Matford* and small *Ford* lorries (11/13 HP and 17 HP).

For Palau, war and its immediate aftermath were dire times as *Ford* sales had weakened; in the second half of the 1940s the garage's activity was concentrated on mere repairs and sales of commercial vehicles from American warstocks. A turnaround took place in 1947 when Ferdinand Palau⁴ retired in favour of his son Julien Palau. But the first stage of modernisation occurred later: perhaps the key year was 1956 when the garage was transferred to larger premises in the same area of La Bastide, in avenue Thiers, one of the longest streets in Bordeaux and, more importantly, an essential axis between the inner city and the northern areas and region. The garage covered a surface of 2,700 m², with 35 employees. A turning point also came in 1965 when the Palau garage was officially entitled a *Ford* dealership (or "*concession*"); from the mid 1950s through the first half of the 1960s, its strategy had swayed between a historical faithfulness to Ford and diversification, then distributing Simca, Ford's successor in France.

When Ford shaped a fresh strategy for France, Palau joined that move and became a key piece of the network which Ford France was setting up with an intent to regain market share in a country that it had almost abandoned from the mid 1950s. That choice was apparently a sensible one as the Palau dealer succeeded in selling about 7,000 cars between 1965 and 1972 – all imported and nearly all of top ranges. Another familial company, Pierron, was no direct competitor as it specialised in the distribution of *Ford* trucks from a garage located on the limits of the city.⁵

2. Towards commercial revolutions

When Ford changed its policy to broaden its production and sales to middle and low ranges, new methods of sales were developed, using new concepts of exhibiting cars, with more window space to display models and more employees to relay marketing and advertising through systematic canvassing and more flexible relationships with customers-to be; mass-marketing was born. This led to the transference of the headquarters of the Palau dealership to the other bank of the Garonne, south-westwards, at Bruges, in a suburb near Bordeaux, at 423 route du Médoc. But the franchising system was confirmed as the main method of retailing at Ford France – although some French car companies mixed franchising (*concessions*) and directly-controlled outlets (*succursales*). Certainly because it lacked of a massive market-share it had to rely more firmly on the entrepreneurship of small family-owned companies which practised a "proximity" retail policy. Perhaps more than in Germany and the United Kingdom, the force of attraction of the *Ford* brand name had to be complemented in France by the attractiveness of independent managers of retail outlets.

That recognition of the trade power of such managers was symbolised when, on the 16th June 1973, Henri Ford II himself (and his wife) paid a visit to the new premises of Le Bouscat where Julien Palau welcomed him to inaugurate the newly installed commercial and technical units. The Bruges space was much larger than in La Bastide (16,000 m² of which 5,000 m² was indoor premises). But the Palau concession kept the shopping centre at La Bastide and thus duplicated its commercial forces. Thus a middle-size business had emerged with 120 employees by the end of the 1980s. In these years it sold about 2,400 new cars and 1,200 second-hand cars a year. It became a key representative of Ford dealerships in provincial regions. Its market share reached between 8 and 9% in its sale area in 1989-1990.

In fact Ford at that time favoured a policy of stimulating competition between its dealerships. Like the other car companies in France it had divided each geographical area into several territories, each attributed to a special dealer benefiting from the monopoly concession there. The Palau firm was restrained to an area covering a majority of the Bordeaux city and suburbs in the west and north parts. Another company, SAFI, had gained the concession for the east and southeast parts, whilst other small firms were active all over Gironde, notably in Arcachon, Langon, Libourne. Such frag-

mentation was supposed to spur dynamism in prospecting and conquering customers; entrepreneurship by small-sized businessmen was the rule everywhere in French car distribution since the postwar years.

3. Palau's competitiveness?

Paradoxically, a growing number of such family businesses were purchased by large groups which established subsidiaries dedicated to car distribution because this market segment seemed to be a lucrative and developing one. Some aspects of the British model – as in the case of the British Inchcape group – were thus to France. The wholesale trading company CFAO followed that path and bought numerous dealerships with several trademarks⁶ in the 1970s and the 1980s, distributing Peugeot or Mercedes here and there in some regions. But it enlarged its network to include a few *Ford* dealerships, in the Paris southern outskirts (SAFI 94 in Villejuif) and in Midi-Pyrénées (SLADA in Toulouse). SAFI 33 joined that latter when it was founded in 1985 and started its operations in 1986 in Bègles, a south-eastern Bordeaux suburb in Gironde. This could be perceived as threatening the familial Palau entity, which might fear a future revision of Ford's commercial policy in favour of large "capitalist" firms. Familial entities could lose their geographical monopoly at contract renewal. This concern explains why Palau had early taken preventive measures and had invested in a BMW (in 1974) and in a FIAT (1981) dealership.

Two models of car retailing thus confronted each other in that department, "the entrepreneurial family business" and "the big firm commercial strategy". Even if this case study cannot be raised to more than a mere example, the SAFI firm seemed less pushing than the Palau one. Whereas Palau took 9,3% of the car market in its area in February 1990, the SAFI (with only 800 new cars a year) could only reach 6,3%, far below the average national share at that time, 8,6%. Reasons could be found in the larger involvement of family leaders (Julien Palau, joined by his son Jean-Charles) in the life of the enterprise, the constitution of a team of twelve dealers supervised by three executives (figures of 1990), a network of small agents here and there (Mérignac, Saint-Médard-en-Jalles, etc.) and to a more active commercial policy, even if no specific case study is available to determine the key causes of these differences. Palau was, for instance, one of the first firms to take part in advertising campaigns on the backs of Bordeaux bus. Marketing techniques were introduced by Palau to determine, area by area, market share and its evolution, and to establish and maintain central files on customers and their buying habits, in order to get finer canvassing methods.

Equally important might be the insistence on the "Palau trademark" itself, as customers trusted the Palau services and creditworthiness more than the *Ford* brandname and quality themselves. Palau bet on its reputation to enlarge its commercial scope beyond the mere attractiveness of Ford. It could evoke its informal strength by insisting on its long history and duration, as it did through the motto "Ford Palau, sixty years of car" in 1985. At that time it published a booklet tracing its history and appealing to the fidelity of its customers by evoking its own "fidelity and attachment" to them.

One peculiar aspect of the Palau history was that it faced an internal competition from the Ford group itself! When the Ford plants in Blanquefort were opened, their employees gained access to a special rule: car workers everywhere in France had (and still have) the right to buy a car from their company along lower tariffs (with a 20% discount) and to resell them as soon as six months had passed. They got accustomed, therefore, to practice commercial intermediation in a parallel but officialised market where buyers could be provided with a quite new car at lower prices. That cut down potential outlets to Palau (and SAFI) even if the Ford dealers were the compulsory intermediaries to manage the flows of these cars: they lost a clear profit margin on each car sold through this system.

4. The resiliency of a middle-size car business

Professionalism, the inheritance of selling skills, the quality of equipment, premises and technical teams could explain the resilience of Palau to economic slumps and irregular car sales. A strict and prudent management of expansion allowed this middle-size business' treasury to survive despite fluctuating income. It was structured into separate subsidiaries based upon two core historical showrooms at La Bastide (*SACA Bordeaux Bastide*, created in 1986, with 21 employees at the end of the 1980s) and in Bruges (*Établissements J. Palau SA*). They were joined by two sister companies: one was established in 1991 in Mérignac (BMA or *Bordeaux Mérignac Automobile*)⁷, a fast growing suburb with large middle-class populations where numerous mass distribution centres were developed in general stores and hypermarkets and in specialised entities, especially car retailing.

The succession between Julien Palau and his son Jean-Charles occurred in 1993 without any troubles as the Palau mini-group had passed through the 1991-1993 slump and emerged as a financially healthy company, prosperous in 1995 with 120 employees and a turnover of FRF 200 millions. In that same year it sold 3,000 new cars and 1,200 second-hand cars. Beyond its commercial activities it could lean on its mechanical unit, its body repair work unit (15 metal workers and 5 painters), all equipped with up to date machines, and its car parts storehouse (with 17 employees), which could add to the group's revenues through high margins on parts sold to customers for car repair.

The Palau family was proud to emerge in the 1980-1990s as the first regional dealership for Ford distribution in France. It was a beacon among Ford dealerships, and was able to grow by acquisition by taking over the commercial assets of crumbling fellow car dealers. When a fellow Ford dealer experienced serious financial difficulties, Palau created another sister company in the fast growing Arcachon area by the Atlantic coast: this subsidiary BAA (*Bassin d'Arcachon Automobile*) was founded in July 1993, and it became even more attractive to customers when it was transferred to a commercial and technical zone in La Teste, near Arcachon, on the road to Bordeaux, a popular area at week ends, which made the *Ford* brand very conspicuous. The fate of the SAFI Ford dealer in Gironde changed when the CFAO group returned to its core African wholesale and car retailing activities, and when its sub-holding company CICA, which handled SAFI, was bought by an English company, Inchcape. Ford called for Palau to take over the commercial area left by SAFI and incorporated SAFI into Palau in 1997, endorsing the efficiency of the Palau entity.

5. The Palau dealership and Ford's global challenges

In the 1990s, however, the Palau company suffered from the general problems which hindered Ford from profiting from sales booms. It felt disconcerted by the wave of acquisitions by Ford all over Europe (Volvo, Jaguar, Speedy) and the Palau family were unhappy at the foibles of the Ford car range, which was only slowly renewed, often technically surpassed by competitors, and which lacked diesel products. At the same time, there were gaps in the advertising policy, which was seen as less dynamic and pervasive than Ford's competitors. Some tensions arose between Ford and its distributors in France because both blamed the other for the drop in market share: instead of the 8 to 9% scheduled by Ford's business plans, only 4 to 5% were achieved in the 1990s. Meanwhile, the well-established national car manufacturers were challenged by foreign imports offering 'discounted' prices, and Ford could not escape such a price war, which cut the profit margin of its retail dealers.⁸

Happily recovery was not long delayed. Thanks to a considerable R&D effort, Ford refurbished the brand. It enriched and renewed its range of cars, it relaunched large ongoing advertising campaigns and established itself as a key producer of diesel engines – even equalling the Peugeot group according to technical analysts and joining with Peugeot in joint ventures for some diesel engines

(for the recent *Fusion* and *Fiesta*). Critics could still be found because range refreshment led to a surge in price tariffs, thus reducing the number of customers with lower purchasing power, which had constituted one important market segment. More importantly, since Ford seems to have left *Volvo* and *Jaguar* with the responsibility for high range models, this had deprived the *Ford* dealers of high margin sales. Moreover, existing *Ford* dealers could rarely get access to *Jaguar* and *Volvo* distribution contracts, which went instead to specialised dealers – even if some Ford dealers obtained *Mazda* distribution, as Palau did itself for its Mèrignac facility.

These (discreet) tensions and the general evolution of car distribution all over Europe explain why a wave of concentration among retail car dealers gathered momentum from the 1990s. Ford itself changed its commercial policy radically and now onwards favoured the building of strong dealerships which could manage Ford distribution on a far larger scale: it enticed its key car dealers to purchase their weaker fellows. Many of these latter were confronted with harsh financial concerns as they could not afford investments in fresh equipment – to keep up with the technical improvement of models – or failed to manage efficiently the dealerships they had purchased recently, because of managerial weaknesses within their small or middle-size companies. They faced a dire crisis of working capital. This led to an acceleration of the concentration trend in the first years of the 21st century. For instance, besides buying SAFI, the Palau mini-group is trying to extend its activities northwards to Charente and Dordogne in 2003, through the purchase of dealerships there – although it decided not to buy the Langon dealership because of a failure to reach an agreement with the owner on price. It asserted itself a key southwestern Ford car dealer and as a preeminent commercial asset for the Ford group in France indeed. That had helped maintain the heritage of Ford since its 1920s adventures in Bordeaux and Gironde. That success led the Palau family to buy out the Ford share of their equity and thus to regain their whole capital independence.

Conclusion

Through this little case study⁹, the challenges for car distribution by Ford in France can be perceived. The balance swung between familial entrepreneurs and capitalist firms for dealerships; between competition within small regional areas or more efficient concentration favouring financial stability; between the role of the *Ford* brandname and the credibility of familial dealers with historical heritages. Each car maker is tempted by direct control of its sales forces and by taking over dealerships. Ford itself purchased the *Speedy* network as a way to go further in direct contact with customers. It took also a 33% stake in Palau, and several car makers endeavoured some kind of balance between direct branches and concession dealerships as they sought new momentum.

Conversely the Palau case delivers another message, which underlines the role of familial or personal entrepreneurship. A lot of such dealers could not survive the recessions of the 1980s-2000s or sufficiently improved their abilities to tackle competitive and financial challenges. Their portfolio of skills and their managerial competence did not progress enough; and sometimes the succession of generations revealed a human failure. In fact most car dealers had to survive through hard financial tensions: they had to resist fluctuating sales (through seasons or years), to sell stock-piled cars which Ford had asked its dealers to accumulate as a way to make sales appear more regular they actually were, which often led to borrowing from Ford Credit and to fragile balance sheet situations. These could be reversed when dealers were able to complement their revenues from car sales with sales of parts and accessories, which brought them higher profit margins. Alongside car exhibition halls, less glamorous parts shops were useful to enlarge revenues.

Thus, various causes explain the strategic and commercial ups and downs of car dealers and of Ford's conceptions of the sales network itself. Success stories privilege good management skills and

relevant strategic choices. The Palau case only confirms that some entrepreneurs succeeded in finding their own “best way” even if they could have followed other paths towards quite opposite achievements. Only survivors seem retrospectively to have been right in business history. A comprehensive history of retail car dealership is still missing. A deepest inquiry using oral history (interviews with retired dealers), archives, the analysis of advertisements and marketing, would be useful. Because of a lack of sources, several points have not been studied there, notably the sales of cars to companies managing ‘fleets’ of commercial vehicles or the various markets for used cars. Nevertheless, even this brief study remind people taking part in the centennial commemoration that the success of a car company has always depended on the fighting spirit and skills of retail dealers. This should not been forgotten because the durability of a car brand relies strongly on immaterial assets: services, the brand’s image, the ability of (anonymous) dealers to attract customers and keep them faithful to the brand.

NOTES

1. About one aspect of car retail history, cf. Sally Clarke, “Closing the deal : GM’s marketing dilemma and its franchised dealers, 1921-1941”, *Business History*, special issue *The emergence of modern marketing* volume 45, I, January 2003, pages 60-79.
2. Pierre Pigeon had started in Libourne, north of Bordeaux, as soon as 1895; it sold there *De Dion Bouton* cars. Its company comprised several outlets: in Bordeaux, place Sainte-Croix; in Agen, boulevard Carnot; in Libourne, place Decazes; and in Marmande, boulevard Gambetta. Pigeon established Pigeon & Malleville with André Malleville to sell *Ford* cars. The company sold its facilities of 33-35 cours Albert 1^{er} on 7 April 1920 for an amount of FRF 750,000. Afterwards, Pierre Pigeon’s son, André Pigeon, created his own firm in Bordeaux, in 1933, to sell Hotchkiss, then General Motors, then Opel ; that dealership is still active in Bordeaux at the beginning of the 21th century as an *Opel* retailing entity, along a family fourth generation level.
3. *Société anonyme Agence Verdun* gathered a one million francs capital in 1928; it had facilities on 34 cours de Verdun and 189-191 rue Fondaudège – just a few hundred meters – and 88-100 rue de Laseppe, whilst establishing an outlet in a small Gironde town, in Coutras (place de l’Eglise).
4. Ferdinand Palau died in November 1967.
5. In the interwar Léon Pierron had distributed *Bugatti* cars and *Saurer* lorries at his garage, 27 rue de Bel-Orme; it rallied the *Ford* sign after the war.
6. Cf. H. Bonin, *CFAO. Cent ans de compétition (1887-1987)*, Paris, Economica Publishings, 1987. CFAO had sold cars since the 1920s in Africa, especially Fords, but it had already diversified its activities in Black Africa to the distribution of cars through its sales network, and its subsidiaries in each country, directly controlled or owned by a mother subsidiary called CICA. Car distribution represented 14% of its consolidated turnover in 1985.
7. Palau bought the *Alfa Romeo* garage and showroom because it provided it with large surface of 8,600 m².
- 8.

Price of a Focus in euros on 1st May 2002

France	13,571	Spain	13,655	Italy	14,302
Belgium	15,056	Germany	16,025	The Netherlands	17,078
Great Britain	17,195	Ireland	19,803	Denmark	26,379

Denmark, Ireland, Finland and Portugal fix huge taxes on car sales, which causes high price lists.
 Source: *Les Échos*, 27 September 2002

9. We thanks Julien and Jean-Charles Palau for providing us in 2002 and 2003 with information about the history of their small company. A fuller history of Ford retail distribution in France remains to be written. We thanks also Steven Tolliday, who take care of our English expression in that chapter and suggested to enrich our text with some precisions.