

WHERE ARE THE TIRE TRACKS LEADING US TO?

A look at how car tire sales performed in four key cities in developing ASEAN countries



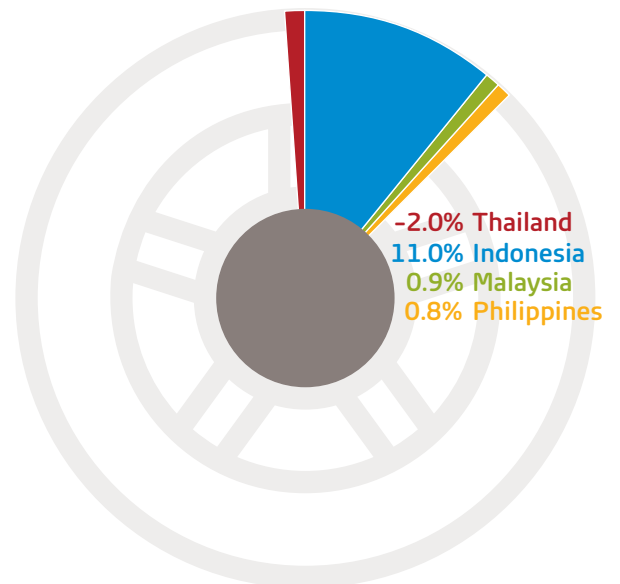


Car tire manufacturers are keen to position themselves in hot new markets, and signs point to Indonesia as an interesting market for replacement car tires.

In 2014, sales in Indonesia rose by 11% compared with 2013

The same can't be said for the other markets: The trend was relatively stagnant in key cities in Malaysia and the Philippines. Thailand even registered a dip in demand. Collectively across these four countries, car tire sales grew by 2.3% in 2014 compared with the previous year. However, total consumer sales revenue generated from automotive retail outlets declined by 5% – largely due to lower retail sell-out prices. This is likely linked to restrained consumer spending across multiple product categories.

Unit sales of car tires in four ASEAN key cities from 2013 to 2014



Source: GfK Point of Sales Tracking, ASEAN, January 2013 – December 2014



Which ASEAN markets will follow Indonesia and experience strong growth? And what will this mean for the car tire market in the region?

We've got some thoughts on this based on our retail tracking reports from key cities in developing ASEAN countries.

Let's take a closer look, starting with the hottest market: Indonesia.

Indonesia – growing market, larger rims

In 2014, sales in the replacement car tire segment in Indonesia were up an impressive 11% on the previous year's figure. The main reason for the boom was the rise in car sales over the past few years. That means many vehicle owners are replacing their tires for the first time. Conversely, growth rates were less than 1% in the three other key ASEAN developing markets during the same period.

However, not all is rosy in Indonesia: The average retail price of replacement car tires declined compared to the other three markets, falling by US\$9.

Top market players in the key cities in Indonesia continued to consolidate their positions, edging away market share from second-tier brands. Sales were strongest for larger rim sizes, needed especially in the 15 and 16-inch tire segments.

Malaysia – marginal growth especially in the 17-inch tire segment

Sales of replacement car tires in Malaysia over 2014 were up by a marginal 0.9% on 2013. Nevertheless, this did not deter seven new brands from entering this market during 2014.

“More and more new vehicles come fitted with larger-rim diameters, which influences tire sales in the aftermarket. Some vehicle owners also choose to inch-up their ride to larger rim diameters.”

Jasmine Lim
Account Director, GfK Asia

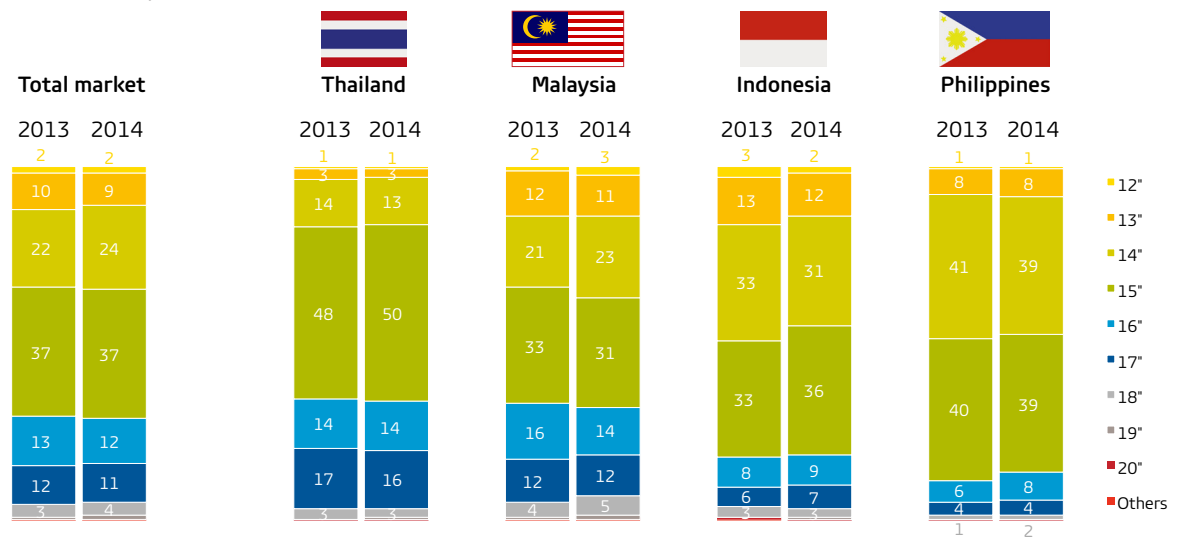


The growth has largely been attributable to larger rim tires, with rims of 17 inches or more selling particularly well in Malaysia in 2014..

In Malaysia, the impact of the Goods and Services Tax may cause prices to decline. On average, prices were down US\$4 (about 5%) in the fourth quarter of 2014 on the previous quarter.. We expect some car tire makers in the market to "wait and see" how consumers react to the tax before making a change.

Unit sales of passenger car tires in four ASEAN capital cities from 2013–2014

Market share by rim size (%)



Source: GfK Point of Sales Tracking, ASEAN, January 2013 – December 2014 (figures are rounded)



Philippines – increased competition with new market entrants

In the Philippines, more than 10 new brands entered the car tire market, despite there being no growth in sales volume in the country. This is in line with a trend observed in 2014 across the four ASEAN countries we tracked.

Across Indonesia, Malaysia, the Philippines and Thailand around 16 new car tire brands began to stake their claim, bringing the total number of brands from 90 in 2013 to 106 in 2014.

Total tire sales in the Philippines grew by about 0.8% year-on-year. Incidentally, the 10 new market entrants had a combined share of 0.8%. This shows that the marketplace is getting crowded and manufacturers already active in the Philippines face an increasing threat from new entrants. Brands that existed a year ago had no growth, as 10 new entrants accounted for all the growth in the Philippines.

Thailand – sales dip overall, but increase for 4x4 tire segment

In 2015, we expect to see growth as more new cars come on the road in the key city of Bangkok as well as the surrounding area. Growth of car tires in 2014 was curtailed due to political turmoil in Thailand (mainly late 2013 and early 2014). However sales recovered: In the fourth quarter, they rose by 4% compared with Q3 of 2014. Our retail tracking report also shows a gradual growth in sales of 4x4 tires in Thailand in 2014.

Across markets - increased competition, lower margins

Across these four markets, we observed an increased focus, crowding and variety in the 16-inch car tire segment among others. Seven new players joined the existing 60 brands in 2014, bringing with them more than 400 new model offerings for this particular diameter size alone.



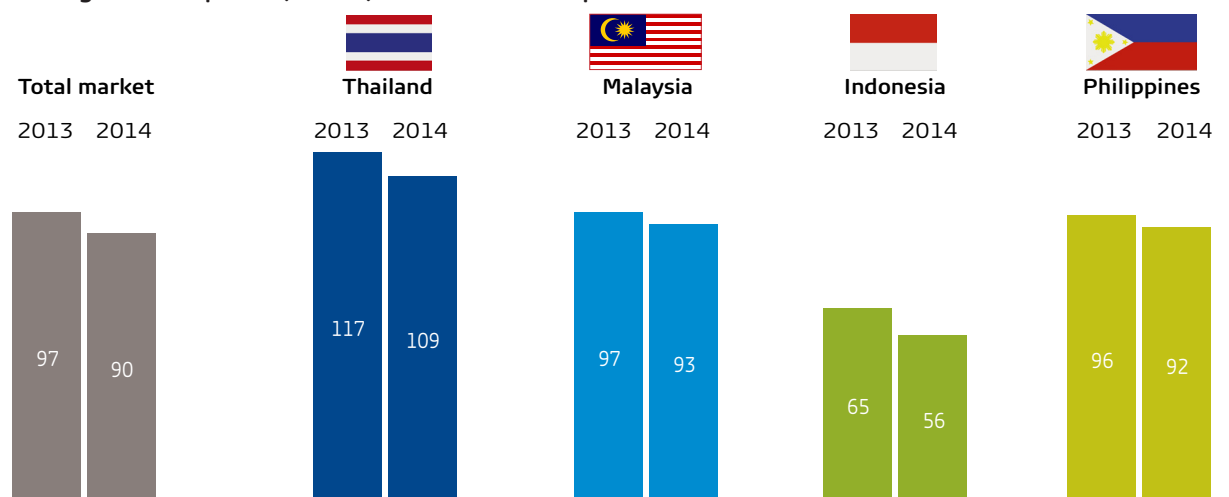
“More than 6,000 automotive outlets across the tracked markets are facing the same challenging predicament stemming from this influx of contenders.”

Jasmine Lim
Account Director, GfK Asia

Jasmine Lim comments: “As the end of the day, the beneficiaries are the consumers in these regions who got to purchase their 16-inch tires for less, since average selling prices fell from US\$123 to US\$115.”

Currently, the automotive retail outlets in the key capital cities of Indonesia, Malaysia, the Philippines and Thailand, include tire specialists, car accessories shops, fast fitters and car garages. GfK conducts retail audit tracking of replacement car tires in key cities across other markets across Asia and the Pacific markets, including China, India, Japan, Taiwan and South Korea.

Average car tire prices (in US\$) in four ASEAN capital cities from 2013 to 2014



Source: GfK Point of Sales Tracking, ASEAN, January 2013 – December 2014



“The aggressive business conditions in the car tire sector mean dealers have to be very vigilant and always prepared to cater to unexpected market demand. This may include selective stocking up on brands and SKUs, allocating more storage space, and expediting stock delivery times to avoid missing out on valuable opportunities.”

Jasmine Lim
Account Director, GfK Asia

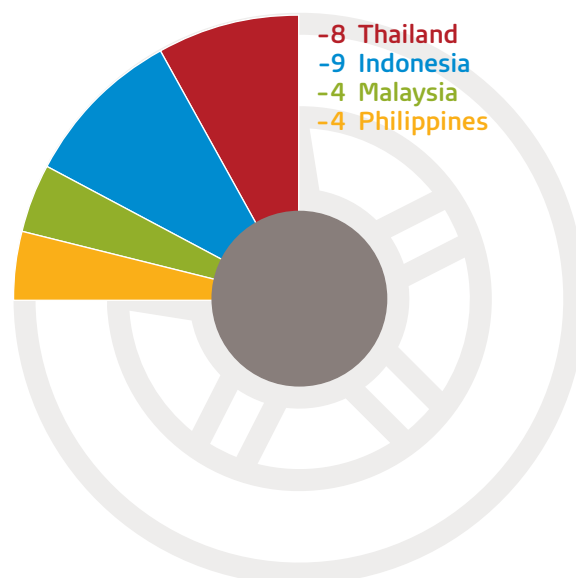
“With such a competitive environment, it is essential for brands to monitor and understand consumer preferences when selecting car tires. This comes on top of effectively communicating their unique selling points (USPs) – the key to maintaining and attracting new customers,” continues Lim.

Measuring the market


What leads GfK to conclude that it is becoming increasingly challenging for tire manufacturers in the tire replacement market? We know this because we quantify and measure the tire replacement market. We have adopted a retail tracking approach (also known as a retail audit). GfK measures retail sales from the point of sale.

The research is conducted on a monthly basis across these outlets to find out how many units of particular models were sold during the month and at what price. Using this methodology, we are able to quantify market growth and trends in the tire replacement market.

Average price change for 2013 vs 2014 in US\$



Survey coverage: Thailand (Bangkok and surrounding area), Malaysia (Central Malaysia; Kuala Lumpur and Selangor), Indonesia (Jakarta and Surabaya), Philippines (National Central Region (NCR))

A close-up photograph of a car's front wheel and tire. The tire is black with a prominent tread pattern. The silver alloy wheel has a multi-spoke design. The car's body is dark, and a portion of a white glove is visible near the wheel hub. The background is dark and out of focus.

Turning research into smart business decisions

GfK's automotive industry experts provide insights into today's markets and consumers' demand of tomorrow by looking at consumer, retail and media data. Combining deep global industry skills with proven market research expertise, GfK turns research into smart business decisions for automotive companies to create winning strategies that translate into revenue.

Questions? Contact us!

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