



TIRE TRENDS IN EUROPE

SUV – SIZE DOESN'T MATTER

When talking about SUV's, the Range Rover, the BMW X5 or the Porsche Cayenne are some of the models which might cross your mind. Within this segment of 4x4's and SUV's, there has been a new development in the last couple of years: Environmental awareness, sustainability movements and a realization of the fact that only a minor portion of SUVs are actually driven off-road.

especially in congested urban areas where most of the SUVs are driven. A new range of smaller SUVs – often with two-wheel drive – is now part of the offer of nearly every car manufacturer."

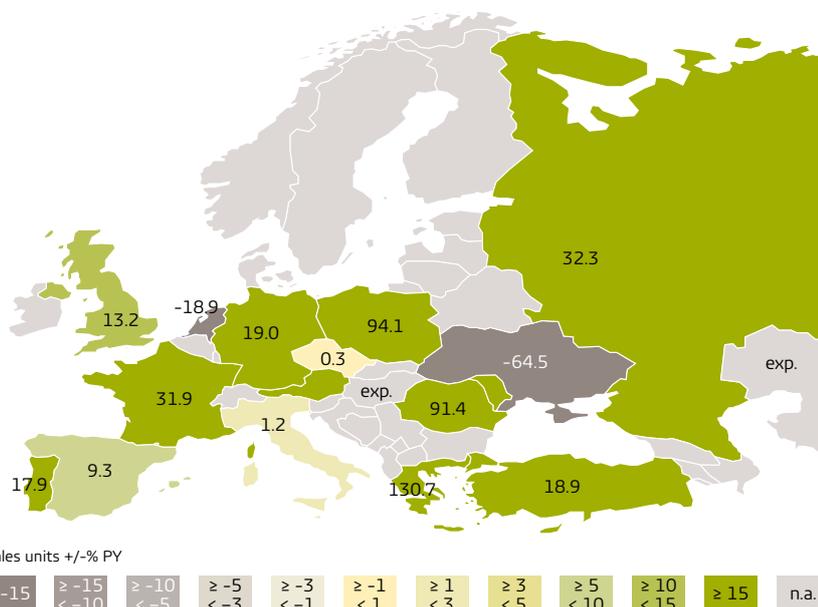
Unit sales for the three compact SUV standard tire dimensions grew from January to April 2015 by 16%.

If we analyze the 4x4 tire market keeping this in mind, we get a similar picture. The three standard dimensions for such compact SUVs are 215/60R16, 215/60R17 and 215/65R16. Unit sales of these dimensions of 4x4 tires could grow quite strongly within the segment.

At the same time, the demand for such vehicles has not faded, and it has spawned a whole new breed of compact SUV's and smaller crossover models. Markus Kube, Marketing Consultant, Automotive, at GfK in Germany, said, "The trends show that after all, size doesn't really matter,

In the nine European countries which we analyzed in GfK Point of Sales Tracking for tires, these dimensions represent a share of 13% of all 4x4/SUV tires sold in the aftermarket. Unit sales of these dimensions grew from January to April 2015 by 16%, whereas the total 4x4 segment grew by 9%. The markets with the largest share of compact/SUV tires were France (18%) followed by Poland (16%) and Italy (15%). Other large European markets like Germany and Great Britain have only a 10% share of these three dimensions but also showed double-digit growth.

Growth rates of compact SUV tire dimensions in nine European countries surveyed and additional countries in the European area



Source: GfK Point of Sales Tracking, tire trade in Europe January – April 2015



SUV TREND – LIFESTYLE INSTEAD OF ENVIRONMENTALISM?

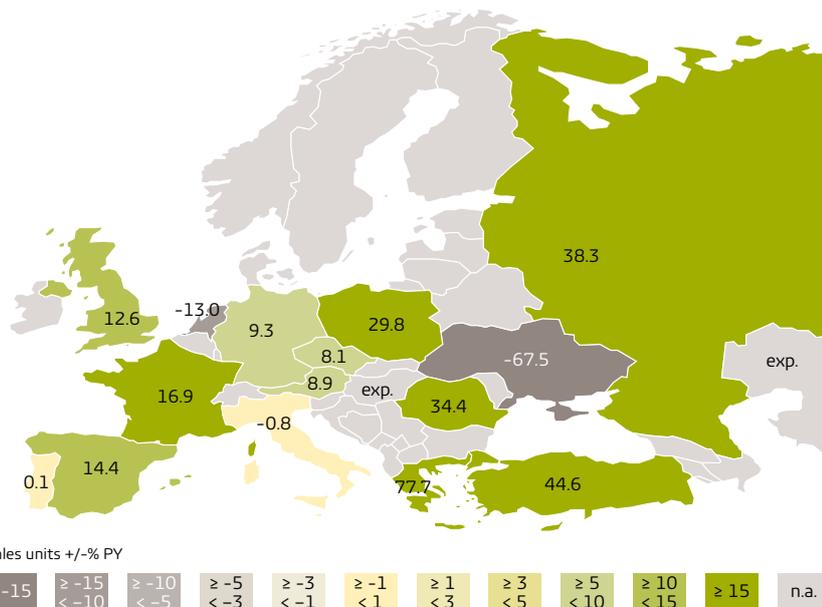
The markets analyzed for this whitepaper by the GfK Point of Sales Tracking for tires in Europe are Austria, Germany, Spain, France, Great Britain, Italy, Netherlands, Poland, and Portugal.

GfK Point of Sales Tracking for tires in Europe measures for 4x4/SUV unit sales for tires a growth of 9%.

Sales stabilized in the first four months of the 2015 in these markets. GfK Point of Sales Tracking for tires in Europe measures the sell-out of car tires and showed an increase of 1%, whereas 4x4/SUV unit sales for tires grew by 9%. This trend was visible in all nine monitored countries. In Poland, this segment is respectively young, representing only 3% of the total tire sell-outs in this market, but showing the strongest growth in the first quarter of the year – an increase of 29.8%.

In countries like Austria, Great Britain, Italy and Spain, 4x4/SUV unit sales are already more developed, reaching up to 6% of the total tire sell-outs.

Growth rates of 4x4/SUV tires in nine European countries surveyed and additional countries in the European area



Source: GfK Point of Sales Tracking, tire trade in Europe January – April 2015

TREND OF RIM SIZES

Besides "smaller" SUVs, the market is experiencing another trend that impacts rim sizes for passenger cars, 4x4/SUVs and light trucks: Over the years, standard sizes for rims have increased. In 2012, the standard rim size in the nine European

markets monitored was 15 inches in diameter. Two years later, 16-inch wheels held the largest share in the market, replacing the smaller wheels as the standard size. This development continues toward the 17-inch diameter and larger throughout all countries, although 16-inch wheels still have the largest market share. Across all countries analyzed, that share is 31%.

2014, 16-inch wheels held the largest share in the market. The trend continues toward larger rim sizes.

the first quarter last year, though data, of course, differs country to country. Mediterranean countries like Portugal, Spain, France and Italy still have a very large share of tires smaller than 17 inches, with 79% market share in Portugal and Italy, 80% in Spain, and up to 84% in France. Drivers in Germany and Great Britain want larger tires: The market share of 17 inches was 30% in Germany and in Great Britain 32% (in unit sales), according to the latest figures in GfK Point of Sales Tracking for tires in Europe.

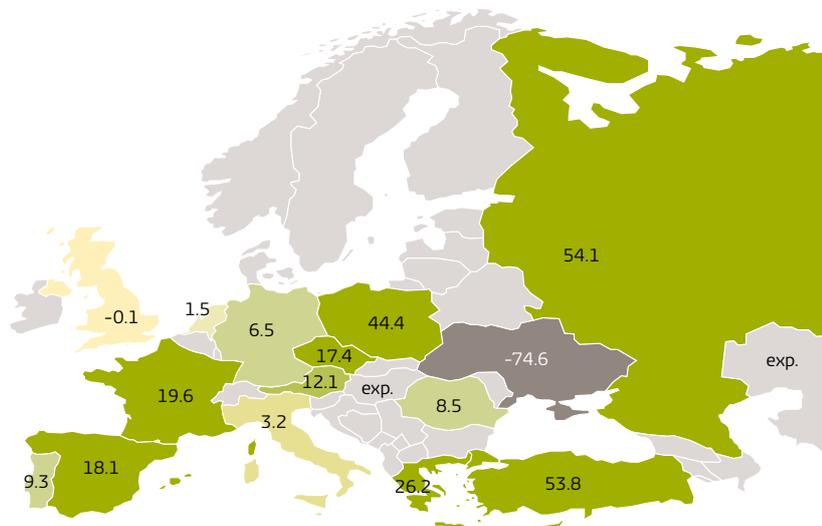
The share of wheels with diameters of 17 inches to 23 inches increased by 8% (in terms of unit sales) on average in the nine countries, compared to

the first quarter last year, though data, of course, differs country to country. With the exception of Great Britain, where the large-tire segment was more or less stable in the first four months of 2015, compared to the previous year, this segment grew in all other monitored countries. This segment, with a profitable margin, has caused most tire manufacturers to enlarge their product range.

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In Ukraine, the tire market continued to perform weakly overall, due to the political situation there and the continued fighting in the country.

Growth rates of 17-23-inch rim sizes in nine European countries and additional countries in the European area



Sales units +/- PY



Source: GfK Point of Sales Tracking, tire trade in Europe January - April 2015



EU TIRE LABEL

More than two years ago, EU tire label regulations came into effect for all new tires sold in the European markets. Introduced on November 1, 2012, each tire must be classified and labeled with three indicators: fuel efficiency, wet grip and noise emissions. The labels were criticized early on amidst worry that they would lead to more confusion for car drivers than help. Nevertheless,

tires is usually less carved and runs smoother on the road," said Kube. He added, "This helps decrease fuel consumption for the car."

Premium tire brands are usually ahead of the other brands regarding the rating.

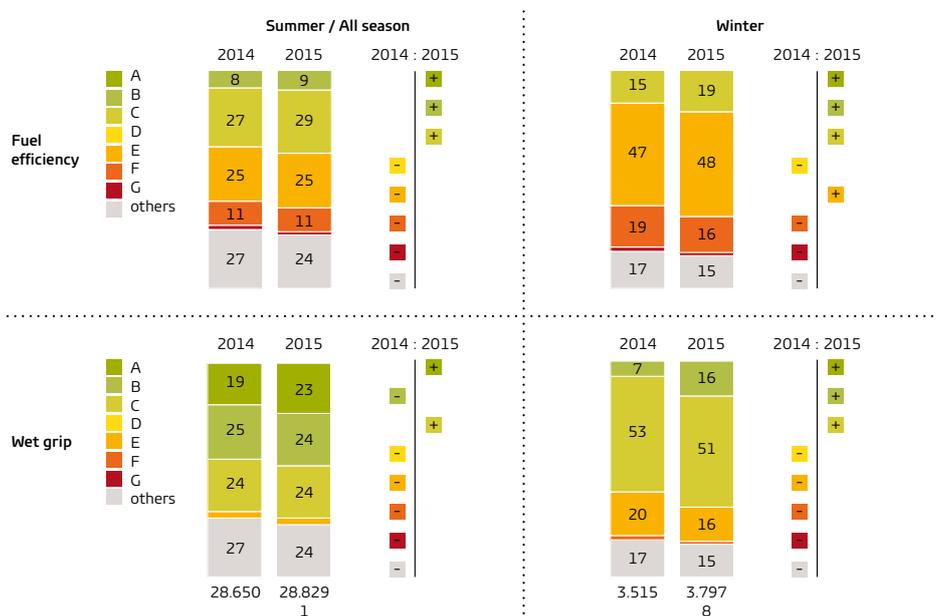
more and more manufacturers have focused their efforts on optimizing the products to achieve better ratings in the parameters. Special attention was given to fuel efficiency and wet grip, since scores are color-coded from red to green and thus catch the consumer's eye.

Wet grip scores, on the other hand, show that summer and all-season tires achieve an A or B rating, whereas the majority of winter tires still have a C rating. With their specific rubber mix and patterns, they are optimized for better performance on snow-covered surfaces. This has the effect that some winter tires are not as good as summer and all-season tires in wet conditions. Nevertheless, manufacturers have already reacted and are starting to develop winter tires with an improved performance on wet surfaces.

"Now that the ratings of the tires have been analyzed, several characteristics are apparent. In terms of fuel efficiency, summer and all-season tires are always better rated than winter tires, which doesn't come as a surprise due to the fact that the tread pattern of summer and all-season

As a result of these trends, large brand groups are concentrating their development efforts on new products within the primary brand – e.g. the premium brand. Innovations are adapted into the secondary brands of the group at a later point. This is quite visible when looking at the evolution of the EU Tire label ratings of the different brand segments. Premium brands are usually ahead of the other brands regarding the rating, meaning that products of the premium brands have a better rating than mid-range or budget brands.

Comparison of EU Tire label between seasonalities in nine European countries* surveyed



Sales Ths. Units * AT/DE/ES/FR/GB/IT/NL/PL/PT panelmarket
 Source: GfK Point of Sales Tracking, tire trade in Europe January – April 2015

MEDIUM BRANDS GET CAUGHT IN THE MIDDLE

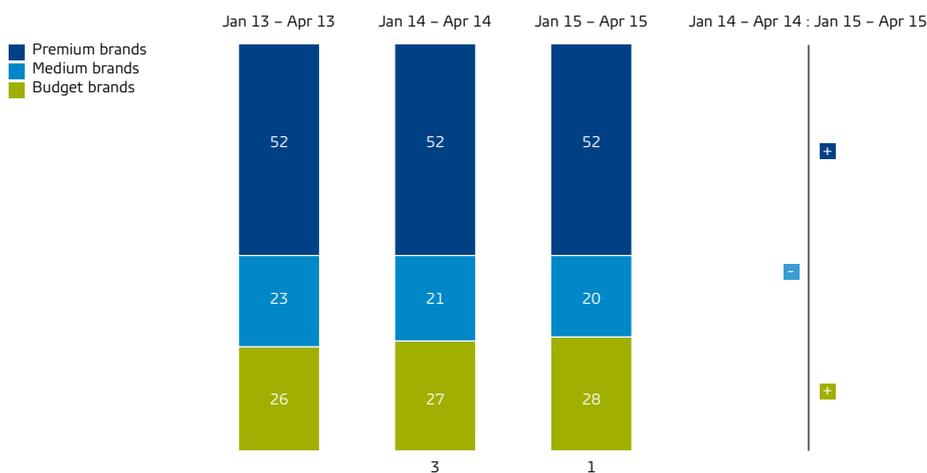
The nine European markets surveyed are a disparate market. The largest share of the monitored tires sold out belonged to the premium brands in most of the countries. Great Britain and Poland are traditionally budget-brands markets.

Imported tire brands have been investing heavily in the past to access automotive markets.

Kube said premium brands were able to maintain market share although budget brands are increasing competition through aggressive price strategies. "Budget brands are mostly imported brands from Asia, especially Chinese and South Korean manufacturers," he added. Imported tire brands have been investing heavily in the past to access automotive markets and the car industry in Europe. Getting squeezed between premium and budget brands, the medium-priced brand segment had 20% market share in the beginning of 2015, losing 2% in terms of unit sales, compared to the previous year.

In total, across all countries, premium brands still achieved a market share of 52% (in terms of unit sales), with slight growth of 1%, compared to the first quarter of 2014. Budget brands grew faster, up 5% to reach a market share of 28%.

Brand segmentation in nine European countries surveyed



Sales Ths. Units * AT/DE/ES/FR/GB/IT/NL/PL/PT panelmarket
 Source: GfK Point of Sales Tracking, tire trade in Europe January - April 2015





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