Medium-Sized Tyre Companies Diversifying Away From Tyre Manufacturing

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(PRWEB) October 29, 2004 -- Research and Markets (http://www.researchandmarkets.com/reports/c8185) has announced the addition of Light Vehicle Tyres to their offering.

The tyre industry is the largest single rubber manufacturing industry in the world. The high performance demanded of tyres has led to extensive research and development in this field and constant innovation. This report takes an overview of the latest technology combined with the market situation worldwide.

Three large companiesÂ□Bridgestone, Goodyear and MichelinÂ□now dominate the world tyre market with a share of about 56%. There then follow four mid-sized companies, which have about 18% of the world marketÂ□Continental. Sumitomo, Pirelli and Yokohama Â□ with a combined share of 17.6%. In total eleven companies account for 81.6% of the world market.

Even though the largest companies have a turnover well in excess of $10bn, they remain largely specialist tyre manufacturers. Many of the smaller companies also concentrate almost exclusively on tyres. However, the medium-sized companies are diversifying away from tyre manufacturing.

Unusually, if not uniquely in the automotive components industry, the tyre manufacturers only sell a minority of their output to OEMs. The key factor that distinguishes the tyre market from any other automotive component is the size of the replacement market or aftermarket Â□ three-quarters of road tyres are sold as replacement tyres and only one-quarter as original equipment.

The big three tyre manufacturers dominate the OE market, but other large regional players also have a share, particularly in Europe. Worldwide, the replacement tyre market for light vehicles represents about 714m tyres. The replacement tyre market is certainly more profitable for the tyre manufacturers but it has distinct problems. The general problems of slow growth and market maturity are exacerbated by cyclical growth in supply to OEMs. Despite the poor profitability of sales to OE customers and even though the replacement market represents over 70% of the passenger car tyre industryÂ□s sales, tyre makersÂ□ profitability is also cyclical. The replacement market is a relatively profitable sector of the overall tyre market, but it cannot compensate for the vagaries of the OE market.

A traditional indication of market maturity is continual pricing pressure in the market. Although the world tyre market appears to be an oligopoly, there are enough small competitors to keep continual pressure on prices. In broad terms a tyre that cost $69.90 in 1979 sold for $41.02 in 2003.

The major companies within the tyre industry are all constrained by the laws of economics and subject to similar commercial pressures. In very broad terms the cost of tyre manufacture breaks into three parts: raw materials; labour; and fixed costs. The tyre industry has high fixed costs, making it extremely difficult to improve returns unless costs are cut or market share gained. Raw materials typically represent 25% of the selling price of a car tyre. Labour costs represent about 30% of sales and this has led to a move for manufacture in lower labour cost countries. This has been helped by relatively low transportation costs for the inter-regional movement of tyres Â□ about $1-2 for a passenger tyre. In the last decade all manufacturers have tried to increase productivity in existing o0perations in order to become low-cost producers. The continuing drive for improved productivity has resulted in excess capacity in many areas and product sectors.

The overall outlook for the tyre industry is dependent upon supply much more than demand. There is a close relationship between aggregate supply and profitability for individual tyre companies. As a result there have been gradual moves towards consolidation. Before 1985 a dozen large companies dominated the world tyre market, but after a rapid series of mergers and acquisitions, seven companies emerged with three-quarters of the market.

Report Contents:

1 Introduction
2 Executive Summary
3 Industry Economics
4 Manufacturing
5 Marketing
6 Technical Developments
7 Recycling
8 North American Market
9 European Market
10 Asian Market

For more information visit http://www.researchandmarkets.com/reports/c8185

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