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PRESS RELEASE – TYRE TRADE NEWS – SEPTEMBER 2008

Premium brands losing share as economy bites

With the increasing media coverage on tougher household finances we have all heard many tips & advice as a consumer on how to save money and tighten our belts.

One such way, is when we do our weekly supermarket shop and look to purchase “value” products rather than the more expensive “luxury” labels we may have consistently bought in the past.

Tyre Trade News raised the question to industry research specialists Encircle Marketing whether they are seeing a similar trend closer to home, namely “Are tyre outlets throughout the country now recommending more Mid-Range and Budget lines over Premium products”.

Encircle Marketing is excellently placed to answer this question (and many more like it). Their independently researched data encircles three key aspects of the market – Mystery Shopping, “Sell-Out” tyre pricing and Selling Way.

Research is conducted continuously through approx 2,000 mystery telephone calls each month and it’s this method that collates analysis on first, second third line (up to 5th) brand recommendation by network (and channel).

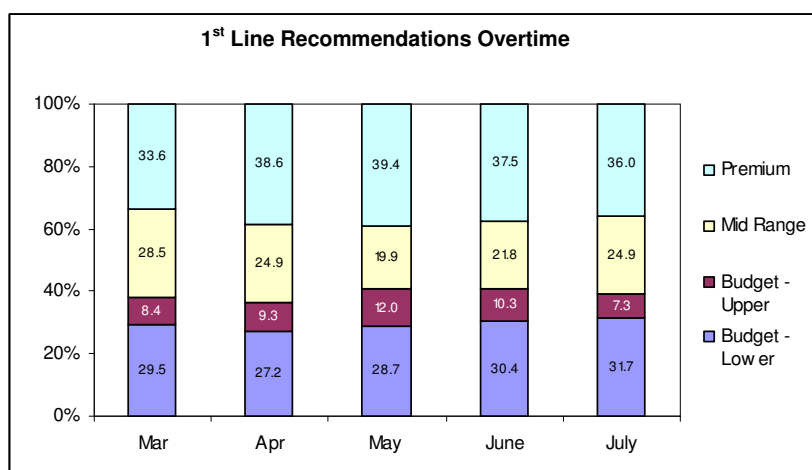
Data is monitored continuously throughout the course of the month with additional factors such as the sales argumentations that are being used to sell and promote each tyre brand (i.e. longevity, better grip, image etc.) also being recorded.

Encircle Marketing monitor over 35 brands in the market and then group these into Premium (Michelin, Conti, Bridgestone, Goodyear, Dunlop & Pirelli), Mid-Range (inc. Avon, Barum, BF Goodrich, Firestone, Fulda, GT, Hankook, Kleber, Kumho etc.) and Budget (Upper/ Lower) sectors.

If we take a look at these sectors therefore and analyse over time (since March) what has proportionately been recommended 1st line, we see that there has been significant movement away from the Premium lines and towards both Mid Range and Lower (unnamed/ generic) Budget brands.

Premium has seen 3.4% pt reduction since May. Over the same time Mid Range has bounced back after the dip seen in May to record almost ¼ of 1st line recommendations in July.

In addition to this trend, we have seen a move by the market to recommend generic (unnamed) budget brands (Budget Lower). This sector has seen an increase of over 4% pts since April and now stands at 31.7% of 1st line recommendations.

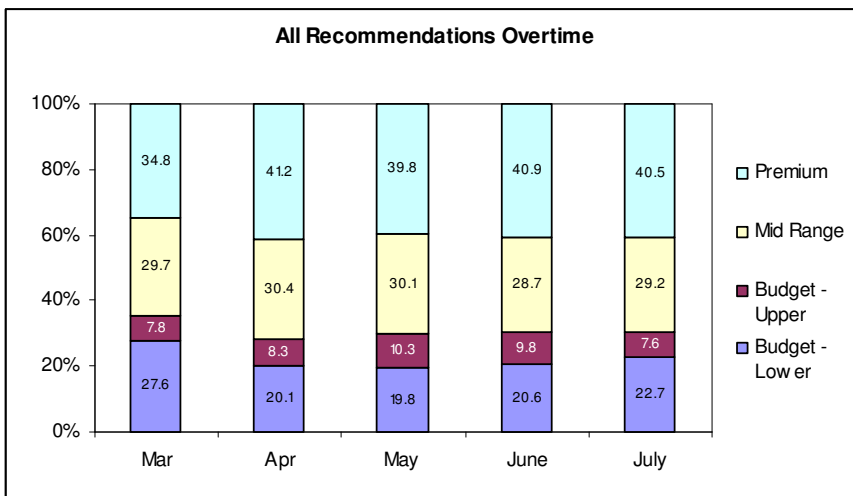


...here to help you.



From this analysis we can see that tyre outlets are starting to move away from offering Premium products as a 1st line recommendation. By digging deeper into Encircle’s data how does this compare to all recommendations? Are tyre outlets still giving the customer a choice across the price spectrum or are they adhering to what they now think the customer wants - value?

Further analysis by Encircle Marketing suggests that Premium brands are still enjoying the lion’s share of all recommendations at 40.5%. It is beneath this sector where we see the



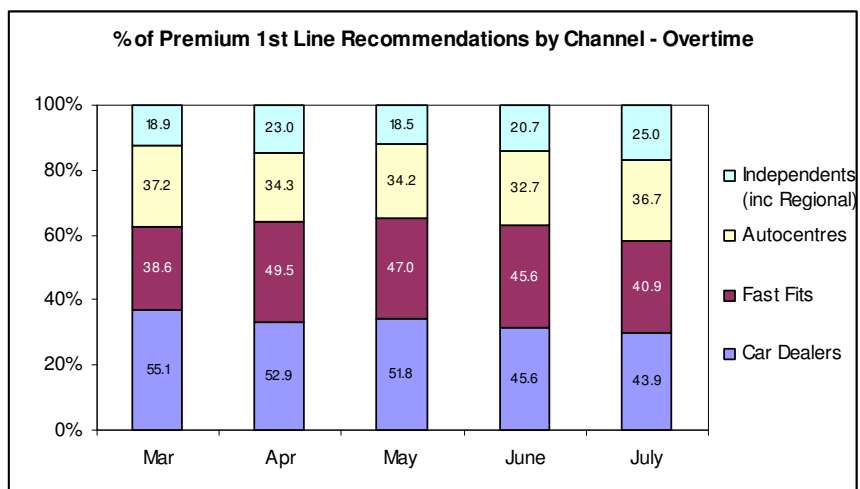
movement but it is confined to the Budget market where non branded Budgets are seeing a growth in recommendations to 22.7% (from 19.8 in May) but this is still lower than what was seen in March (27.6%).

Which of the channels are driving the trends we are seeing? Are the monthly Premium promotions run by

Kwik Fit (such as 15% off 2 Pirelli tyres) and the other leading Fast Fit’s like ATS and National Tyres masking what could be an even greater move away from this sector? Data from Encircle Marketing would confirm this and coupled with the Car Dealerships and their predominately high Premium/ OE brand policies. In fact, of late the Independent channel has seen an increase in the Premium sector albeit this channel has the lowest proportion of Premium 1st line recommendations (25%).

Examination of this identifies that Independents are “offering up” a Premium product 1st line and then using this as a benchmark for a counter offer of a Budget brand at a much lower cost.

What about the sales argumentations that are being used to sell and promote tyre brands. Have we seen a move towards longevity or price/ quality factors? In short no. In fact longevity is down month on month with Promotions and Tyre(s) in stock (introduced in July) appearing to be significant selling communications.





Argumentation	July '08
A Premium Tyre	25.80%
Quality/price ratio, silence, comfort, test, quality	15.80%
A Good Mid-Range Tyre	11.30%
A Good Budget Tyre	9.50%
Made by a "premium" brand	5.50%
Longevity (with or without quantification)	2.80%
Number 1 (in the market)	2.00%
Better Grip/ Handling	0.50%
On Promotion (Special Offer)	5.10%
Original equipment (OE)	0.80%
Tyre(s) in stock	17.70%

The most commonly used argumentation is "A Premium Tyre" at 25.8% off all communications used (a total of 4,369 argumentations were collated in the July). However, further investigation identifies that this has been associated to either a Mid-Range or Budget tyre on 19.6% of these occasions (221 of the 1,127). This would suggest that tyre outlets are up-selling a brand (as a premium) where possible.

In conclusion, we are seeing a similar trend in the Tyre market as observed in the FMCG arena. There is evidence of a move towards Mid Range and Budget lines and an increase in promotional activity (as seen in High Street retail) to try and keep a competitive edge. Premiums still hold the majority of recommendations and that shouldn't be forgotten but if hard times do continue in addition to an increase in the import market, for how long will this supremacy last?