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Promotions

As the well publicised tough trading conditions continue within the High Street retail sector we in-turn are subjected through the newspapers and magazine that we read and televisions programmes that we watch, to an increasing amount of retailer promotions.

Be it “Buy One Get One Free” or “60% Off” they are done in a combined High Street effort to increase footfall. However each retailer may employ either similar or differing tactics based upon their strategy to either predominately increase volume sales (over value) or increase value incrementally by encouraging “up spending” to more luxury/ premium items.

The retail sector of the tyre industry isn't just sitting back and observing. The latest data supplied by Encircle Marketing (up to the end of April '09) shows that the Tyre retailers are “joining-in” and increasing promotional activity in an effort to maintain/ gain market share.

If we analyse Encircle Marketing's data exclusively supplied to Tyre Trade News focussing on the last 2 months of trading (March and April), we can see some clear differentiation in strategy. Encircle made close to 6,000 market representative mystery calls during this time and collated for each call the promotions that had been offered.

Let's start with the most often cited – Price Promise/ Match – a promotion somewhat unique to the tyre industry and also more adaptable in terms of margin setting than that of a headline grabbing money off/ discount offer. Of course it could be argued that a Price Promise is more of a reactive sales guarantee than a proactive invitation to treat.

Off all the calls Encircle made in March, 31.73% of promotions cited were a Price Promise/ Match. This came down slightly in April to 29.32%. The channel that uses this the most is not surprising, in that it's the Fast Fits with 39.19% of calls in March and 34.78% in April. Again therefore a reduction in importance over the last month and also more significant that that for the entire market (-4.41% versus -2.41%) meaning it's this channel which is driving down the overall market average.

At a total market level, the next most often cited promotion is “Free Valve, Balance and Fitting” at 18.65% of all promotions (24.06% in March).

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This promotion seems to hold favour with the Car Dealerships and Regional Independents with 80.56% & 46.02% respectively of promotions cited in April.

In fact, “free” type promotions would appear to be the most significant differentiation between the Fast Fits/ Autocentres channels and everybody else.

The top cited promotions for Car Dealers, Local and Regional Independents are all “free” based. For Local Independents it would be either a free Valve, Balance & Fitment (63.41%) or a Free Tyre Check (14.2%). For Car Dealers, it would be the same two promotions at 80.56% and 11.11% respectively.

Autocentres play heavily on Price Promise/ Match with 63.52% of all promotions cited in April being this (47.67% in March). Their 2nd most used strategy in April was Free puncture/ damage repair at 18.87%.

It is the Fast Fit sector where we have seen the most notable movements and diversity with strategy. With the reduction in importance of Price Promise/ Match, Encircle Marketing has seen an increase in “reduced price” and “multiple purchase” discounts.

Almost 50% (47.67%) of promotions cited within the Fast Fit channel fall into these categories. Buy 2 tyres and get 15% off has seen a growth of 4% points month on month (14.84% from 10.48%). Also up are Reduced Price (15.5% from 5.28%) and Buy One Get One Half Price (5.41% from 0.33%).

At the same time, the Fast Fits are moving away from Free offers such as Fitment which is down month on month by 7% pts (3.01% from 10.07%).

Finally, if we examine Encircles data geographically, we can see some notable variation. For example, from Greater London and then directly north up to Scotland, the most often cited promotion is Reduced Price (9.3% on average). Elsewhere, for South East and South West & Wales we see Price Promise/ Match as the key promotional activity (9.5%).

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