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## **PRESS RELEASE – TYRE TRADE NEWS – JUNE 2009**

### **RETAIL PRICES ON THE UP!**

In our January edition, we commented on analysis provided by Encircle Marketing which analysed the varying pricing strategies across the Tyre retail sector. At the time, we concluded that 2008 had seen both Manufacturers and Retailers fight hard to keep their prices and market share in tact.

All pointers suggested that 2009 could be another tough year for all concerned.

So what has happened so far? Tyre Trade News has gone back to Encircle Marketing and examined their latest data, the results of which are enlightening.

Let's start with the detail. The data we examined was from January to May (2009). At the time of writing this article, Encircle had made over 2,200 market representative calls in May alone and over 13,000 since the turn of the year. This in turn had garnered over 40,000 tyre prices across the top sizes in the Car, Van & 4x4 markets.

For the purpose of our analysis, we examined 10 key sizes, namely; 175/65.14 T, 185/65.14 H, 195/50.15 V, 195/60.15 H, 195/60.15 V, 195/65.15 H, 195/65.15 V, 205/55.16 H, 205/55.16 V, 205/55.16 W, 225/45.17 W/Y.

At a Total Market level the overall price change across these key sizes is +3%. This has been led mainly by 195/65.15 H which is up 8% over the course of the year (£59.67 versus £64.34). Closer examination reveals that there are 2 key brand segments driving this – The Premiums and the Lower (unnamed) Budget sector.

Within the Premiums, the average price started the year at £68.97 and has since then seen steady rises. May saw the average at £75.05 which is up almost £4.00 on April. Encircle do put a caveat on this figure however given that the time of going to press they were yet to complete the full month and suggested that this number will in all likelihood come down to around £72. That said, the increase is still significant.

The Lower Budget average price was up marginally less at 7% (£44.58 versus £47.59) but this figure has been static since March.

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The next most significant mover was 205/55. 16 H which has seen a 5% increase (£76.98 versus £80.51). Again this shift has been predominately seen within the Premium and Lower Budget sector (+ 6% & + 7% respectively) with average prices of £95.08 (for Premiums) and £57.31 (for Lower Budget).

Bucking the trend for this tyre size is Upper (named) Budgets which has actually seen a fall of 14% (£59.64). Mid Range prices are relatively static (-1%) at £71.54.

A similar increase (+5% to £66.15) has been reported for 195/60. 15 H but this has been largely static over the last couple of months at a Total Market level. When you drill down to brand segment however, there are some notable shifts with Mid Range seeing growth of 3% to £62.59, Lower Budget seeing growth of 7% to £48.23 and Upper Budget up 11% to £53.33.

What about the 205/ 55. 16 V? If we compare January to May then the picture is relatively static at only +1% (£79.30). However this does hide fluctuations seen in the early part of the year (March to April) when price deflation actually occurred (-6% - £73.37).

This trend was seen across all key brand segments but particularly so at the top and bottom end of the market. Premiums shed over £6.00 off its average price in April (-7%) and Lower Budgets went down by 6% to just over £58.00.

At the same time the middle sectors although down were less severe (5% each).

175/65.14 T has seen growth across all sectors at an average of 3%. The Budget sector lead the way with Lower up 8% to £40.04 and Upper up 6% to £40.57. Mid Range brands see less significant movement (2%) with an average price in May of £51.07. For Premiums the movement is 3% at £59.03.

If we examine 225/45 W/Y – we have seen a Total Market movement of 3% (£104.29 versus £106.90). The Premiums sector average price is relatively static at +1% (£106.90).

Elsewhere, Upper Budgets have reported the most significant movement of +9% to £78.76.



Finally, if we look at 205/55 16 W, this is the only tyre size we examined that Encircle report to have dropped in average price. It started the year at £82.23 and has since then reported a drop of 4% to now stand at £78.86. This movement has been driven Lower Budgets and Mid Range which are down 9% and 4% respectively (£57.25 & £73.95).

In conclusion, Encircle Marketing is reporting price increases across the key sizes. For a consumer wanting to find value at the bottom end of the market they are seeing Budget prices increase which in turn is potentially lessening the perceived value gain from switching from a Premium or Mid Range tyre but helping the Retailer maintain margin.

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