Great Year Consulting

Agenda

1. Problem Statement & Subsidiary issues
2. Tire Industry and Goodyear Background
3. Market Analysis
4. Recommendation
5. Implementation
6. Risks and Contingencies
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1. Problem Statement

Analyzing the current market to determine the **viability**, **timing**, and **positioning** of a possible launch of Aquatred.
1. Subsidiary Issues

• Maximizing the benefits of a launch through an appropriate mix of marketing and distribution

• Option of expanding to new distribution channels

• Avoid further damage/repair existing distribution relationships

• Determining proper positioning with regards to market segmentation
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2. Background: The Tire Industry

- **Five major companies** based out of Akron, Ohio
- Dominated the market from 1900s to 1970s
- Bias & Bias-belted tires were phased out by radial tires
- Foreign competition reduced market share per company
- Rising oil prices led to decreased frequency of sales
- A number of mergers/acquisitions modified the industry
2. Background: Goodyear

- **1 of the 5 to dominate** the industry, only remaining
- Quick to convert to radial production
- Profits hurt by **international competition & oil prices**
- Strong track record of **innovation**
- **Diversified** in 1980’s but earnings were sluggish
  - 1991 Stanley G Gault
    - Sold indirect investments
    - **Priority on new development**
1. Problem Statement & Subsidiary issues

2. Tire Industry and Goodyear Background

3. Market Analysis

4. Recommendation

5. Implementation

6. Risks and Contingencies
## 3. Market Analysis: S.W.O.T.

### Strengths
- Innovative products & Service
- Only original mfr not acquired
- **Good customer-base balance**
- Strong w/ price-constrained and commodity buyers
- Strong position w/ independent dealers

### Weaknesses
- No clear strategy
- Cannibalization
- **Large Interest Payment**
- Mature market with slow growth & extreme competition
- Less of a warranty than competing new products

### Opportunities
- High performing design
- Olympic advertising contract
- **Visibly unique product**
- Rare innovations in industry

### Threats
- Michelin and Bridgestone new development
- Michelin has stronger image with value-oriented & quality buyers
- New channels compete w/ current
3. Market Analysis: Segmentation

* Aquatred would be sold as a replacement
* Aquatred would be part of the major Goodyear brand

- Performance vs. Broad-Line
- Replacement vs. OEM
- Major Brands, Minor Brands, and Private Label

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3. Market Analysis: Customers

- Value price and outlet
- Trusting Patrons and Bargain Hunters
  - *Goodyear Strength
- Loyal to outlet and brand
  - *Goodyear weakness

- Buy the best within the budget
- Little loyalty to brand
  - *Goodyear Strength
- Search for preferred brand at the best price
  - *Goodyear weakness
3. Market Analysis: Consumer Criteria

- Fast Service
- Price – product price point
- Can Trust Personnel – effectiveness of current channels
- Store Attractiveness – distribution channel options
- Mileage Warranty – competition from other brands’ new tires
- Brand Selection – Goodyear vs. Michelin
- Maintains convenient hours
## 3. Market Analysis: Key Characteristics

### Key for the Market
- Quality Radials
- Precision Handling
- Large Dealership Network

### Key for Aquatred
- Safety (lowest stopping distance)
- Durability (60,000 miles > Industry average)
- Best Wet Traction
- Appearance: New, Innovative, & Contemporary Design
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4. Recommendation: Alternatives

1. Launch Aquatred through existing channels; focus on independent dealer expansion through a franchise to independent training and certification process.

2. Launch Aquatred and focus on channel expansion into warehouse clubs; provide tiered discounts to independent shops based on services used.

3. Don’t launch Aquatred, but expand distribution channels for existing products.
4. Recommendation- Alternatives

<table>
<thead>
<tr>
<th></th>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3</th>
</tr>
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<tbody>
<tr>
<td>Profitability</td>
<td>4</td>
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<tr>
<td>Vendor Relations</td>
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<tr>
<td>Viability</td>
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<td>3</td>
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<tr>
<td>Timing</td>
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<tr>
<td>Product Match</td>
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<tr>
<td>Positioning</td>
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</tr>
<tr>
<td>Sales Volume</td>
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<td>5</td>
<td>4</td>
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<tr>
<td><strong>Totals</strong></td>
<td><strong>28</strong></td>
<td><strong>20</strong></td>
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4. Recommendation

1. Launch Aquatred through existing channels while focusing on independent dealer expansion through a franchise-to-independent certification process
### 4. Recommendation: Considerations

#### Why Independent Dealers?

<table>
<thead>
<tr>
<th>Type of Distributor</th>
<th># Of Locations</th>
<th>% of Sales Revenues</th>
<th>% of Sales / Store</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Dealers</td>
<td>2,500 Active</td>
<td>50%</td>
<td>0.02%</td>
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<tr>
<td>Company Owned Outlets</td>
<td>1,047</td>
<td>27%</td>
<td>0.025%</td>
</tr>
<tr>
<td>Franchised Outlets</td>
<td>600</td>
<td>8%</td>
<td>0.0133%</td>
</tr>
</tbody>
</table>

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4. **Recommendation:** Considerations

- Excess channels cannibalize current ones & dilute image
  - Ind. dealers complain of channel competition

- Independent dealers: account for 50% GY sales and have relative loyalty to GY [only 50% stock other brands]

- Launch would beat Continental’s anti-hydroplaning tire to market

- Increase in consumers who aren’t brand loyal [36-53%]

- Aquatred meets most top 5 performance attributes

- Unique styling is recognizable (boosts brand awareness) and increases the likelihood of a 4 tire purchase
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5. Implementation: Plan

1. Price
   - Maximize profit
   - Should be based on test markets
   - Remember $6 range for broad-line products

2. Promotion
   - Utilize Olympics
   - Utilize promotions

3. Distribution
   - Independent dealers
   - Program to establish franchises
   - Training & support
   - Build service uniformity

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5. Implementation: Timeline

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Establish Pricing</td>
<td>Direct Company Stores Toward Franchising Framework</td>
</tr>
<tr>
<td>Develop Franchise to Independent Framework</td>
<td>Develop Framework for Independents to Certify Business Practices in Order to Meet Eligibility Requirements for Opting out of Goodyear Services</td>
</tr>
<tr>
<td>Develop and Deploy Olympics Ads</td>
<td></td>
</tr>
<tr>
<td>Deploy Reps to Train Dealers @ Aquatred</td>
<td></td>
</tr>
<tr>
<td>Start Molds for Foreign Mkts</td>
<td>Measure &amp; Refine</td>
</tr>
</tbody>
</table>

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6. Risks & Contingencies

Continental introduces anti-hydroplaning tire sooner than anticipated

Aquatred sales are lower than forecast or are stunted by the higher mileage warranties on competitors’ products

Advertisement during Winter Olympics creates demand for smaller sized import cars which the company can’t meet.

- Continue T.V. ads; reevaluate pricing competitiveness with Continental offering; offer incentives to independent dealers for sales targets
- Reevaluate the value being conveyed to dealers and consumers, adjust message accordingly; market Aquatreds to OEMs; consider an increased warranty or other competitive guarantee
- Recommend Invicta GS—very similar traction ratings; plan sales promotion when tires for imports are on the market; work to implement necessary modifications

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Questions?

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