



STRATEGIC MARKETING PLAN FOR COMPAGNIE  
GÉNÉRALE DES EABLISSEMENTS MICHELIN SCA

Which marketing strategy should Compagnie Générale des Etablissements Michelin implement to sustain competitive advantage and sustain continuous revenue growth

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## Declaration

I hereby declare that no portion of the work referred to in this thesis has been submitted in support of an application for another degree, or qualification thereof, or for any other university or institute of learning.

I declare that this is my independent work. All sources and literature are cited and included.

I also hereby acknowledge that my thesis will be made publicly available pursuant to Section 47b of Act No. 552/2005 Coll. And AAU's internal regulations.

KATRIN JULIA MENKE

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*Thank you!*

## Abstract

Strategic Marketing Plan for Compagnie Générale des Etablissements Michelin

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Tires contribute substantially to the performance of a vehicle in terms of safety, fuel-efficiency, and longevity. Yet, tire manufacturers are continuously confronted with environmental topics and resource scarcity. The production of tires is still highly pollutant and no adequate solution to offset tire dumping has been identified (as the production of recyclable tires are in an embryonic stage). Yet, most European consumers (both businesses and conventional drivers) tend to purchase budget tires due to lack of information (about what sustainability activities manufactures pursue) and lower purchasing power. Furthermore, managers – particularly from smaller businesses – rather buy budget tires from Asian manufacturers to keep costs low. The difficulties tire manufacturers face is that they are B2B and B2C businesses at the same time.

Hence, the purpose of the thesis is to find a suitable marketing strategy to gain and sustain revenue growth for original equipment and replacement tires for Michelin. The researcher carried out an extended analysis of internal and external economic factors supported by different researcher methods. This enabled the researcher to prepare a marketing audit, which contains critical assessments and recommendations that should help Michelin to gain superior competitive advantage within the passenger vehicle and truck tire segment.

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## List of Abbreviations

e.g. – a short and rarely used expression that suggests an example.

n.a – no author

n.d. – no date

n.p. – no page

sl. - slide

OEM – original equipment manufacturer

OE – original equipment

PV – passenger vehicle

RT – replacement tires

R&D – Research and Development



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## Chapter I: Introduction

The objective of this thesis is to develop a suitable marketing strategy for the French tire manufacturer Compagnie Générale des Etablissements Michelin (from now on Michelin). The identified marketing strategy will be designed for the European market with the primary focus on the passenger vehicle and to some extent on the truck tire segment as well – since both segments represent the main source of income.

To develop this marketing strategy, the researcher will analyze the current marketing strategy of Michelin and the influential economic factors. The latter, the evaluation should help to answer the thesis question: which marketing strategy should Michelin choose to retain competitive advantage and generate continuous revenue growth.

### 1.1 History

The French tire manufacturer, Michelin, was founded in 1889 by the brothers Édouard Michelin and André Michelin and is based in Clermont-Ferrand, France. It is one of the few remaining tire manufacturers that produces tires only and for all segments (e.g., passenger vehicles, trucks, bicycles, motor bikes, aircraft, agriculture and mining) (Michelin, 2016, sl.10). Ever since, the company's philosophy is to produce high quality tires generated by leading innovation that should help to define the tire industry (<http://www.michelinman.com/US/en/why-michelin/about.html>, Michelinman.com, 2017, n.p).

Today, the Michelin corporation places itself as the world's second largest tire manufacturer and successively developed a large multi-brand portfolio including Kleber, Uniroyal, BF Goodrich, Kormoran, Riken, Taurus, Tigar, Siamtyre, and Warrior (Michelin, 2015, p.6).

## 1.2 Key Company Information of Michelin

*Table 1.2 Company Information of Michelin*

Company Name	Compagnie Générale des Etablissements Michelin
Type	Société en commandite par actions
Traded as	ML on Euronext
Headquarter	Clermont-Ferrand, France
Tire Industry Value in \$	\$ 160 billion
CEO	Jean-Dominique Senard Since May, 2012
Annual Revenue	€ 20,907 billion (Michelin 2016 Results)
Market Share	13.8% (Michelin 2016 Results)
Employees	111,700
Plants	67 plants in 17 countries 9 R&D sites in 9 countries 1 rubber tree plant in possession
Competitors	Global: Bridgestone, Goodyear and Continental  Europe: Continental and Bridgestone
Source	Michelin 2015 Registration Document

\*The organization chart, multi-brand portfolio and acquisition map is attached to the appendix A

## 1.3 Personal Interest

Michelin strives to be the leading high quality tire manufacturer and innovator within the industry as well as the “leader in sustainable mobility” (Michelin, 2013, p.1). However, over the period from 2011 to 2015 the once market leader consecutively lost its global market share position to Bridgestone, as the table below demonstrates (Michelin, 2013, p. 19; Michelin, 2014, p. 20; Michelin, 2015, p.21):

Table 1.3.1: Market Share by World's Leading Tire Manufacturer

Market Share Development						
	2011	2012	2013	2014	2015	
<b>Bridgestone</b>	15.2%	15.3%	14.6%	14.5%	15.0%	
<b>Michelin</b>	14.6%	14.0%	13.7%	13.7%	13.8%	
<b>Goodyear</b>	10.9%	10.1%	9.4%	9.1%	9.1%	

In addition, sales revenue appears to fluctuate with a repetitive decline in 2016, showing a stagnating growth in Europe (Michelin, 2011, p.27; Michelin, 2012, p.27; Michelin, 2013, p.28; Michelin, 2014, p.30; Michelin, 2015, p. 31; Michelin, 2016, p.78).

Table 1.3.2: Sales Revenue Development of Michelin

Sales Figures Michelin Group						
in billion €	2011	2012	2013	2014	2015	2016
Total Sales	20,719 €	21,474 €	20,247 €	19,553 €	21,199 €	20,907 €
Michelin Europe	8,832 €	8,499 €	8,193 €	7,990 €	8,203 €	8,101 €

Furthermore, as Continental was rewarded by the Tire Technology International magazine for “outstanding products and a vision of more sustainable future”, the researcher questioned the performance of Michelin and for this reason, it is the subject of topic of this thesis (Continental, 2014, p.55).

#### 1.4 Purpose

The purpose of this thesis is to establish a strategic marketing plan that ensures continuous revenue growth and superior competitive advantage. The main objectives throughout the thesis are:

- Analyzing Michelin's current strategy
- Developing a marketing audit
- Providing recommendations and modifications on the current strategy of Michelin

## 1.5 Conceptual Framework

The methodology of this thesis was based on primary and secondary research methods. Most of the research data was retrieved from academic books, online economic newspapers and renowned journals. Additional interviews with sales and business experts were held to gain more insights on the software development and digitalization within the automobile industry as well as on the dynamics of the European economy.

## 1.6 Methodology

Every thesis is based on a philosophical framework – a research strategy a researcher develops to gather information to prove the hypothesis (Brown and Saunders, 2006, p.12). For gathering information, the researcher has used the following research methods:

- *Exploratory Research* is used when the researcher wants to achieve a deeper understanding of the topic of interest as well as to accumulate more ideas. It is not that type of research method that tests hypothesis (Hair et. al., 2011, p. 147).
- *Secondary Research* is the information collected and published by other parties that was previously conducted for a different kind of purpose (Housden, 2005, p.90).
- *Comparative Research* is a research method that compares the results from two different sources which allow the researcher to draw conclusions (Hine and Carson, 20017, p.172).
- *Descriptive Research* reveals data about “the characteristics of the topic of interest” and describes why and how a certain behavior occurred (Hair et. al., 2011, p.148).

## 1.7 Statement of Sources Cited and Consulted

The sources used to gather information include academic books and articles, journals, newspaper articles, websites (including the company's website, annual reports and presentations). The online newspaper Tire Business and Tire Review provided the most adequate information on the tire industry. The sources used are listed in either the work cited or bibliography at the end of the work.

## 1.8 Structure of the Thesis

To simplify the ideas of the researcher and ease the process of reading, the thesis is structured into eight chapters:

*Chapter One* introduces the subject of the thesis and provides a brief overview on the company and industry.

*Chapter Two* informs which methodologies have been used for gathering research data.

*Chapter Three* thoroughly analyzes the macro and microeconomic factors of the industry illustrated with business models and matrixes.

*Chapter Four* expresses the assumptions of the researcher.

*Chapter Five* comprises a strategic marketing plan for Michelin.

*Chapter Six* evaluates and comments on the current marketing strategy of Michelin.

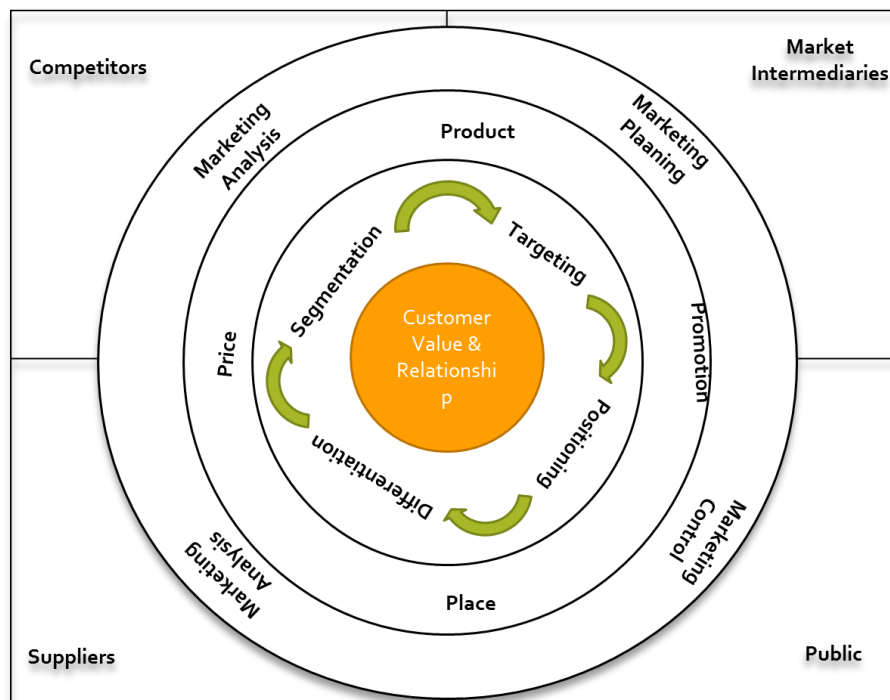
*Chapter Seven* assesses and explains the suggested marketing plan and recommendations.

*Chapter Eight* summarizes the work and provides conclusions on the research topic.

## Chapter II: Literature Review

### 2.1 Marketing Strategy

The marketing strategy aims to create customer value and build long-term customer relationships (Kotler and Armstrong, 2016, p.74). It is also referred to as “the marketing logic by which the company hopes to create customer value and achieve profitable relationships” (Kotler and Armstrong, 2016, p.74). The first step of the marketing strategy is to identify the right market segment, target group as well as the supplementary differentiation and position. The market analysis and marketing mix (consisting of the 4 P’s) identify which tools to use in order to build customer loyalty.



*Figure 2.1: Marketing Strategy created by Katrin Menke, Anglo-American University, 2017, adapted from Kotler and Armstrong, 2017, p.74*



## 2.2 The Tire Industry

The industry is an oligopoly as the market is dominated by few but very large corporations (e.g., Michelin, Continental, Bridgestone and Goodyear) (Moore, 2012, n.p). The industry is directly intertwined with the automobile industry. For example, the development of sales depends upon the performance of the automobile manufacturers, especially for the passenger vehicle segment (- PV segment). In addition, sales performance of truck tires is contingent on the economic prosperity of a country or region (Ader, 2016, n.p; Vetter, 2017, n.p). However, the value of the tire industry has declined over the period 2012 to 2015, as the table below depicts (Michelin, 2013, p.19; Michelin, 2014, p.20; Michelin, 2015, p. 21; Michelin, 2016, p. 68):

*Table 2.2: Global Value Development of the Tire Industry*

Value of Tire Industry				
in bn. \$	2012	2013	2014	2015
Total	190	187	180	160
Passenger Vehicle	1.8	1.45	1.5	1.5
Truck (mio)	180	180	180	215

On the other hand, it is estimated that the demand for tires will increase annually by 4.1% throughout 2019 and sales are expected to increase year-on-year by 7% to \$258 billion (Freedonia, 2015). The PV-tire segment is expected to experience higher demand while the truck tire segment is reported to grow moderately at 3.3% per year (Smithers, 2015).

The tire market is operating in two major markets: the mature markets (NAFTA, EMEA, Japan, and industrialized East Asia) and the emerging markets (BRIC, Asian-Pacific, Africa and South-America) (Rüger Vernesson, and Brash, 2014, n.p.). The European tire market is shaped by a strong Western European market and weak Eastern European market (due to “difficult geopolitical and economic events”) (Michelin, 2014, p.22).

## 2.3 The Marketing Strategy in the Tire Industry

The tire industry, unlike to most other industries, remains very traditional as it is primarily product rather than service orientated. Tire manufacturers mainly sell tires through business-to-business (B2B) (e.g., original equipment manufacturers, wholesalers, and retailers). Yet, as the main turnover is generated through replacement tires, it is necessary for tire manufacturers to include business-to-consumers (B2C) marketing strategies as well.

## Chapter III: Marketing Audit

### 3.1 Historical Milestones of Michelin

*Table 3.1: Michelin's Milestone*

1889	Founding of Michelin. Submission of the first patent for pneumatic tires (Michelin, 2015, p.8)
1898	Birth of the Michelin Man (Michelin, 2015, p.8)
1935	Michelin acquires a controlling interest in French carmaker Citroën (which last until 1975) (Michelin, 2015, p.8)
1946	Michelin files a patent for the radial tire (Michelin, 2015, p.8)
1951	Renaming to Compagnie Générale des Établissements Michelin (Michelin, 2015, p.8)
1952	Applied the radial tire technology to truck tires (Michelin, 2015, p.8)
1959	Later also to Earthmovers (Michelin, 2015, p.8)
1965	Opening of the first Testing and Research Center in Ladoux, France (Michelin, 2015, p.8)
1980	Becomes second largest tire manufacturer after Goodyear (Michelin, 2015, p.8)
1981	Brand extension: Michelin produces radial tires for air-crafts
1984	Michelin's first production of radial motorcycle tire (Michelin, 2015, p.8)
1985	First manufacturing operation in Asia through joint-ventures (Michelin, 2015, p.8)
1990	Acquisition of Uniroyal Goodrich (Michelin, 2015, p.8)
1993	Invents the new C3M tire manufacturing process (Michelin, 2015, p.8)
1994	Launch of the fuel-efficient Energy tire line up (Michelin, 2015, p.8)
1997	Michelin is entering the stock market in France (Euronext) ( <a href="http://www.reuters.com/finance/stocks/chart?symbol=MICP.PA">http://www.reuters.com/finance/stocks/chart?symbol=MICP.PA</a> , Reuters, 2017, n.p.)
2003	Production of first agricultural tire (Michelin, 2015, p.8)
2015	Cross Climate tire (first summer tire that is certified for winter usage) (Michelin, 2015, p.8)

### 3.2 The Marketing Mix

The marketing mix is an essential element of the marketing concept which includes a set of tools – also known as the 4 P’s (Product, Price, Place, and Promotion) – that are used by marketers “to ensure the success of a product, service, or a brand in its market” (Kubicki, 2015, p.1).

The 4P’s were chosen instead of the 7P’s as Michelin’s core business is in producing products than services, which are represented in the figure below (Brassington and Pettitt, 2006, pp.494-504; Michelin, 2015, p.6):

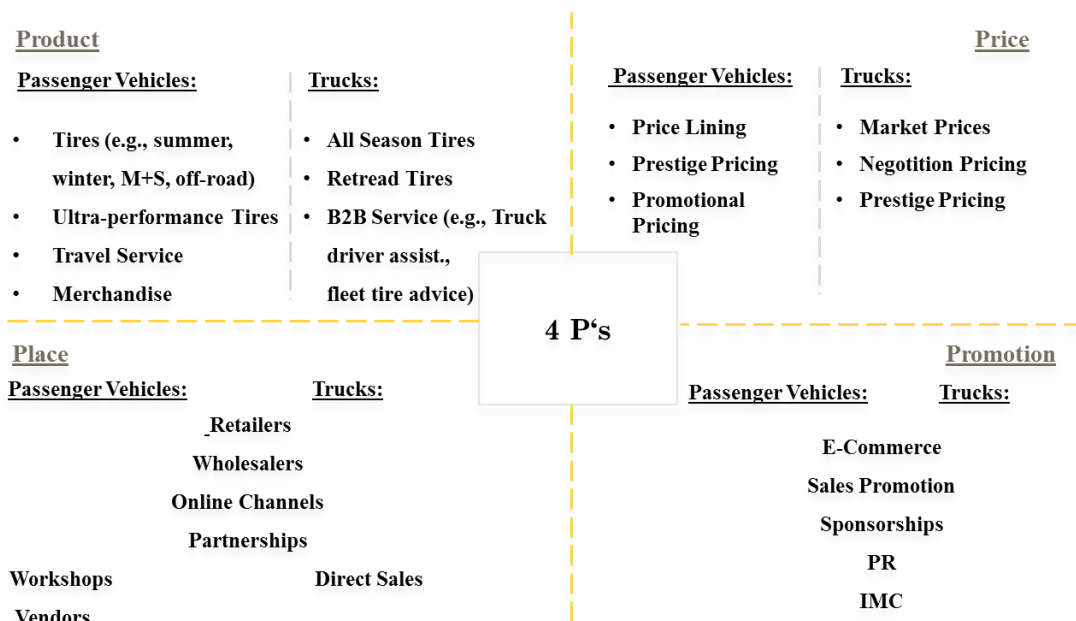


Figure 3.2: Michelin’s Marketing Mix

The 4P’s depict that Michelin is a prestigious company and strongly positioned in the ultra-high performance segment. However, to remain attractive in the other segments, implementing a different pricing strategy is recommended, which will be further analyzed in chapter five (an extended analysis is provided in Appendix B).

### 3.3 Activity Map System

Activities “determine the strategic position ... and competitive advantage” of a company (Thompson and Martin, p.296). These activities express what the company actively does to obtain the strategic fit (between the company and the customer) and to capture customer value (Thompson and Martin, p.296). Four core activities supplement Michelin’s value proposition:

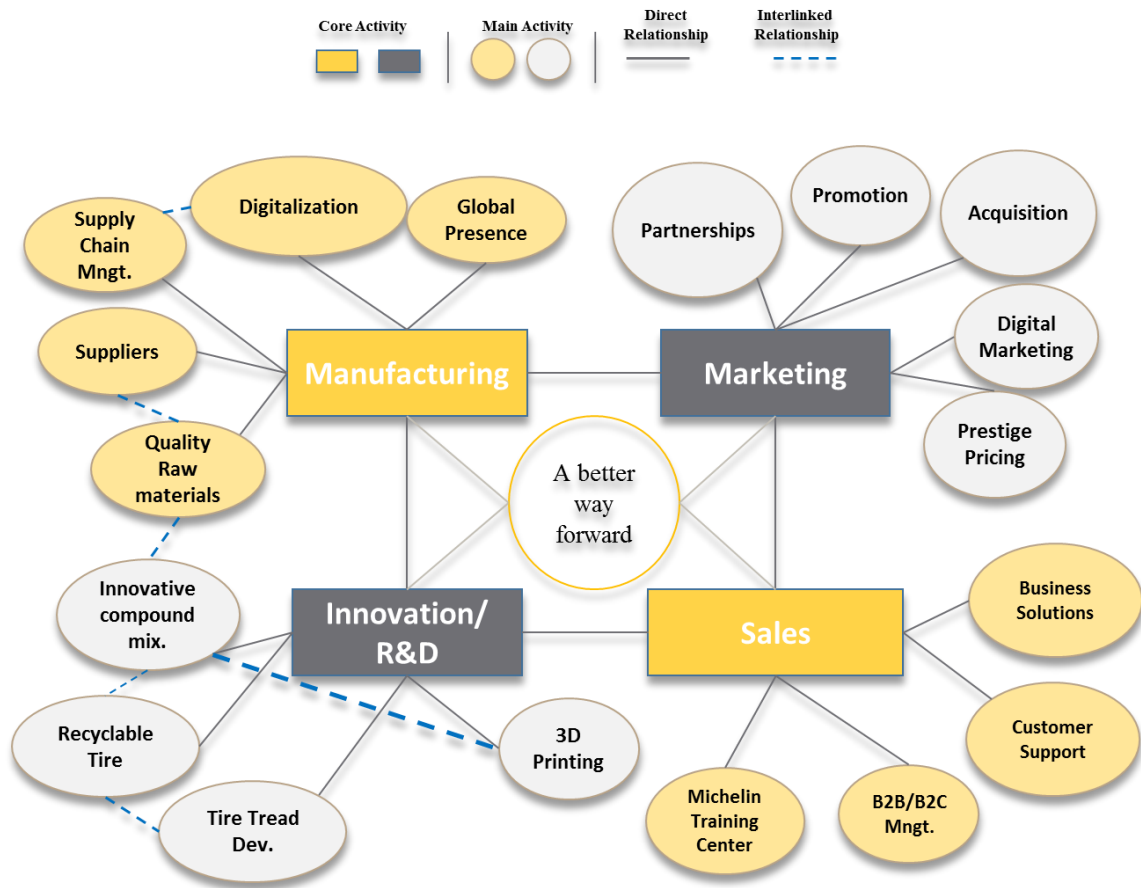


Figure 3.3: Activity Map prepared for Michelin

The activity map demonstrates that Michelin is very product focused. To stress their leading innovative position as well as to generate bigger brand awareness, the company presumably benefits by implementing more marketing tools, which is discussed in chapter five (an extended analysis is provided in Appendix C).

### 3.4 Value Proposition & Business Model Generation Canvas

The value proposition canvas identifies how to create value for customers, while the business model generation canvas suggests how to generate value for the company (Osterwalder et. al, 2010, p.XV).

Adapting from the value proposition, Michelin products create significant value to customers, however, it appears that there are opportunities in improving customer services (for PV-drivers and trucks), which will be further analyzed in chapter five. A detailed evaluation on how Michelin creates value to the business can be found in Appendix E.

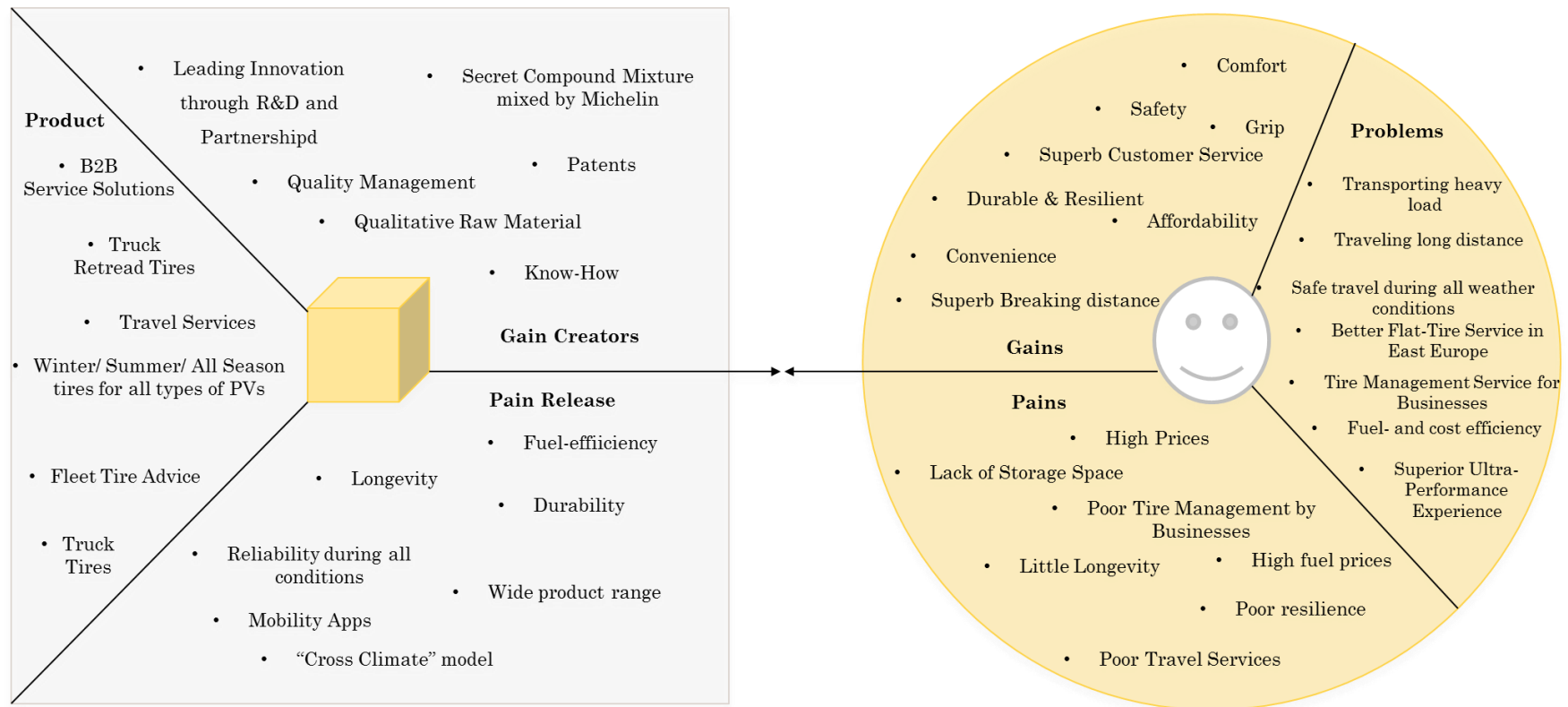


Figure 3.4.1: Value Proposition for Michelin

### 3.5 PLEESTIC Matrix

The PLEESTIC Matrix is one of the few matrixes that analyzes macroeconomic factors of the industry in question (Oxford College of Marketing, n.d, n.p). The matrix captures current trends that influence the industry’s behavior and provides a brief outlook on the future trends.

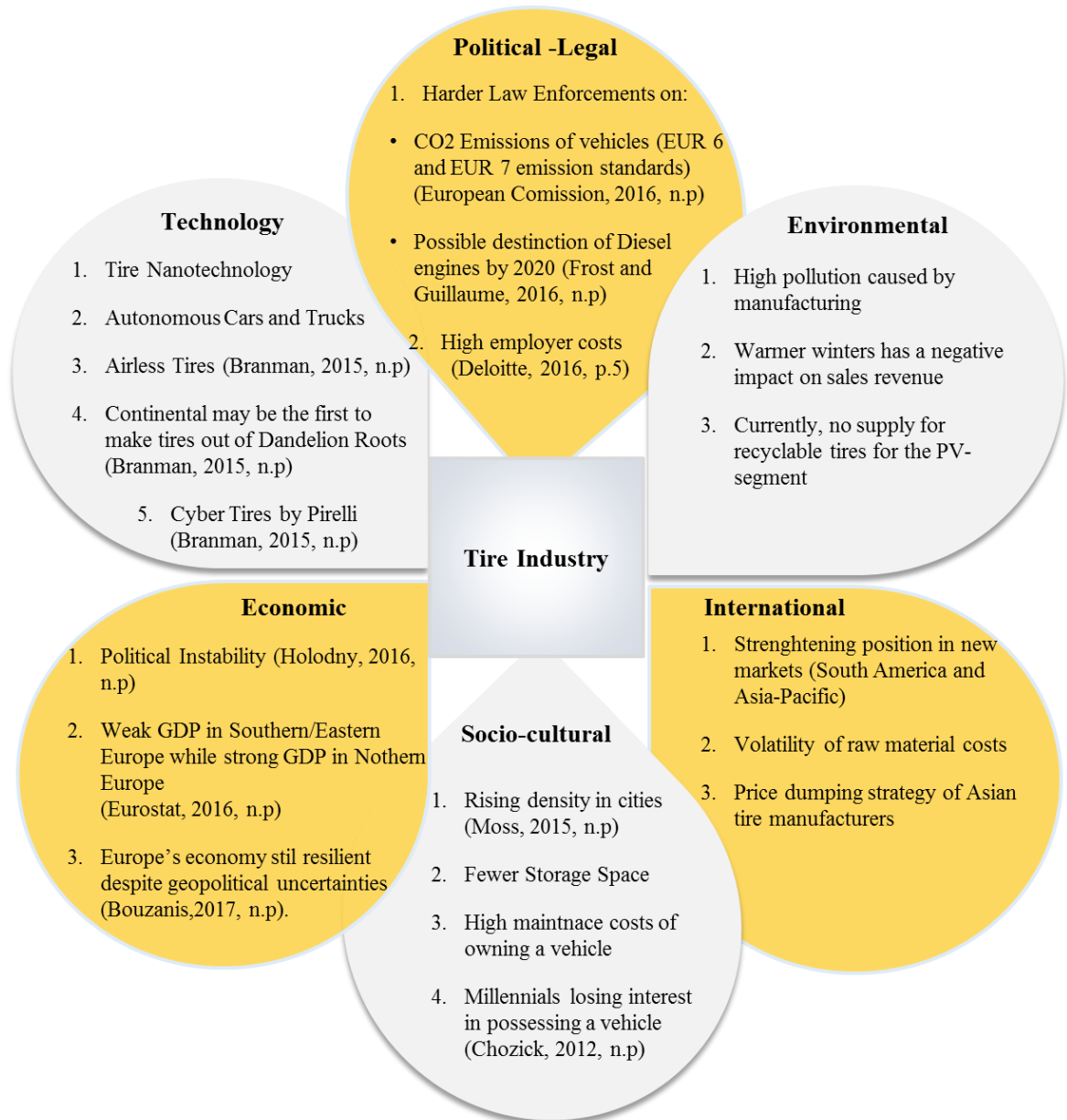


Figure 3.5: PLEESTIC matrix of the Tire Industry in Europe



As this matrix reveals, the tire industry is shaped by dynamic technological progression, which is influenced by stricter law enforcements within Europe that aims to reduce CO2 emissions (caused by manufacturing and road transportation). Simultaneously, the European market is driven by geopolitical difficulties and diversified economic growth, which bring about higher risks due to greater uncertainty. These crucial events have an enormous impact on the marketing strategy, which will be discussed in section 5.2.1

### 3.6 Porter's Five Forces

Porter's Five Forces analyzes the competition within a given industry by which it also focuses on other competitive factors besides rivalry, such as buyers (customers), suppliers, potential entrants and substitutes. According to Porter, an analysis as such "defines and industry's structure and shapes the nature of competitive interaction within an industry" (Porter, 1998, p.3).

Table 3:6: Porter's Five Forces applied on the Tire Industry

Rivalry of Existing Competitors - High	<ul style="list-style-type: none"> <li>• Competing in a saturated market.</li> <li>• Indicates many POPs but few PODs.</li> <li>• Therefore, increasing price pressure as more Asian budget brands enter the European market.</li> </ul>
Threat of New Entrants - Low	<ul style="list-style-type: none"> <li>• Establishing a new tire brand requires enormous investments, know-how and people.</li> </ul>
Bargaining Power of Suppliers - Moderate	<ul style="list-style-type: none"> <li>• Michelin possesses its own rubber tree plantation.</li> <li>• However, raw material prices are highly volatile.</li> <li>• Other rubber and plastic manufacturers that influence the price of common raw materials (e.g., rubber and oil).</li> </ul>
Threat of Substitutes - Low	<ul style="list-style-type: none"> <li>• Despite new inventions (e.g., Airless Tires), there is no existing product that substitutes the pneumatic tire.</li> </ul>
Bargaining Power of Buyers - Moderate	<ul style="list-style-type: none"> <li>• Businesses: <ul style="list-style-type: none"> <li>▪ Have more influence on the price as they purchase larger quantities or have long-term contracts with Michelin.</li> <li>▪ Low bargaining power for small businesses. Tendency to switch to competitors is high, due to inflexible offers → switching costs.</li> </ul> </li> <li>• Consumer: <ul style="list-style-type: none"> <li>▪ Limited power due to low quantities purchased.</li> <li>▪ However, opportunity to switch to competitors offering lower prices → Switching Costs.</li> </ul> </li> </ul>

### 3.7 SWOT – Analysis

The SWOT Analysis analyzes the internal and external factors that influence a company’s performance. A good strategy is composed based on the “opportunities and threats of the technological and economic environment and the strengths and weaknesses of the company” (Kotler, Berger, Bickhoff, 2010, p.30).

The SWOT Analysis enables the research to identify the key weaknesses and opportunities of Michelin that support further recommendations for composing a suitable marketing strategy later in chapter five.

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• <b>Global Presence</b></li> <li>• <b>Recognized for long expertise and high quality</b></li> <li>• <b>People &amp; Know-How</b></li> <li>• <b>Innovation</b></li> <li>• <b>Breadth of product portfolio</b></li> <li>• <b>Sustainability Strategy</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>High environmental Impact</b></li> <li>• <b>Management Info System</b> (Michelin Drivers for competitiveness,2016, sl.2)</li> <li>• <b>Little Business Diversification</b></li> <li>• <b>Switching Costs due to high prices</b></li> <li>• <b>Low sales volume of OE tires</b></li> </ul>	<b>Weaknesses</b>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• <b>Fleet Services</b></li> <li>• <b>E-commerce</b></li> <li>• <b>Increasing Demand for 19” and more</b></li> <li>• <b>New Tire Technology</b></li> <li>• <b>Digital Tire</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>GDP decline</b> (Michelin Drivers for competitiveness,2016, sl.2)</li> <li>• <b>Asian budget brands causing price pressure</b></li> <li>• <b>Volatility of raw material prices</b></li> <li>• <b>High inflation rate</b></li> <li>• <b>Strong opposition to broad line brands</b></li> </ul>	<b>Threats</b>

Figure 3.7: SWOT-Analysis of Michelin

### 3.8 Competitive Profile Matrix

In contrast to the SWOT-Analysis, the competitive profile matrix compares a company's position to that of its competitors based on critical success factors (Capps and Glissmeyer, 2012, p.1059). The table below assesses and compares Michelin's position against that of its competitors, ranked by the researcher's assumptions and experience.

*Table 3.8: Competitive Profile Matrix*

Success Factors	Michelin			Continental		Bridgestone	
	Weight	Rate	Score	Rate	Score	Rate	Score
Product Quality	0.12	3.9	0.468	3.9	0.468	2.3	0.276
Perceived Value	0.11	2.5	0.275	2.4	0.264	1.9	0.209
Marketing	0.10	3.1	0.31	3.5	0.35	2.9	0.29
Customer Loyalty	0.12	3.5	0.42	3.5	0.42	2.1	0.252
Customer Service	0.05	1	0.05	1	0.05	1	0.05
Innovation	0.13	3.5	0.455	3.8	0.494	2.5	0.325
Pricing Strategy	0.07	2	0.14	3	0.21	2.9	0.203
Brand Recognition	0.11	4	0.44	4	0.44	3	0.33
Financial Position	0.11	3.5	0.385	3.7	0.407	3.	0.33
CSR	0.08	3.5	0.28	3	0.24	2.1	0.168
<b>Total</b>	<b>1</b>		<b>3.223</b>		<b>3.343</b>		<b>2.433</b>

The aim of this CPM, is to demonstrate the close competition and performance of Michelin and Continental. Furthermore, it tries to depict how Continental is catching up with Michelin.

### 3.9 TOWS Matrix

The TOWS Matrix serves as a strategic decision making tool, complementary to the SWOT Analysis, that formulates strategies with the aim to offset threats and weaknesses to obtain opportunities and to maintain strengths (Procter, 2000, p.50-53). The TOWS matrix below, provides an example what strategies Michelin may want to implement to counter weaknesses and threats as well as to obtain opportunities.



*Figure 3.9: TOWS matrix created for Michelin*

### 3.10 Ansoff's Product/Market Matrix

The Ansoff product/market matrix eases the “perspective of growth options on the horizontal ... level” (Kotler, Berger, Bickhoff, 2010, p.35). It further enables companies to identify the “status quo” of existing markets and possible growth opportunities in new markets (Kotler, Berger, Bickhoff, 2010, p.36).

	<u>Existing Products</u>	<u>New Products</u>
<u>Existing Markets</u>	<p style="text-align: center;"><b>Market Penetration</b></p> <p><i>Currently Pursued:</i></p> <ul style="list-style-type: none"> <li>• Image pricing and innovation part of differentiation strategy</li> <li>• Phase-out/Closing of plants as cost saving strategy</li> <li>• Introduction of new product models</li> <li>• Entering Partnerships</li> <li>• Digital Marketing</li> </ul> <p><i>Recommended Strategy:</i></p> <ul style="list-style-type: none"> <li>• Aggressive Strategy Posture (Increasing Brand Presence)</li> <li>• Allocating Investments to the Internet of Things</li> </ul>	<p style="text-align: center;"><b>Product Development</b></p> <p><i>Currently Pursued:</i></p> <ul style="list-style-type: none"> <li>• Annual introduction of new summer, winter &amp; M+S models (PV)</li> <li>• Development of Retread Tires (Trucks)</li> <li>• Innovation of Digital Services (Trucks)</li> </ul> <p><i>Recommended Strategy:</i></p> <ul style="list-style-type: none"> <li>• Development of digital services (IoT) for PV segment</li> <li>• Development of tires for e-cars</li> </ul>
<u>New Markets</u>	<p style="text-align: center;"><b>Market Development</b></p> <p><i>Currently Pursued:</i></p> <ul style="list-style-type: none"> <li>• New demographic markets</li> </ul> <p><i>Recommended Strategy:</i></p> <ul style="list-style-type: none"> <li>• Entering new market segments by applying an affordable pricing strategy</li> <li>• Targeting Millennials</li> </ul>	<p style="text-align: center;"><b>Diversification</b></p> <p><i>Currently Pursued:</i></p> <ul style="list-style-type: none"> <li>• Concentric Diversification</li> </ul> <p><i>Recommended Strategy:</i></p> <ul style="list-style-type: none"> <li>• Conglomerate Diversification</li> </ul>

*Figure 3.10: Ansoff's Matrix representing Michelin*

Michelin is competing in a very saturated market, which provides little room for differentiation. Features, such as digital services, are the new strategies automobile and tire manufacturers use to increase PODs (Rauwald, 2017, n.p; Branman, 2015, n.p.).

## Chapter IV: Assumptions

When evaluating the conducted analysis in chapter three, the results show that the European tire market is clustered with high-quality tire manufacturers that compete with almost identical products and values. This exemplifies, how dynamic competition is, hence, difficult to define new differentiation strategies. Based on the results of chapter three, the following assumptions have been deduced:

1. To enhance PODs and making tires more appealing, it is assumed that tire manufacturers have to focus on digitalization. This means that a tire must be transformed to a digital product. This assumption can be verified by Pirelli's most recent product development such as the Cyber Tire (Branman, 2015, n.p). Cyber tires (-computer-clad tires), "collect data about the coefficient of friction, footprint, and pavement grade" and communicates this data to a traction control system (Branman, 2015, n.p). Michelin is applying similar technology to the truck segment, but has not found a necessity for the PV-segment yet.
2. Furthermore, it is assumed that Michelin strives to create more awareness within the PV-segment, although they already possess a strong position in the UHP-segment. Thereby, it appears that their main strategic objective is to target families from the middle class as market challengers and followers already obtain a competitive advantage within this demographic segment. This is because they (particularly Continental) provide almost identical tires at a slightly lower price, but sufficient enough for the common household. This assumption has been verified by Roger Eckel (CEO of Vergölst Reifen + Service Würzburg), who even claims that Continental is the market leader in the PV-segment (while Michelin still obtains this position in the truck segment).
3. It is assumed by the researcher, that Continental maintains more production orders with premium and broad-line OEMs than Michelin. This can be verified based on the percentages of OE production: Continental produces 29% of its production for OEMs while Michelin only to 12% (Continental, 2013, p.66; Michelin, 2016, p.19). Increasing the number of manufacturing orders entails multiple advantages as it represents stable income and may increase unit

production as the majority of customers purchase tires directly at the OEM. Michelin's recent "exclusive OE fitment on the Mercedes AMG GT-R sports car", further confirms the researcher's assumption that Michelin ought to increase its exclusive OEM orders (Crain News Service, 2016, n.p).

4. As a final assumption, focusing on online sales is crucial for sustainable sales revenue growth (Karpus-Romain, 2017, n.d). This demonstrates another advantage as it enables the manufacturer to directly sell tires, which allows the company to provide better service while saving costs as the middle man can be eliminated. To verify this assumption, Michelin began to implement online sales channels in their marketing strategy at the end of 2016 (McPhee, 2016, n.d).



# Chapter V: Marketing Audit

## 5.1 Corporate Strategy

Michelin's aim is to provide for every vehicle and every driver the ideal tire (<http://www.michelin.com/eng/michelin-group/profile/our-purpose>, Michelin.com, 2017, n.p.). To meet this corporate objective, the manufacturer offers a large diverse product portfolio, which entails different product lines to offer tires for different purposes and in all sizes. Furthermore, to meet regional demand Michelin maintains a large multi-brand portfolio to improve product adaption processes. The corporate strategy is guided by a mission and vision statement that ensures the accomplishment of goals the company set itself to achieve. Moreover, it enables managers to align new strategies with overall goals.

### 5.1.1 Mission Statement

***“Offering everyone a better way forward”*** is the mission that drives daily operations at Michelin (<http://www.michelin.com/eng/michelin-group/profile/our-purpose>, Michelin.com, 2017, n.p.). Considering innovation and production activities Michelin pursues to develop high-quality tires (including those activities that try to make the manufacturer more environmentally friendly), this statement appears to be suitable. However, competing to be the best and trying to serve everyone, is an ineffective strategy based on Porter's opinion (Magretta, 2011, p.21-24). Porter suggests, that a company must make trade-offs in order to maintain long-term profits and sustain continuous revenue growth. Therefore, the researcher proposes a slightly different mission statement such as ***“passion drives performance”***.

### 5.1.2 Vision Statement

Michelin's vision is to make the world a better place for its stakeholders by ***“accelerating mobility and meeting energy, environmental, and human challenges at***

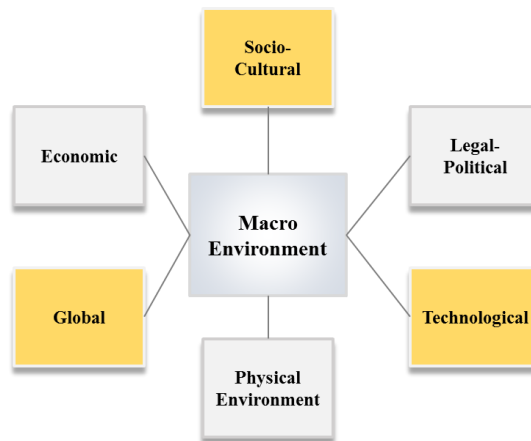
*the same time*” as well as “*to become the world’s sustainable mobility leader*” in the following ten to fifteen years (<http://www.michelinman.com/US/en/why-michelin/about.html>, Michelinman.com, 2017, n.p.). This statement is highly criticized by the researcher as market challengers (e.g., Continental, Bridgestone, and Hankook) appear to be already slightly ahead with regards to sustainability. Nevertheless, when considering the given time frame and effort Michelin undertakes, it may be argued that by 2030 they will become the world’s sustainable leader.

## 5.2 Markets and Segments

In terms of brand loyalty and high demand for quality, the European market remained lucrative and reliable, despite its strong saturation. The most profitable sub-markets are Northern European regions (e.g., Germany and France), while Southern- and Eastern European markets (e.g., Spain and Greece; Poland and Serbia) show higher switching costs, due to tough economic situations. Michelin operates in the UHP- and premium segment, by targeting families and business people aged 35 and 50+.

### 5.2.1 Macro Analysis

The macro analysis studies those factors that influence an economy, which determine the business performance in terms of unit production, consumption and product prices of an economy (Badenhorst-Weiss et. al., 2008, pp. 20-33; Botha et. al, 2004, pp.28-31). The graph below depicts the factors that shape an economy of which only a few factors (i.e., economic, socio-cultural and physical environment) are relevant for discussing.



*Figure 5.2.1: Factors influencing the macro environment (Badenhorst-Weiss et. al., 2008; Botha et. al,2004)*

The demand for tires is greatly influenced by economic and socio-cultural factors (legal-political and technological factors were previously analysed in chapter three). Regarding economic factors, Europe is a highly divers market as economic growth is not equivalent across regions. For example, GDP growth in northern regions is higher compared to southern or eastern regions. Hence, consumer consumption and purchasing power vary by regions (Eurostat, 2016, n.p).

Thus, some southern countries (e.g., Spain and Greece) have not fully recovered yet from the economic crisis. Moreover, the tire industry experienced a decrease in sales volume, due to the geopolitical difficulties with Russia and mild winters in 2014 (MTD staff, 2015, n.p). Sales volume of Michelin in both segments, have declined substantially. For example, demand in Eastern Europe declined by 35% due to a “difficult economic environment” (Michelin, 2014, p. 25) Currently, the European economy is in a “phase of prosperity” as it mostly recovered from the financial crisis in 2008, which allows manufacturers to launch new products, invest more in R&D, and expand to new markets (Badenhorst-Weiss et. al., 2008, p. 22).

Furthermore, higher inflation rates forced tire manufacturers to raise prices again, which is unbeneficial for Michelin, as it offers one of the most expensive tires. This in turn, provoked many countries to switch to low-cost brands (e.g., Hankook) as they provide similar quality but at lower prices.

Additionally, Europe's population is rapidly aging whilst fertility rates are decreasing (i.e., the older the population the greater the decrease in demand for vehicles, hence, tires). Moreover, sustainability has derived to be a major concern for generation Y and Z. This means that more and more young people choose public transport or car sharing over vehicles. Furthermore, the "changing role of women" is another phenomenon that Europe is currently experiencing, which means for the tire industry that not only men but increasingly more women are purchasing tires (Badenhorst-Weiss et. al., 2008, p. 23).

### 5.2.2 Micro Analysis

The micro analysis evaluates all factors that internally influence a company and are affected by management's decision making (Badenhorst-Weiss et. al., 2008, p. 12). The most influential factors that influence Michelin's micro environment are the markets, competitors, and customers. Since the European market is clustered with premium brands, (e.g., Continental, Pirelli, and Dunlop), rivalry amongst competitors is high, which makes it difficult for developing new differentiation strategies. A consistent value-chain is one of the essential competitive advantages that allow companies to further create differentiation and add value (Margretta, 2011, pp. 73-74).

The following figure, represents Michelin's value chain, which was created by the researcher. It depicts where the company receives its resources from as well as how it allocates and manages the sources to maximize efficiency and ultimately creates value.

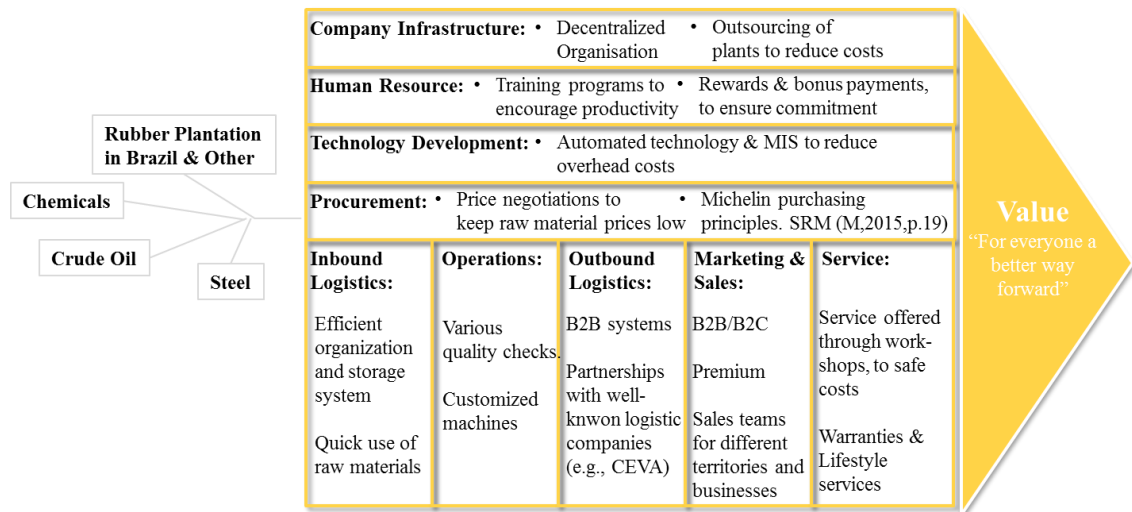


Figure 5.2.2: Michelin's Value Chain adapted from

[http://www.12manage.com/images/picture\\_porter\\_value\\_chain.gif](http://www.12manage.com/images/picture_porter_value_chain.gif), 12manage.com, 2017, n.p

### 5.2.3 Current State of the Market

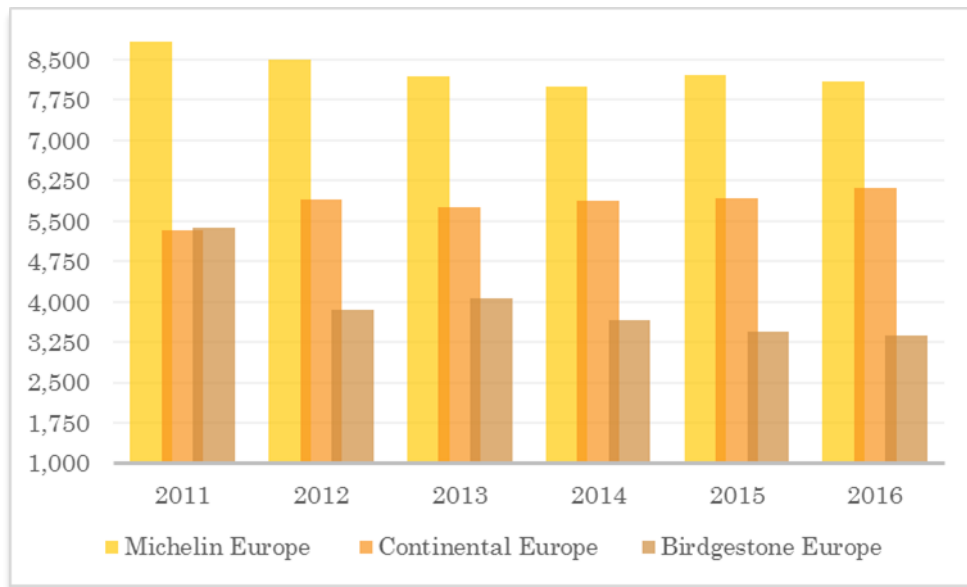
Due to its diversity, each European region has different demands for tires due to different climate zones, economic situations and infrastructure. Currently, Asian tire manufacturers are transforming into strong competitors, which raises the risks of switching costs. In terms of sales, Michelin appears to be the market leader closely followed by Continental. Continental may be just two billion Euro behind, however, its development appears to be more consistent, while Michelin shows declining growth over the period 2011 to 2016, based on the data provide in the table below:

Table 5.2.3: Michelin and competitors' sales development

European Market by Sales Figures							
	2011	2012	2013	2014	2015	2016	
<b>Michelin</b>	8,832	8,499	8,193	7,990	8,203	8,101	
<b>Continental</b>	5,317	5,895	5,750	5,870	5,933	6,108	
<b>Birdgestone</b>	5,368	3,861	4,068	3,660	3,456	3,373	

The sales figures for Europe have been calculated by the researcher based on the data given in the annual reports published by each company. For better

demonstration of the sales development of each manufacturer, the researcher created a column diagram:



*Figure 5.2.3.: Sales Development Analysis*

Both the table and diagram depict the stagnant development of Michelin and the consistent development of Continental. This confirms the researcher's assumption, that Continental demonstrates better performance compared to Michelin, despite its smaller size. This allows the researcher to assume that Michelin may not be the leader as generally claimed by the manufacturer.

#### 5.2.4 Market Trends

The European tire market is presently following two major trends listed below:

*Table 5.2.4 Market Trends*

Positive trends	Negative Trends
<ul style="list-style-type: none"><li>• Growing automobile industry</li><li>• Rising demand for 19”+</li><li>• Sustainability orientation</li><li>• New tire- and digital technology</li></ul>	<ul style="list-style-type: none"><li>• Growing population in cities</li><li>• Greater use of public transport</li><li>• Shift in socio-cultural trends</li></ul>

#### 5.2.5 Competitor Analysis

As mentioned in chapter four, the European tire market is clustered with various tire manufacturers, in which Michelin competes against multiple premium manufacturers. The competitors have been chosen by the researcher, as Continental appears to be the market challenger within Europe, and Bridgestone based on its global leadership in market share.

The researcher conducted a thorough financial analysis to identify the actual performance of each manufacturer. For this section only the most important financial ratios are represented in the table below. A thorough analysis for the period 2011 to 2016 can be found in the Appendix F and G.

Table 5.2.5.1: Financial Ratios for Michelin and Competitors for the year 2016

Key Ratios	Michelin	Continental	Bridgeston
Net Income	1,667 €	2,882 €	\$ 2,440
Operating Profit	2,791 €	4,095 €	\$ 4,132
Gross Profit	7,097 €	10,767 €	\$ 12,542
Gros Profits Margin	34%	27%	41%
Profit Margin	7.97%	7.11%	7.96%
ROA	6.58%	7.97%	7.14%
ROE	15.66%	19.56%	11.23%
Current Ratio	1.69	1.10	2.17
Quick Ratio	0.99	0.82	2.8
Cash Ratio	0.06	0.16	0.46
Total Debt	0.58	0.58	0.37
Debt to Equity	1.4	1.5	0.6

According to the table, Michelin and Bridgestone make more profit from each product than Continental. However, Continental seems to operate more efficiently and, therefore, investors can expect more return on their investment, than with Michelin (Ketz, 2003, pp. 38-39). Nevertheless, in terms of short-term liquidity, Bridgestone seems to have enough assets and cash to pay of current liabilities (Stickney et al., 2010, p.266). Yet, Bridgestone appears to be easier leveraged than Michelin and Continental, and therefore requires few financial risks.

### 5.2.6 SWOT Analyses – Summary

Summarizing the key points of the SWOT Analysis conducted in chapter three and thoroughly discussed in appendix D, Michelin's competitive advantages (i.e., strengths) are its long expertise in producing high quality tires, which was achieved through progressive innovation. Moreover, global presence allowed Michelin to diversify its asset portfolio and develop a strong position, thereafter. Yet, economic and legal factors demonstrate unpredictable challenges that can quickly harm the manufacturer's performance due to the negative impacts on sales. This in turn, provides first examples of Michelin's weaknesses (e.g., switching costs and low OE production).



## 5.3 Products / Services

Michelin provides the following products and services listed in the table below:

*Table 5.3.1: Products and Services provided by Michelin*

Products	
PV	Trucks
<ul style="list-style-type: none"> <li>• Winter-, summer-, all season tires</li> <li>• UHP tires for summer and winter</li> <li>• Energy tires</li> <li>• Off-road tires</li> <li>• Racing tires</li> </ul>	<ul style="list-style-type: none"> <li>• Winter-, summer, all season tires for trucks suitable for long distance travelling</li> <li>• Offering tires for all transportation purposes and different kind of trucks</li> <li>• Recyclable tires</li> </ul>
Services	
PV	Trucks
<ul style="list-style-type: none"> <li>• Mobility Services such as various travel apps</li> <li>• Michelin Promise Plan (e.g., 30-Day Satisfaction Guarantee, 3-year flat tire changing assistance, limited mileage warranty)</li> </ul> <p>Source: <a href="http://www.michelinman.com/US/en/tires/warranty.html">http://www.michelinman.com/US/en/tires/warranty.html</a>, Michelinman.com, 2017, n.p.</p>	<ul style="list-style-type: none"> <li>• Commercial Service Network</li> <li>• Michelin On Call</li> <li>• Michelin Truck &amp; Tire Care</li> <li>• Michelin Auto Inflate</li> <li>• E-Business</li> <li>• Michelin Fleet Solutions</li> </ul> <p>Source: <a href="http://www.michelintruck.com/">http://www.michelintruck.com/</a>, Michelintruck.com, 2017, n.p.</p>

The table below represents the proportion of both segments that contribute to the total sales from the group's perspective. Furthermore, it reveals that the truck segment is facing continuous decline in sales while the PV-segment is continuously growing (particularly because of replacement tires).

*Table 5.3.2: Development of sales by segment*

Sales Figures Michelin Group							
in billion €	2011	2012	2013	2014	2015	2016	
Total Sales	20,719 €	21,474 €	20,247 €	19,553 €	21,199 €	20,907 €	
PV Sales	10,780 €	11,098 €	10,693 €	10,498 €	12,028 €	12,105 €	
Truck Sales	6,718 €	6,736 €	6,425 €	6,082 €	6,229 €	5,966 €	

## 5.4 Marketing Objectives

Marketing objectives only relate to the functions of marketing (i.e., sales, product, promotion, and market share), but must be compatible with the corporate's mission statement (Greenley, 1983, p. 3). Concluding with the research, Michelin's objective is to market a product that is available for every vehicle, every road condition, and compatible with different regional demands. This, in turn, should allow every driver to experience a "better way forward".

## 5.5 Marketing Strategies

The marketing strategy "implies that all dimensions of the marketing plan are consciously integrated" and is built upon two parts, namely operating objectives and the combination of instruments (Lipson, 1962, p.2). The goal of a marketing strategy is to profitably grow as well as to successfully position within a market and maintain customer loyalty (Lipson, 1962, p.2). Based on the conducted research, Michelin maintains the following marketing strategies:

- Product adaption
- Premium pricing
- Sustainability
- Customer experience
- Marketing communication and Social Media
- Providing business solutions for fleet customers

### 5.5.1 Porter's Generic Competitive Advantage Grid

Before a company defines its position, it must identify its competitive strategy. Thereby, the company must determine whether it wants to achieve above or below industry average profitability. Therefore, it may choose between a cost-leadership, differentiation, or focus strategy (Margretta, 2011, 114). Based on the conducted

research it is assumed with certainty that Michelin follows a differentiation strategy to obtain above average performance.

*Table 5.5.1: Porter's Competitive Advantage Grid*

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad Target	<ul style="list-style-type: none"> <li>• Bridgestone</li> <li>• Goodyear</li> <li>• Hankook</li> </ul>	<ul style="list-style-type: none"> <li>• Pirelli</li> <li>• Michelin</li> <li>• Continental</li> <li>• Dunlop</li> </ul>
	Narrow Target	<ul style="list-style-type: none"> <li>• Asian manufacturers</li> <li>• Pirelli</li> <li>• Firestone</li> </ul>	<ul style="list-style-type: none"> <li>• Michelin</li> <li>• Continental</li> <li>• Pirelli</li> </ul>

### 5.5.2 – Ansoff's Matrix

Summarizing the key points from the Ansoff's Matrix, as previously demonstrated in 3.9, Michelin pursues following market strategies:

- **Market Penetration:** Michelin offers a wide product range to satisfy all needs of the premium segment. To differentiate itself from competitors, the manufacturer follows a prestigious pricing strategy by offering bulk-prices and discounts. The truck segment maintains a slightly different sales strategy. Yet to increase operational efficiency, Michelin successively closes plants that are cost-ineffective (e.g., Hungary and France), to improve net income (Reiter, 2014, n.d).
- **Product Development:** Michelin continuously produces new and more efficient models, and recently developed the Air-Tire (presently only available for golf-cars), which is similarly resilient but requires fewer resources when producing than a pneumatic tire.

At present, Michelin is concentric diversified, however, conglomerate diversification would strengthen the manufacturers position and market leadership,

particularly during instable economic situations. Both competitors, for example, implemented strategic business units to expand its operation activities. Additionally, throughout the course of digitalization, it is recommended that Michelin offers a “digital tire”, to create a new customer experience approach.

### 5.5.3 Segmentation

Market segments differ by various characteristics (e.g., size and culture) and each segment “has its own distinct profile” (Brassington and Petitt, 1997, p.194). Therefore, marketers subdivide markets based on a set of chosen criteria (Brassington and Petitt, 1997, p.194). Since Michelin is operating in both B2B and B2C markets, the researcher analyzed both market segments based on her assumptions (the B2B segments can be found in the Appendix H):

*Table 5.5.3.1: B2C Market Segmentation of Michelin*

<b>B2C Segment</b>	<b>Characteristics</b>
Geographic	<ul style="list-style-type: none"> <li>• Present in 170 countries</li> <li>• Urban and rural areas</li> <li>• Strong position in North American and European market</li> </ul>
Demographic	<ul style="list-style-type: none"> <li>• Mostly men than women aged between 35 and 50+</li> <li>• High school education, business people and families</li> <li>• Middle to upper-middle class or upper-class</li> <li>• Not ethnically restricted</li> </ul>
Psychographic	<ul style="list-style-type: none"> <li>• People that want safety, are environmentally friendly, and enjoy pleasurable driving experience</li> <li>• Pragmatic</li> </ul>
Behavioristic	<ul style="list-style-type: none"> <li>• Strong brand-loyalty</li> <li>• Light user (i.e., buys tires every third to fourth year)</li> <li>• Price-elasticity is relatively high in mature markets</li> </ul>

#### 5.5.4 Targeting

Once each segment is identified, marketers have to choose which segment to target based on the question “what business [*they*] are in” (Brassington and Petitt, 1997, p.212). Thereby, marketers can use three different target strategies for approaching a market: concentrated, differentiated, and undifferentiated (Brassington and Petitt, 1997, pp. 212-215).

As Michelin pursues a differentiation competitive strategy, the manufacturer targets a variety of segments. This is because the Michelin brand produces tires which are specifically designed for the premium and UHP-segment. Henceforth, the brand approaches middle-aged demographics, with focus on families and sports car drivers.

#### 5.5.5 Differentiation

Differentiation is an element of the generic strategy that guides the overall operation process of a company (Brassington and Petitt, 1997, p.968). As introduced in section 5.5., there are three main competitive strategies how a company can distinguish itself from competitors, of which Michelin pursues the differentiation strategy. This means that the manufacturer must add values, benefits and attributes to the product in order to be different. Hereby, it is important to also obtain customer advantage – not only competitive advantage – as it is what drives the customer to pay more (Fiala, Spring 2017, sl. 18).

Product differentiation is a significant unique selling point since their tires have been known for high quality for numerous decades. Thus, due to its progressive innovation, modern tire technologies and CSR activities stem elements that provide extra value to the customer.

### 5.5.6 Positioning

Michelin is perceived by its costumers as being safe, of high quality, and being reliable (Malhotra and Berger, 2016, p. 67). Hence, explains its strong customer loyalty. Successful positioning, reflects the understanding of the target market and “articulates the customer value proposition” (Davis, 2010, p. 164).

The figure below depicts a perceptual map of price and quality, based on the researcher’s assumptions:

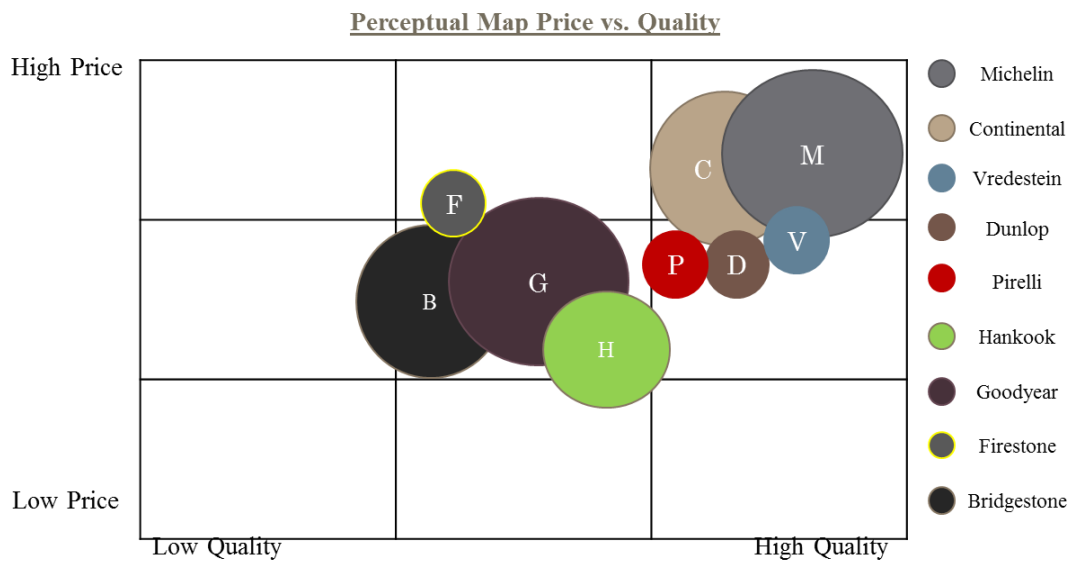


Figure 5.5.6: Perceptual Map of the Tire Market

As the perceptual map depicts, Michelin is positioned in the high price and quality category, hence premium segment. Furthermore, the segment demonstrates the intensive competition among the leading tire manufacturers

### 5.6 Gap Analysis

At the end of each strategic planning process, a company should be able to answer questions like “where are we now” and “where do we want to be” (Hall, 2004, p.47). The GAP Analysis depicts bot the current and future stance of a company as well as the “nature of the changes” (Hallo, 2004, pp. 47-48). The table below presents the

current and future stance and changes of Michelin, based on the conducted research and assumptions of the researcher:

*Table 5.6: Strategic Outlook of Michelin*

Current Stance	Future Stance	Changes
<ul style="list-style-type: none"> <li>• Market leader in Europe</li> <li>• Amongst the leading innovators</li> <li>• High rivalry with competitors</li> <li>• High price competition with Asian tire brands</li> </ul>	<ul style="list-style-type: none"> <li>• Being the sustainability-leader</li> <li>• Increasing global market share</li> <li>• Becoming global market leader</li> <li>• Strengthening price-value strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Improving customer service</li> <li>• Value-based management</li> <li>• Developing defensive strategies</li> </ul>

## 5.7 Product Strategies

To maintain long-term competitive success, the product strategy “lies at the heart of firm’s overall strategy” (Baker and Hart, p. 4). As suggested by Baker and Hart, the nature of competition requires that the product of one company is “at least equivalent to that of one’s competitor” – if not even better (Baker and Hart, p. 7). Due to its intense innovation strategy, product development is at the core of Michelin.

### 5.7.1 Product Management

To remain competitive, Michelin maintains four product phases as demonstrated in the table below:

*Table 5.7.1: Michelin's Product Management*

Product Innovation	Product Planning	Product Launching	Post-launch
<ul style="list-style-type: none"> <li>• R&amp;D</li> <li>• Market Research</li> <li>• Extensive Testing</li> </ul>	<ul style="list-style-type: none"> <li>• Market Testing</li> <li>• Pre-launch strategy</li> <li>• Feasibility</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing &amp; Sales Strategies</li> </ul>

### 5.7.2 Product Life Cycle

Most of the products Michelin launches are imitative. For example, annually they introduce a newer version of the previous model, from leading summer and winter tires. Sometimes, it occurs that Michelin launches innovative products like the recently introduced Cross Climate model. The major difference between an imitative and innovative product, is that the imitative product is launched on an established market, hence, buyer's knowledge and experience is existent (Brassington and Petitt, 1997, pp.346-348). Therefore, the growth stage raises quickly.



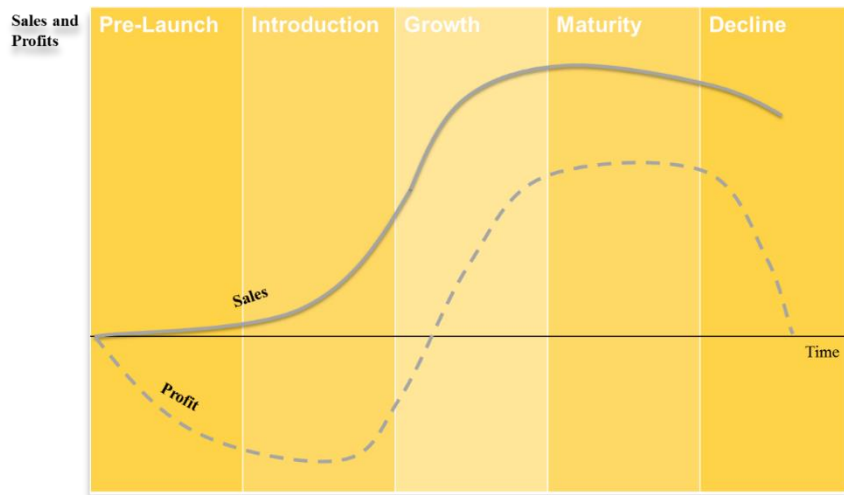


Figure 5.7.2: PLC of Imitative Product

### 5.7.3 Boston Consulting Grid

The BCG matrix is commonly practiced by diversified organizations, like Michelin, “to analyze its portfolio of activities ... and to plan the allocation of investments” (Kotler, Kotler, Berger, Bickhoff, 2010, p.41).

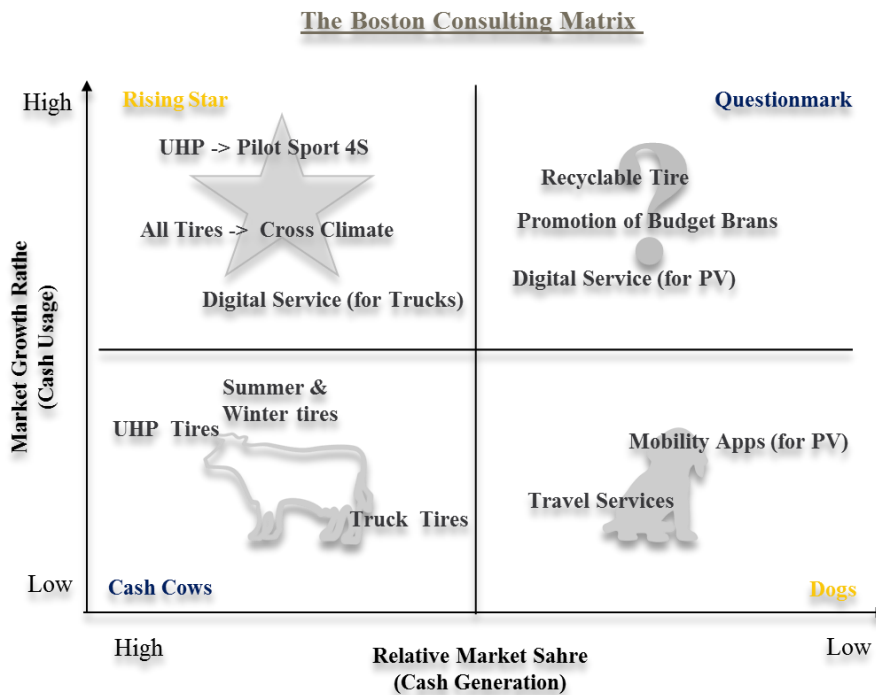
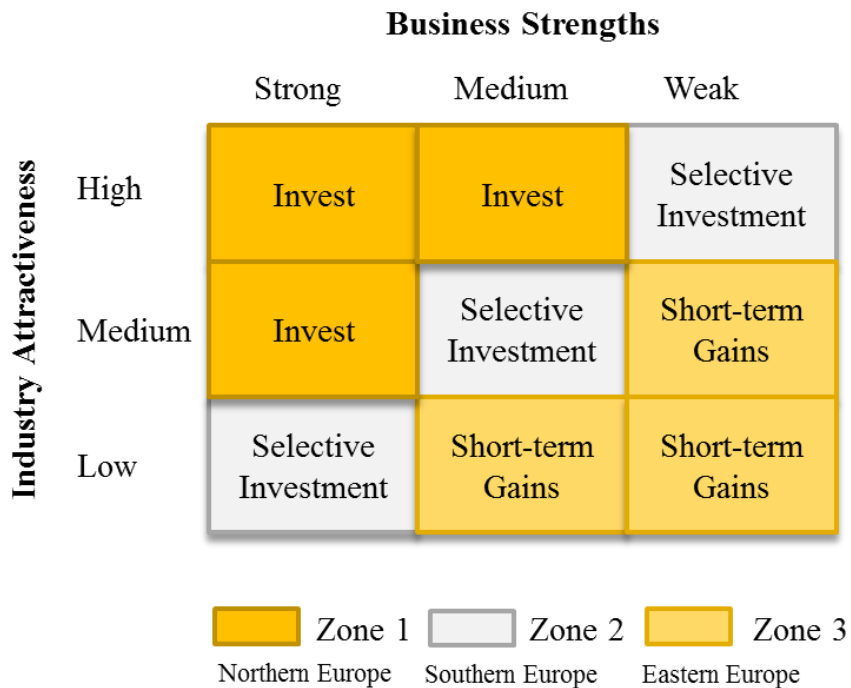


Figure 5.7.3: BCG Matrix applied for Michelin

#### 5.7.4 General Electric Matrix

The GE matrix assesses the market attractiveness in relation to the business position portfolio. The researcher created this matrix specifically for the European market, to better visualize which regional areas are more attractive, as previously discussed in 5.2.1.



*Figure 5.7.4: GE Matrix for European Market adapted from Brassington and Pettit, 1997, pp.951-952*

As deduced from this matrix, Michelin is advised to invest and keep its strong position in Northern Europe. Regarding the Southern Europe market, they should define which segments are the most attractive and focus its investment on those. Since Eastern Europe is still an unfavorable economic environment, the manufacturer can only expect short-term gains, at least for the PV-segment. Section 7.1 discusses recommendation to this topic.

### 5.7.5 Shell Directional Policy Matrix

The Shell matrix was created by the researcher to demonstrate the strategic development of each product. It is recommended by the researcher, to rather promote practical and resilient tires in unattractive markets (i.e., Eastern Europe). Instead in average markets, there is room to invest more in premium tires and therefore gradually withdraw “older generations”. The most profitable zones, instead, provide room for new product trials (e.g., recyclable tire, digital tire, and air tire).

		Prospects for sector profitability		
		Unattractive	Average	Attractive
Competitive Capabilities	Weak	<b>Pilot Sport 4S</b> <i>Disinvest</i> <b>Energy Saver</b>	<b>Old Summer and winter tire models</b> <i>Gradual Withdrawal</i>	<b>Recyclable Tire</b> <i>Take a risk</i> <b>Digital Tire</b> <b>Air Tire</b>
	Average	<b>Old Summer and winter tire models</b> <i>Gradual Withdrawal</i>	<b>Winter and summer tire Series</b> <i>Maintain</i> <b>Pilot Sport Series</b>	<b>Off-road tires</b> <i>Try harder</i> <b>Energy Saver</b> <b>Cross Climate</b>
	Strong	<b>Cross Climate</b> <i>Cash Generator</i> <b>Off-road tires</b> <b>All Season Tires</b>	<b>Alpine 5</b> <i>Look for Growth</i> <b>Pilot Sport 4S</b> <b>Cross Climate</b>	<b>Alpine 5</b> <i>Maintain Leadership</i> <b>Pilot Sport 4S</b>

Figure 5.7.5: Shell Matrix for Michelin adapted from Figure Brassington and Pettit, 1997, pp.952

### 5.7.6 New Product Development

As mentioned earlier in 3.5 and 5.2.4, product development is at the core of Michelin and allows the company to obtain a significant competitive advantage. Annually, Michelin invests about € 600 million into R&D and proposes 250 patents. At present, Michelin strives to be the future sustainability leader with 2000 active patents worldwide (<http://www.michelin.com/eng/innovation/innovation-strategy/organization-and-governance>, Michelin.com, 2017, n.p.).

### 5.7.7 Product Adoption Process

As Michelin operates in different markets worldwide, it must satisfy different regional requirements. For example, an UHP-tire, like the Pilot Sport model, will not serve as a best-selling model in South America, due to poor infrastructure and purchase power – likewise in most East European countries. Moreover, creating awareness strongly depends on the values each region prospers.

### 5.7.8 Targeting Decision Makers

Targeting the right audience is one of the crucial steps in the marketing planning process. Henceforth, communicating the right message will have a significant impact during the decision-making process (Baemish and Ashofird, 2005, p.161). However, because of its B2B involvement, Michelin must also consider which decision-maker to approach within businesses and need to know where “the final decision rests with top management” (Brassington and Petitt, 1997, p.173). This is because often managers’ counsellors or, in this case, procurement directors sometimes function as actual decision-makers.

## 5.8 Price Strategies

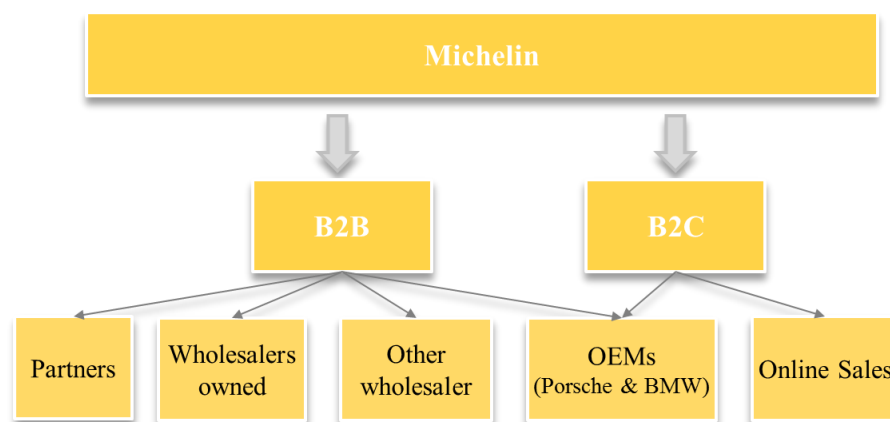
Different price strategies are set into practice as the tire manufacturer operates in both consumer segments. Michelin pursues a image price strategy (i.e., price-value strategy) as one of its PODs. Additionally, to ease the paying process, Michelin offers list prices (for B2C) and discounts. It is further assumed that credit terms, and payment periods are implemented for the B2B segment.

Whether prices of a Michelin tires are too expansive, varies by opinion in both segments. As for the truck segment, freelancers prefer Michelin because of its fuel-efficiency (<https://www.forum-speditionen.de/lkw-reifen-11711?pageNo=3>, Forum Speditionen, 2012, n.p.). Yet these truckers recommend choosing Michelin for both the truck and trailer (<http://www.motor-talk.de/forum/erfahrungen-mit-lkw-reifen-welche-sind-zu-empfehlen->

[t1455950.html](http://t1455950.html), Motor Talk, 2007, n.p.). Others say that Bridgestone tires reach similar longevity but are less expensive. According to the trucker chat room “Motor Talk”, companies often purchase cheaper tires to reduce costs, especially smaller businesses.

## 5.9 Place and Customer Relationship Strategies

The figure below, depicts the place strategy as well as distribution channels that have been previously mentioned in chapter two and three.



*Figure 5.9: Place Strategy of Michelin*

As Michelin is bringing customers at the centre of their business, customer experience platforms have become ever important. Michelin provides several lifestyle apps to give customers the impression of constant assistance. However, some of the apps like “My car”, receive bad critics on iTunes and GooglePlay, stating that the app is not functioning appropriately and not up-to-date, which can be confirmed by the researcher.

## 5.10 Marketing Communications Strategies

Marketing communications “encompasses a set of activities” that is used as a tool to lure customers to the product (Davis, 2010, p. 284). Michelin primarily uses traditional marketing tools such as television advertising and outdoor advertising, print

media, sponsorships and PR. One of its oldest and most recognized PR strategies is the Michelin Guide – a tour guide that emphasizes restaurants across Europe that are rewarded with the Michelin star.

Non-traditional marketing tools are implemented in the strategy, yet seek for improvement, as believed by the researcher. Michelin uses two types of webpages (e.g., one corporate and commercial site, which is adapted by each country). Social Media channels represent additional tools to communicate with the target group. However, the researcher believes that all social media channels show lack of visualization and entertainment that motivates followers to interact with the brand. Moreover, it is recommended to cooperate with YouTubers as part of the promotion strategy. Additionally, the researcher recognized that websites are inconsistent and it is believed that the appearance can be improved by simplification.

### 5.10.1 Advertising

Michelin primarily promotes itself through print-ads in automobile magazines, TV-ads (<https://www.youtube.com/watch?v=-vCwi9lnUhc>) and billboards, which are depicted below.



*Figure 5.10.1.1: Magazine Ad*  
(<https://sites.google.com/site/aliceemilymori/~/rsrc/1393983201110/home/project-i/michelin.jpeg>, Google Sites, n.d., n.p.)



*Figure 5.10.1.2: Billboard*  
([https://c1.staticflickr.com/3/2036/4506813290\\_9acf0f4b0c\\_b.jpg](https://c1.staticflickr.com/3/2036/4506813290_9acf0f4b0c_b.jpg), Brechtbug, 2010, n.p.)



Figure 5.10.1.3: Magazine Ad  
 ([http://adsoftheworld.com/media/print/michelin\\_the\\_right\\_tire](http://adsoftheworld.com/media/print/michelin_the_right_tire), *Ads of the world*, 2009, n.p.)



Figure 5.10.1.4: Magazine Ad  
 (<http://www.businessinsider.com/early-michelin-man-photos-2013-12>, Peterson, 2013, n.p.)

## 5.10.2 Social Media

Michelin utilizes social media channels to communicate with its audience, which are listed in the table below:

Table 5.10.2: Michelin's Social Media Channel

Channel	
YouTube	<a href="https://www.youtube.com/user/Michelin">https://www.youtube.com/user/Michelin</a>
Twitter	<a href="https://twitter.com/michelin?lang=en">https://twitter.com/michelin?lang=en</a>
Facebook	<a href="https://www.facebook.com/MichelinUSA/">https://www.facebook.com/MichelinUSA/</a>
Instagram	<a href="https://www.instagram.com/michelin/?hl=en">https://www.instagram.com/michelin/?hl=en</a>
Pinterest	<a href="https://www.pinterest.com/michelintyres/">https://www.pinterest.com/michelintyres/</a>

## 5.11 Direct and Interactive Marketing Strategies

With the increasing importance of customer experience, Michelin allows customers to interact more with the brand. Meanwhile, Michelin established a chat room on each website, which enables browsers to receive instant assistance. Moreover,

Michelin publishes its own media news room, to keep customers up-to-date. Additionally, customers can request news letters on their email.

## 5.12 Sales Strategies

Apart from implemented sales promotion strategies discussed in 3.2, Michelin accommodates various other sales strategies for selling its products:

*Direct Sales:* as earlier mentioned Michelins primarily distributes tires through businesses or retailers. Online sales represent a new opportunity to increase direct sales also within the B2C segment.

*Training retail sales people:* every communication strategy is ineffective, if retail sales people are not communicating the values of a company as well. Therefore, Michelin started to train these sales people on their own training tracks, for the North American market. It is yet unknown whether Michelin pursues the same strategy in Europe. However, Michelin also owns a large distribution portfolio, which gives the company an advantage in distribution power.

*Influencers:* for the first time, Michelin used YouTubers (e.g., Engineering Explained) to promote its Pilot Sport 4 tire in North America.

## 5.13 International Marketing

The two main strategies Michelin pursues for its global market is product and communication adaption. For example, products ought to be adapted due to different infrastructure, hence, road conditions. Some countries, where the infrastructure is still improving, require an even more resilient tire, hence, more rubber, than in countries with superb infrastructure. Product adaption is a common strategy used among the tire and automobile industry.



Controversy, communication is slightly adapted for the global market, while the core message “for everyone a better way forward” and Bibendum (i.e., Michelin Man) remain the same. For example, advertising and online platforms (i.e., websites) are adapted to each target market. Bibendum, in turn, is globally recognized and symbolizes quality, safety and reliability.

## 5.14 Implementation

As discussed in 3.3, Michelin operates on four main activities with further sub-activities. Concluding the main marketing activities, entering partnerships and acquisitions as well as PR and sponsorships are one of Michelin’s key activities.

Yet it appears that Michelin is not represent on big events (e.g., big sport events), which are watched by the mass. Continental, Bridgestone and many other manufacturers sponsor big events like the UEFA Cup or become the official partner of a sports club, to raise brand awareness. The French tire manufacturer is not even present at the Tour de France, although their history is based on cycling.

## 5.15 Internal Marketing

“Offering ... uncompromising quality” is one of Michelin’s core values, which can be only achieved when every employee is able to do its best (<http://www.michelin.com/eng/michelin-group/profile/our-purpose>, Michelin.com, 2017, n.d.). Therefore, the manufacturer ensures that each employee receives a “fair compensation” (i.e., bonus, pension program and share buying options) as well as to create harmony in all fundamental areas of the company (<http://www.michelin.com/eng/sustainable-development/commitments-and-action/employees>, Michelin.com, 2017, n.d.).

## 5.16 Brand Strategy

“A brand is a customer experience represented by a collection of images and ideas”, and is recognized by its visual appearance, such as a “symbol, logo, slogan or specific design scheme” (Davis, 2010, p.10). The ultimate challenge of a brand strategy is to create value and a positive reputation (Davis, 2010). Brands must create values to create a bond between the customer and themselves, but also need to generate individual values. From a psychological level, values are reflected within the goods, which in turn “reinforce [*the*] sense of identity (Davis, 2010, p.38).

“House of Brands” is a multiple brand strategy Michelin pursues, by which other strong brands – owned by Michelin – work independently and can target different markets (Davis, 2010, p.64). The Michelin brand functions as the corporate brand and is the only premium brand within the portfolio. Brand image is created by demonstrating its commitment to society and the environment through corporate social responsibility and Michelin’s sustainability strategy.

## 5.17 Monitoring and Control

Transparency, commitment and delivering quality is believed by the researcher to be the key operational drivers at Michelin. This affects all fundamental operation areas such as finance, production, employees and marketing. For example, ensuring full financial transparency with shareholders as well as utilizing strict testing policies for product quality testing, as discussed in 3.3.

## 5.18 Corporate Social Responsibility

Michelin’s objective for its brand strategy is to give the impression of being a responsible manufacturer that is strongly concerned about the well-being of its stakeholders. For greater value contribution, Michelin obtains an intensive CSR

program. For example, only suppliers that share common policies are permitted to collaborate with the manufacturer through specified supplier agreements.

Recently Michelin launched a new campaign MOVIN'ON supported by the target line "moving forward together" (<https://movinon.michelin.com/en/>, 2017, n.p.), by which the manufacturer stresses its strong commitment to sustainable mobility and approaches new market trends. Making the environment cleaner and safer and for everyone a better place are new commitments for its latest sustainability strategy. Lastly, what remains often beyond customers' knowledge, Michelin pro-actively opposes itself to new legislations if it could harm customers' wallets.

## 5.19 Recommendations pertaining to the marketing strategy

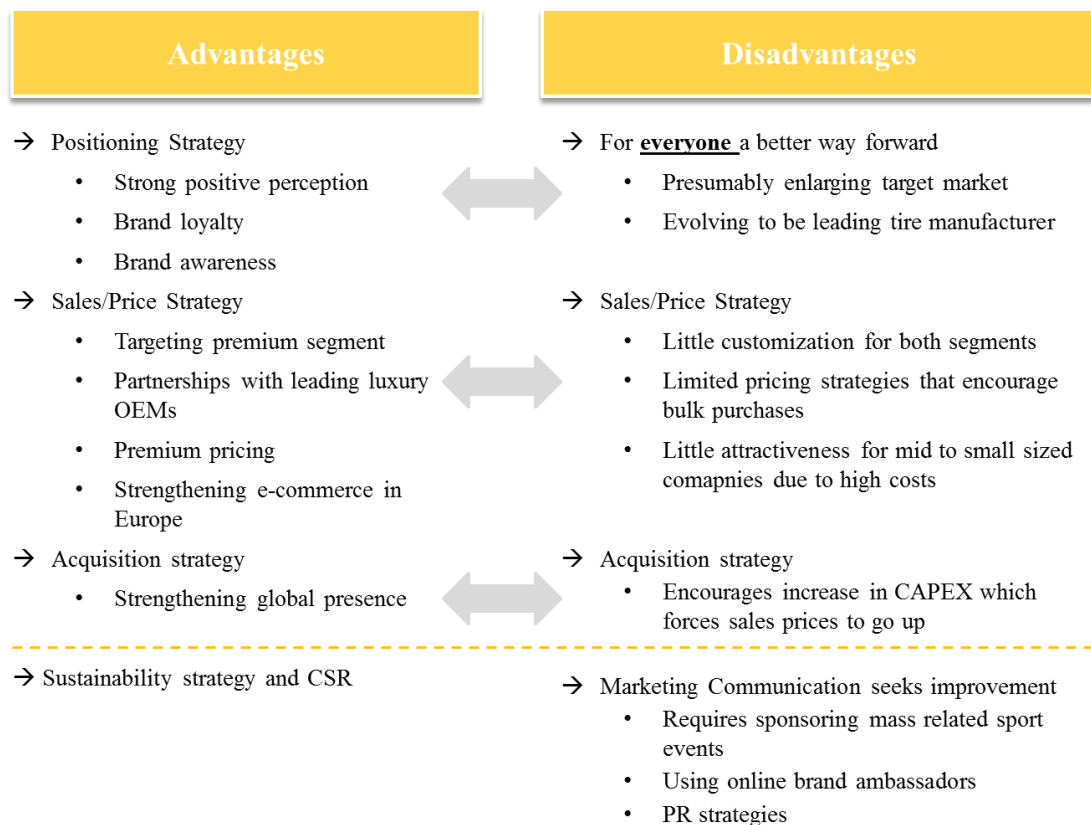
To conclude, Michelin operates in a clustered market that is shaped by strong rivalry, in which competitors compete with many POPs than PODs. Based on the research, the manufacturer appears to be a market leader within Europe, but is challenged by other premium and low cost manufacturers. Michelin's competitive posture is supported by a defence strategy, thus, uses a value-based approach for capturing its position. Controversy, revenue appears to be volatile and stagnate compared to its market challenger Continental. To enhance established business growth the following is recommended (Fiala, Spring 2017, sl. 1-50):

1. Improving margin strategies:
  - Decreasing variable product costs (e.g., implementing better MIS for improving efficiency; diminishing cost-ineffective features)
  - Decreasing overhead spending (limit CAPEX and outsourcing shared service centres).
2. Improving buying rate:
  - Promoting larger purchases through price packaging
3. Encouraging product engagement through
  - New technologies (i.e., digital tires)

- Customization
- Relationship marketing

## Chapter 6: Evaluation of Current Strategic Marketing Plan

The figure below summarizes the most important strategies which on the one hand are found by the researcher to be effective, but which at the same time carry disadvantages. The advantages and disadvantages were deduced from the analyses in chapter three and the marketing audit.



*Figure 6.0: Advantages and Disadvantages of Michelin's current SMP*

### 6.1 Corroboration of Thesis

The work of this thesis is primarily based on secondary and qualitative research data. Due to the absence of surveys, the researcher was not able to identify the usage and consumption of tires and brand loyalty. Furthermore, the denial of manufactures to be interviewed, made it difficult for the researcher to thoroughly understand sales management and marketing strategies within the tire industry. With the rising

penetration of Asian brands in Europe, it is advocated by the researcher to conduct surveys regarding the likelihood of switching costs of customers.

## Chapter 7 Discussion:

Based on the applied strategic tools and in-depth research, the following section will offer sound and justified recommendations for Michelin to consider, in order to generate stable revenue growth.

### 7.1 Recommendations

#### **1. Increase brand awareness and sales of Michelin's middle to low cost tire brands:**

As depicted by the perceptual map, the Michelin brand maintains a strong, nearly unbeatable position in the UHP-segment and premium tire segment. However, the position of the premium segment may be threatened as competitors improved their product quality significantly (i.e., quality is almost alike). Though, Michelin states in its mission statement that it “offer[s] everyone a better way forward”, this is not exactly achievable unless they strengthen their middle to broad line tire brands. This is because premium tires are not affordable for every income class and to some, a less qualitative tire is sufficient.

Based on the analyses of external factors in chapter three, it is suggested that Michelin actively promotes its broad line brands (e.g., Kleber and Riken) by targeting middle to low income classes. The researcher believes that it is more effective for the parent brand to focus on innovation and lucrative markets, while aggressively promoting its broad line brands to segments with reduced purchasing power. It is suggested that geographically these broad line tire brands are initially promoted in Eastern and Southern European markets.

#### **2. OEM sales improvement in Europe:** as previously mentioned, the researcher highly stresses the importance of maintaining close relationships with OEMs, since it is the first experience a customer has with the tire. Moreover, drivers tend to replace tires at the OEM store. This means that, if Michelin obtains exclusive rights with OEMs, the possibility is high that old Michelin tires get replaced by new Michelin tires. Continental, for example, maintains exclusive rights with both premium and broad line OEMs, while

Michelin does with UHP OEMs. However, to maintain stable revenue growth, it is important to keep tight relations with mass producing OEMs. Based on the financial analysis, the following recommendations have been deduced:

- Improve sales support by establishing sales teams, which are specifically responsible for one or two OEMs, depending on their sizes. For example, one sales team is responsible for BMW M and Königsegg, while another sales team maintains Porsche. The aim of sales representatives is to function as a sole partner of an OEM and provide exclusive service. This further means, that key account managers ought to be permitted to make choices based on their opinion, without violating standard operating procedures.
- Enhance sales training: what is even more crucial for the B2B market is to communicate the benefits a company or OEM receives when cooperating with Michelin. A sales representative can only communicate these benefits when he is familiar with the product and stands behind the brand. Therefore, it is suggested to create training events at Michelin's test tracks held in different countries, that sales representatives from diverse backgrounds can exchange their experience. Furthermore, training programs may entail the allowance for key account managers to flexibly assess customers' demands and tailor sales offers that meet their needs. This includes to sometimes to offer discounts or extend payment periods while preventing to sell under the value.
- Increase flexibility in B2B offers: this recommendation specifically aims to improve sales of the truck segment. Confirmed by Mr. Eckel, the researcher assumed that Continental is more cooperative when making sales offers than Michelin. Therefore, it is advocated that Michelin targets large as well as mid-sized businesses and offers its low-cost truck tire brands to small businesses. Moreover, it is recommended to provide discounts to stimulate bulk purchasing. It needs to be noted, that this is a solution market (i.e., dealing with relationship buyers) that seek a long-term partnership that assists and provides solutions during all circumstances. If a company is able to



grasp the needs the partner needs and provides support that helps the partner to operate better, is what creates value that bonds the company with the customer and leads to brand loyalty.

**3. Pricing strategy adaption:** based on the research results, Michelin appears to insist on its high prices. High quality and superior innovation is the assumed justification for its premium pricing. Based on the applied pricing and competition analysis, the following pricing recommendations have been deduced, such as:

- Offering bundle pricing
- Encouraging bulk purchasing
- Strengthening value pricing

For example, the implementation of price packages is suggested to support bundle pricing. The aim is to design one price package for families and one exclusive package for UHP-segment. The family package entails at least two sets of tires, which can be chosen by the customer, as well as service package (e.g., flat tire service and warranty). The aim of the family package is to offer more models at once and the final price offered with a 10% discount. The exclusive package is specifically prepared for drivers seeking customization and willed to spend 20% more. This package allows drivers to request the Michelin logo and special services particularly related to UHP vehicles.

**4. Green marketing:** the aim is to minimize the gap between corporate social irresponsibility (CSI) and CSR. The production of tires enormously impacts the environment. Therefore, it is recommended to begin to rely on renewable energies when powering the plant. For example, to equip plants with solar tiles, recycling the water that is being used for production and implement new developed filters in chimneys. Lastly, it is strongly recommended to develop recyclable tires for the PV-segment and new models that require fewer raw materials (e.g., air tire). Michelin announced that it plans to implement renewable energies for its plants, which cannot be proven yet.

**5. IT consolidation in R&D:** As mentioned earlier, Michelin offers several apps on iTunes or Google Play for free like the Michelin MyCar, Via Michelin, Bookatable by Michelin, Michelin Hotels, and the Michelin Travel App, of which some receive negative critiques as they are outdated

(<http://www.fr.michelin.ca/GB/en/why-michelin/mma.html>, Michelin.ca, 2017, n.p.).

Instead of offering several apps, it is advocated to merge them to one entertaining app, entailing a tire matching system, travel guide and reservation app, and a driving performance monitoring system.

After having spoken to Armin Günter (Sales Solution Executive at SAP Germany), the researcher developed two product solutions which are explained in detail below:

Sensors, which are installed at the breaks and steering knuckles, will measure the driving behaviour of the vehicle. The information will be forwarded to the app and further displayed to the dashboard of the vehicle – so that the driver can monitor it while driving. The overall aim of this app is to identify the driving performance and habits of a car owner which at the same time should help to increase sales. The sensors are responsible to accomplish following tasks:

- Identifying breaking and acceleration habits: sensors will recognize the times the driver was breaking and accelerating. For the evaluation of the driver's habits, it also has to measure the types of breaking (e.g, causal versus instant breaking).
- Measuring average speed levels: in order to distinguish between a causal and a sportive driver. This means that the chip is responsible to identify the average speed of the driver.
- Measuring average distance travelled: this will help to recommend the driver which tire is more suitable for the driver. For example, offering a tire that reduces fuel-consumption and is more resilient, rather than a different model that is designed for other purposes.
- Recognizing the outside temperature: this feature is designed to alert the driver when he has to change the tires and at the same time recommends the nearest workshop Michelin is cooperating with.

Once the data is collected and the evaluation of the driver's style completed, the information is then travelled to the app which is further (when connected) communicated to the car's dashboard. Comparable to a report, the data of the driver's performance is visualized on the dashboard and captured in the app. Based on the evaluated driving style, the app recommends a Michelin tire model that should contribute to a better driving

experience and at the same time offers a 20% discount for example. Additionally, the driver receives an alert from the app when to change seasonal tires, based on the recognized temperature and time of the year. Finally, the app also locates the nearest workshops (that have a corporation with Michelin) and offers a 10% discount if the person will visit the suggested one.

The schedule below, was created as an example as to when each recommendation should be planned and implemented, and provides an approximation of duration.

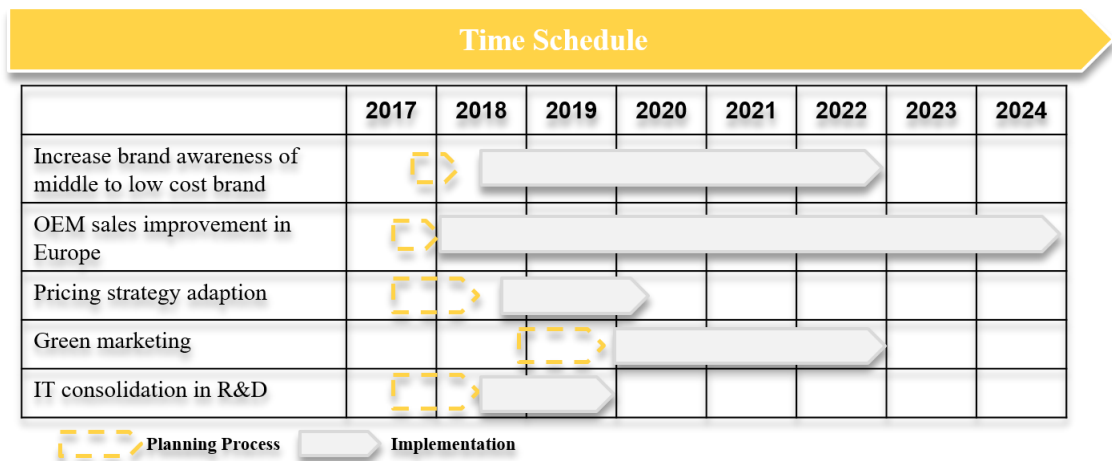


Figure 7.1: Marketing Schedule

## 7.2 Justifications & Critiques

The analysis was originally conducted because the researcher believes that Michelin's current marketing strategy may lead to sales decline with the rise of competition. The organization, however, has high brand loyalty, decades of experience, that enhance overall brand equity. Instead, she believes that the tire manufacturer not only produces excellent tires, but also expresses sincere concerns about its stakeholders. To support sustainable mobility and encourage transparency as well as fairness within the organisation, Michelin maintains CSR activities and implements sustainable strategies. Lastly, admires that the company expresses a strong stand point, especially within the truck segment, and therefore justifies its high prices, but it is undeniable that Michelin's struggles to maintain continuous growth of truck tire sales.

Yet, the researcher argues that for a company that prides itself being the leading innovator and tire manufacturer, revenue is volatile – and even appears to be declining in Europe – as well as its global market share. A scenario that should not happen to a leading innovator and manufacturer. Thus, within the premium segment, market challengers significantly improved their products, which pose sincere threat to Michelin's product, and should not happen to a leading manufacturer. Furthermore, the researcher highly criticises that Michelin lacks the usage of forward thinking technology, as stated in their SWOT-analysis. Another critique competitors have an advantage in and presumably function more efficiently.

Lastly, while competitors implement aggressive promotion strategies, Michelin acts kind of passive and prefers to promote through strong brand reinforcements by promising innovativeness and care. The researcher believes, that in order to be broadly recognized a brand should pursue a more dynamic promotion strategy to be continuously seen as the market leader.

## Chapter 8: Conclusions

The purpose of this thesis was to identify Michelin's current market position, its performance within the European market and provide additional marketing strategies that seek to sustain competitive advantage and increase revenue growth. To find suitable recommendations, the researcher analyzed the macro and micro environment, as well as Michelin's current marketing strategy. The results of the analysis demonstrated that the tire industry is closely intertwined with the automobile industry, which ultimately impact sales. Moreover, the tire industry is currently transforming by seeking to become more digital and more sustainable.

The research further concludes that the European market is highly dynamic and shaped by strong rivalry. It has slowly recovered from the financial crisis in 2008, however, the performance of Michelin is still impacted by geopolitical difficulties. Current presidential elections, Brexit, and overall political uncertainty represent unknown challenges Michelin has to prepare for.

Finally, Michelin demonstrates high brand familiarity and strong loyalty due to its long existence and expertise. However, market challengers developed equivalent products and threaten Michelin's strong position. The research showed that this is because some operate more efficiently (e.g., Continental uses more technology as it collaborates with SAP), or obtain higher market share due to its conglomerate diversification (e.g., Bridgestone). At present, Asian broad line brands (e.g., Hankook) force companies to adapt pricing and sales strategies as well as aggressive promotion strategies, to overcome switching costs.

### 8.1 Research Limitations

**Duration:** the research was limited by the time the thesis had to be prepared. A time frame of four months is insufficient for a complex topic as such, based on the opinion of the researcher. A preparation of one year would have allowed the researcher to go more into depth. Therefore, the researcher unfortunately could not prepare a detail economic analysis as well as through marketing plan.

Limited academic scholars on the company: the researcher found it difficult to find enough academic scholars about Michelin and its marketing strategy. While there were plenty of articles about the company itself published by magazines, hardly academic libraries provided articles on Michelin's marketing and sales strategy. Therefore, most arguments were based on assumptions, which were partially confirmed by the interviewees.

Missing primary researcher: interviews were held with business experts and professionals to better understand the tire business and the European market. Moreover, the interviews provided insights on the sales strategies of the tire business. However, a survey and hypothesis testing on brand loyalty and preference, may have led to different conclusions.

## 8.2 Suggestions for Future Research

One area that is hardly discussed within the tire industry is how to improve customer service. This includes strategies on how to make tire service more convenient (especially for urban areas) and more exclusive, which will positively affect sales margins. Along with the rising demand of e-commerce, no best solution has yet been found to provide tire service for those who prefer to buy their tires online.

Therefore, it is suggested to conduct further qualitative and quantitative research on how to make tire services more accessible and convenient. Thus, the research ought to identify if demand for franchise outlets close to shopping malls exists.

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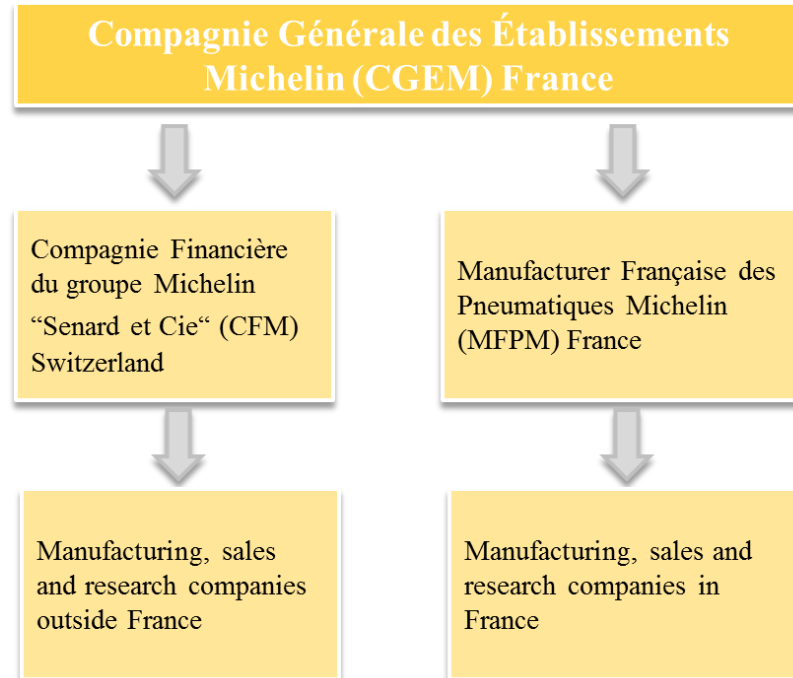
Videos:

Engineering Explained. 25.1.2017. *Making The Best Tire Better - Michelin PS4S*. YouTube. Available at: <https://www.youtube.com/watch?v=kasI6HtxcH0> [Accessed 26. February 2017]

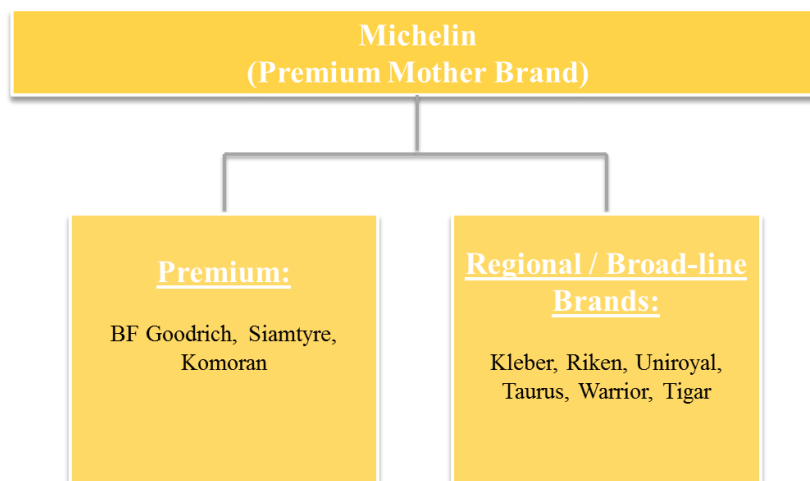


## Appendices

### Appendix A: Organizational Chart



*Figure 1.2.1: organizational Chart of Michelin adapted from Michelin 2015 Registration Document p. 7*



*Figure 1.2.2: Multi-brand Portfolio of Michelin (Michelin, 2015, p.6)*

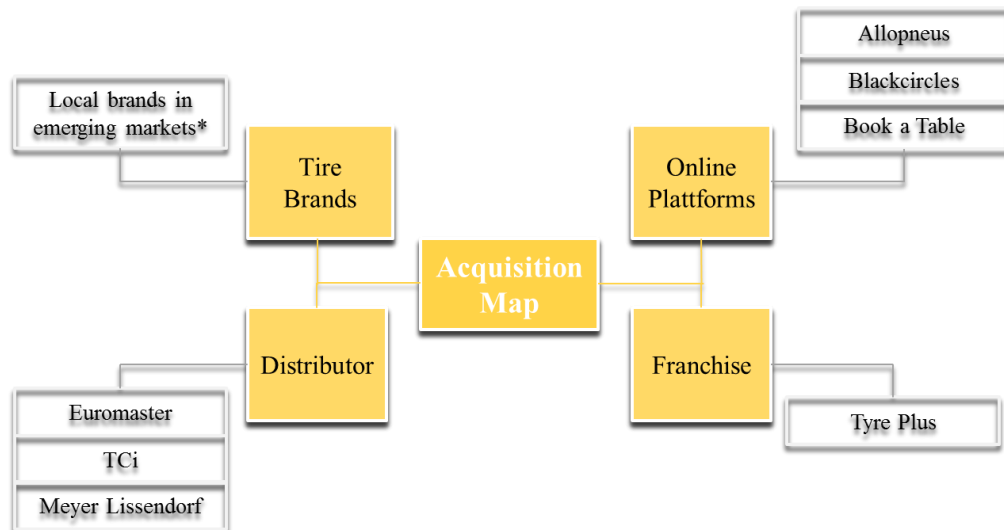


Figure 1.2.3: Michelin's Acquisition Map (Michelin, 2015, p. 7)

\*Michelin regularly monitors local tire brands, particularly in developing and emerging markets (e.g., Asian- and Latin American market) to expand its presence. Currently, it is unknown to the researcher, what Michelin's following strategic acquisition move will be.

## Appendix B: Extended Analysis of the Marketing Mix

### 3.2.1 Products

#### *Passenger Vehicle:*

Michelin offers a significant product range of summer, winter and all season tires for passenger vehicles, SUVs and light trucks-, luxury touring-, minivans, and ultra-performance vehicles. They are available in different (e.g., rim size, width, and loading index) which are compatible for different types of driving experiences (e.g., off-road, eco-friendly, commercial, and racing) (<http://www.fr.michelin.ca/GB/en/why-michelin/mma.html>, Michelin.ca, 2017, n.p.). Additionally, Michelin offers different travel service apps (e.g., Book a Hotel, Book a Restaurant, Michelin Car, and Michelin Map). However, some of the apps express redundancy as some are out fashioned and some are not functioning appropriately. For example, the Michelin Car app (which suggests which tire to use based on the vehicle model) is not containing the latest vehicle models and, therefore, does not provide the appropriate results. Moreover, the app tends to have

technical problems every now and then. This criticism is confirmed by reviewers in the comment section on Google Play and Apple App Store. An app suggestion is discussed in Chapter five.

*Trucks:*

Finding the correct truck tire depends very much upon the transportation (e.g., regional vs. urban) and load purpose of the truck (e.g., bus, military, refrigerating, live animals, and containers) (<http://trucks.michelin.co.uk/Products/A-truck-tyre-for-every-usage>, 2017, n.p). Furthermore, trucks need different tires for the different axles. For example, front axle tires are faster consumed than back axle tires, as this area pulls the rest of the truck. Therefore, tires from the middle and back axle are generally regrooved (Michelin, 2011, sl.1-8). Additionally, Michelin offers business services and travel services for companies for better tire management as well as to assist truckers when having a flat tire on their journey.

### 3.2.2 Price

Michelin obtains the same prestige pricing strategy for both segments as their reputation is to deliver high-quality.

### 3.2.3 Place

Michelin operates through vertical competing channels systems (Brassington and Pettitt, 1997, pp.541-543). This is because tires for both segments are primarily distributed through wholesalers (e.g., IHLE, Euromaster, and Meyer Lissendorf), retailers, franchises, OEMs, and online channels (e.g., Allopeus and Blackcircles), which are owned by Michelin (Michelin, 2015, p. 7). Moreover, the French tire manufacturer engages in partnerships with leading vehicle manufacturers and machinery suppliers to on the one hand enhance R&D, and on the other hand to enhance promotional activities. A detailed list of partners is provided in appendix C 3.3.3.

### 3.2.4 Promotion

Michelin maintains a push-strategy as the manufacturer “concentrate[s] communications activity on the member of the distribution channel immediately below” (Brassington and Pettitt, 1997, p. 641). Part of their value-innovation strategy is holding regular training sessions with wholesale and retail sales representatives, who ought to further communicate Michelin’s values and, therefore, justify higher prices (Huls, n.d., n.p). Other parts of the promotion strategy are activities like PR, sponsorship, direct marketing and advertising.

## Appendix C: Extended Analysis of the Activity System Map

### 3.2.1 Research and Development:

The compound mixture is the essential part that allows a tire to differentiate itself from other quality tires. It is responsible for achieving optimum short-braking distance, grip on all road-conditions, torque translation, and resilience. Moreover, it is what makes a ride more comfortable and safer.

To meet high-quality standards, Michelin produces (and constantly develops) its own compound mixture rather than buying it from suppliers, which allows them to obtain higher quality, hence competitive advantage. In addition, Michelin developed V-shaped tread patterns and 3D self-locking sides to achieve “ever grip” and longevity (Michelin, 2016, p. 42; Michelin, 15 September 2015, p. 4).

Moreover, competitors currently conduct research to find new materials for producing a tire (e.g., Continental dandelion roots) or develop a new tire shape that substitutes pneumatic tires like the air less tire, for example (Branman, 2015, n.p; Chang, 2015, n.p). Michelin produced its first air less tire “X Tweel SSL” for golf carts. Hankook, in contrast, developed the first air less tires “IFLEX” for cars, which, however, need to undergo more tests before any road permissions (Branman, 2015, n.p; Chang, 2015, n.p; Michelin Tweel, n.d,n.p).

### 3.3.2 Manufacturing:

As mentioned earlier, Michelin stands for high quality and is, therefore, strongly opposed to any kind of human rights abuses. To keep this commitment throughout the value chain, suppliers must agree to Michelin’s strict corporate policies (Michelin Quality, n.d., n.p). Moreover, Michelin possesses its own rubber plantation in Brazil and engaged in a joint venture with Siam Michelin Company Ltd. in Thailand (Siam Tire also hold joint ventures with Bridgestone and Continental), to achieve consistent quality throughout the value chain (Kaiyoorawong and Yangdee, 2008, p.17). Furthermore, Michelin pursues following activities for quality assurance:

- X-raying, scan-codes,
- Cutting apart
- Real-time testing on test tracks

### 3.3.3 Marketing

Besides the B2B and B2C activities as well as promotional activities, one of Michelins supplementary core activities is to enter partnerships and make acquisitions. Michelin maintains many partnerships with vehicle manufacturers, machinery suppliers, and chemical companies, which are listed below (Tyrepress, 2015, n.p):

*Table 3.3.3: Michelin’s Partners*

<i>Automobile Manufacturers:</i>		<i>Machinery Suppliers:</i>
<ul style="list-style-type: none"> <li>• BMW M Sports</li> <li>• Porsche</li> <li>• Königsegg</li> </ul>	<ul style="list-style-type: none"> <li>• Corvette</li> <li>• Volvo Trucks</li> <li>• PSE Group</li> </ul>	<ul style="list-style-type: none"> <li>• Fives</li> <li>• Helmut</li> <li>• Evonik</li> </ul>
<i>Chemical Companies:</i>		<i>Sports:</i>
<ul style="list-style-type: none"> <li>• General Quimica</li> <li>• Repsol</li> </ul>		<ul style="list-style-type: none"> <li>• Official Partner of the World Rally Championship</li> <li>• Moto GP (Official Supplier since 2016)</li> </ul>

In June 2016, Michelin launched a new digital marketing strategy with the support of Force24 – a marketing automation specialist (ScribaPR, 2016, n.p.). The aim of this strategy is to provide end users with “advice-led and promotional content” (ScribaPR, 2016, n.p).

### 3.3.4 Sales

One of Michelin’s core activities is the training of retail sales people, which has been previously mentioned in the Promotion section. In addition, Michelin sells Business Solutions for companies that eases the process of tire management and maintenance.

## Appendix D: Extended SWOT Analysis

### **Strengths:**

Retrieving from the SWOT Analysis, Michelin obtains a strong position on the market due to its global presence, hence high global sales volume, the people and long expertise, innovation and sustainability strategy (Michelin, 2015, p.1; Michelin - Drivers to Competitiveness, 2016, sl.2). Continental and Bridgestone have similar key strengths.

Bridgestone, for example, is the market leader since the past six years and maintains a likewise global presence and similar reputation than Michelin. Bridgestone presumably holds the market leadership due to its strong conglomerate diversification. For example, the Japanese manufacturers, produced chemical and industrial products, sport equipment (e.g., golf balls), and other diversified products (<http://www.bridgestone.com/corporate/profile/index.html>, Bridgestone, n.d, n.p.).

Continental might not be as globally present as Michelin, however, the German manufacturer gains market share in North America and China (N.a., 2016, n.p). Moreover, as earlier mentioned in 1.3 Continental appears to pursue a more evolved sustainability strategy as well as to capture a strong leading position in innovation.

Therefore, it is recommendable that Michelin redefines current marketing strategies to generate more POD's and gain brand presence.

### **Weaknesses:**

One of the weaknesses is that Michelin has high switching costs (particularly from the side of businesses) because of soaring prices for tires that have very similar qualities as tires from the two competitors, which might explain the switching costs. Moreover, Continental and Bridgestone, according to Mr. Eckel, propose more attractive sales offers for businesses (from small to large businesses) than Michelin.

Furthermore, low sales volume of OE unit production, hence reduced agreements with OEMs, represents another weakness. This is because, OE ultimately generate long customer experience and high possibility for repurchase, as the tires are equipped with the new acquired vehicle and because drivers tend to buy RTs directly from the OEM.

**Threats:**

At present, economic and political factors are representing a challenge for the tire industry, which ultimately affects brands focused on prestige prices especially in saturated markets as Europe. This, in turn, triggers buyers to switch to Asian low-cost brands (e.g., Hankook) that offer similar products but offered at a more affordable price.

**Opportunities:**

Offering digital services demonstrate not only an opportunity but provides room for more differentiation. This is likewise the case with tire technology. In addition, has the opportunity to improve businesses with fleet services and enhance sales through online channels.



## Appendix E: Business Model Generation Canvas:

As mentioned in 3.4, the BMG Canvas identifies how the company can create value for itself. Moreover, the model provides a succinct overview how Michelin through what resources obtains high-quality standards and how it generates income. Hence, this BMG gives an insight into the core business of Michelin, and, therefore, helps engendering appropriate recommendations.

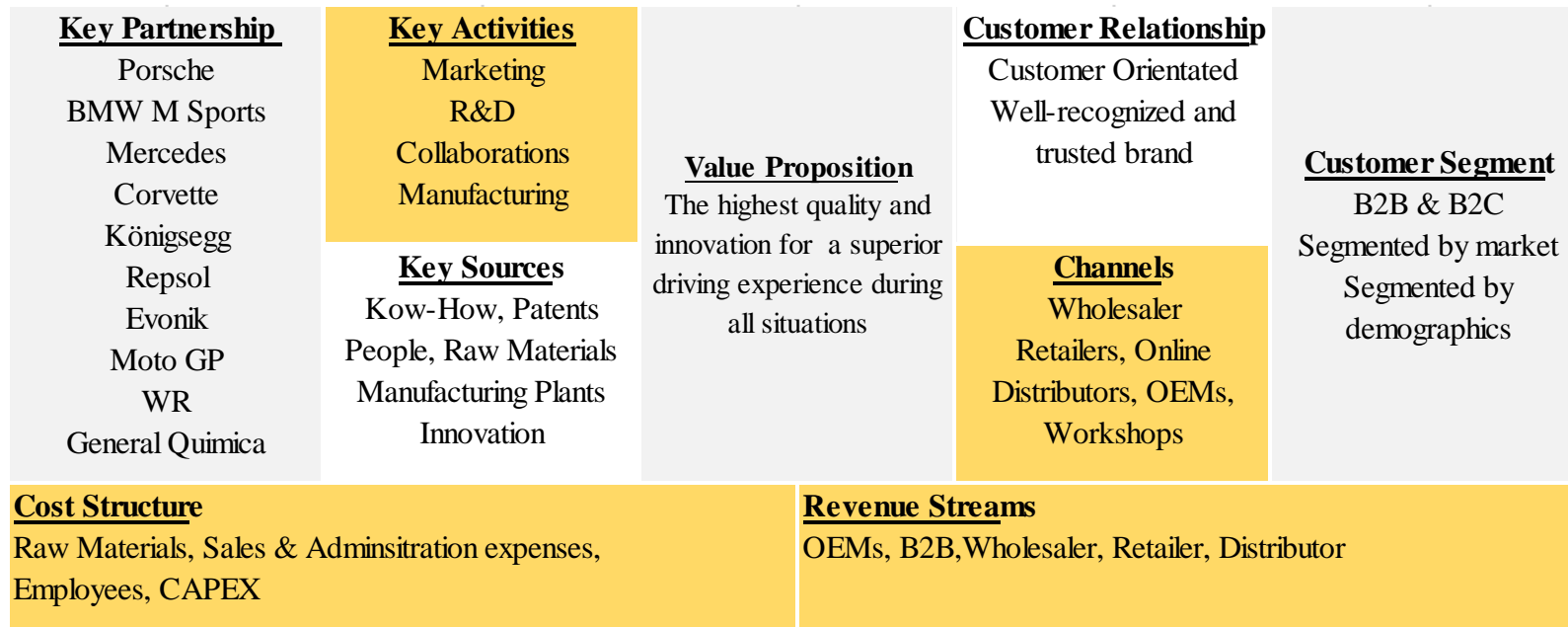


Figure 3.4.2: Business Model Generation for Michelin

## Appendix F: Competitor Analysis – Key Financials

Table 5.2.5.2: Key Financials of Michelin and Competitor

Financial Overview								
in billion	Net Sales	Operating Profit	Net Income	COGS	Free Cash Flow	Assets	Liabilities	Equity
<b>Michelin in €</b>								
2016	20,907 €	2,791 €	1,667 €	13,810 €	1,024 €	25,322 €	14,676 €	10,646 €
2015	21,199 €	2,207 €	1,163 €	14,238 €	653 €	23,893 €	14,351 €	9,542 €
2014	19,553 €	1,991 €	1,031 €	13,299 €	322 €	22,423 €	12,900 €	9,523 €
2013	20,247 €	1,974 €	1,127 €	13,841 €	1,154 €	20,682 €	11,426 €	9,256 €
2012	21,474 €	2,469 €	1,571 €	14,764 €	1,075 €	21,582 €	13,081 €	8,501 €
2011	20,719 €	1,945 €	1,462 €	14,821 €	19 €	20,888 €	12,787 €	8,101 €
<b>Bridgestone in \$</b>								
2016	\$ 30,672	\$ 4,132	\$ 2,440	\$ 18,130	\$ 2,447	\$ 34,195	\$ 12,636	\$ 21,725
2015	\$ 31,425	\$ 4,228	\$ 2,357	\$ 19,019	\$ 384	\$ 31,472	\$ 12,551	\$ 18,920
2014	\$ 30,500	\$ 3,965	\$ 2,493	\$ 18,993	\$ 544	\$ 32,900	\$ 15,049	\$ 17,807
2013	\$ 33,900	\$ 4,157	\$ 1,917	\$ 21,516	\$ 523	\$ 33,941	\$ 16,264	\$ 17,676
2012	\$ 35,100	\$ 3,303	\$ 1,982	\$ 23,299	\$ 1,623	\$ 35,103	\$ 18,712	\$ 16,390
2011	\$ 38,903	\$ 2,461	\$ 1,324	\$ 26,906	\$ 1,133	\$ 34,439	\$ 19,445	\$ 14,994
<b>Continental in €</b>								
2016	40,549 €	4,095 €	2,882 €	29,782 €	1,771 €	36,174 €	21,439 €	14,734 €
2015	39,232 €	4,115 €	2,779 €	29,056 €	1,443 €	32,835 €	19,621 €	13,213 €
2014	34,505 €	3,344 €	2,457 €	25,839 €	2,014 €	30,241 €	19,216 €	11,024 €
2013	33,331 €	3,263 €	2,009 €	25,529 €	1,818 €	26,820 €	17,497 €	9,322 €
2012	32,736 €	3,073 €	1,967 €	25,680 €	1,625 €	27,337 €	18,193 €	9,144 €
2011	30,504 €	2,596 €	1,325 €	24,107 €	490 €	26,038 €	18,494 €	7,543 €

**Sources:** Michelin Registration Document 2012, pp. 165-169; 2013, pp. 197-201; 2014, pp. 197-201; 2015, pp. 193-197; 2016, pp. 123-127; Bridgestone Annual Report 2012-2015, pp. 10-13; Consolidated Financial Statement for the Fiscal Year Ended December 31; Continental Annual Report 2012, pp. 156-158; 2013, pp. 148-152; 2014, pp. 142-146; 2015, pp., 128-132; 2016, pp., 128-132

## Appendix G: Competitor Analysis – Key Financial Ratios

Table 5.2.5.3: Key Financial Ratios

Liquidity Ratio				Long Term & Solvency Analysis				Profitability Analysis			
	Current Ratio	Quick Ratio	Cash Ratio		Total Debt	Debt/Equity	Equity Multiplier	Profit Margin	Profit Margin	ROA	ROE
<b>Michelin</b>				<b>Michelin</b>							
2016	1.69	0.99	0.06	2016	0.6	1.4	2.4	7.97%	33.95%	6.58%	15.66%
2015	1.9	1.1	0.1	2015	0.6	1.5	2.5	5.49%	32.84%	4.87%	12.19%
2014	1.8	1.0	0.1	2014	0.6	1.4	2.4	5.27%	31.98%	4.60%	10.83%
2013	1.9	1.1	0.1	2013	0.6	1.2	2.2	5.57%	31.64%	5.45%	12.18%
<b>Bridgestone</b>				<b>Bridgestone</b>							
2016	2.2	2.8	0.5	2016	0.4	0.6	1.6	7.96%	40.89%	7.14%	11.23%
2015	2.2	1.5	0.5	2015	0.4	0.7	1.7	7.50%	39.48%	7.49%	12.46%
2014	1.9	1.3	0.4	2014	0.5	0.8	1.8	8.17%	37.73%	4.60%	14.00%
2013	1.6	1.1	0.3	2013	0.5	0.9	1.9	5.65%	36.53%	5.65%	10.85%
<b>Continental</b>				<b>Continental</b>							
2016	1.1	0.8	0.2	2016	0.6	1.5	2.5	7.11%	26.55%	7.97%	19.56%
2015	1.5	1.2	0.1	2015	0.6	1.5	2.5	7.08%	25.94%	8.46%	21.03%
2014	1.3	1.0	0.3	2014	0.6	1.7	2.7	7.12%	25.12%	8.12%	22.29%
2013	1.2	1.1	0.2	2013	0.7	1.9	2.9	6.03%	23.41%	7.49%	21.55%

Table 5.2.5.4: Operating Analysis

Operating/Activity Analysis					
	Inventory		Payables		Asset
	Turnover	Inventory Period	Turnover	Payment Period	Turnover
<b>Michelin</b>					
2016	3.08	118.41	5.84	62.48	0.83
2015	3.32	109.95	6.30	57.94	0.89
2014	3.16	115.35	6.15	59.34	0.87
2013	3.48	104.93	7.03	51.95	0.98
<b>Bridgestone</b>					
2016	-	-	9.27	39.38	0.90
2015	4.13	88.41	6.64	54.98	1.00
2014	3.83	95.24	5.89	61.94	0.93
2013	4.07	89.67	6.33	57.64	1.00
<b>Continental</b>					
2016	7.94	46.00	4.77	76.57	1.12
2015	8.65	42.21	5.29	69.00	1.19
2014	8.65	42.19	5.32	68.67	1.14
2013	9.02	40.46	5.55	65.71	1.24

### *Financial Overview:*

The conclusions that can be drawn from table 5.5.5.2, is that both Continental and Bridgestone show better net sales than Michelin. Michelin's decline in sales revenue is also due to the increasing competition of Asian budget brands (e.g., Hankook) (Sutherland and Whitley, 2015, n.p). Moreover, compared to Michelin and Bridgestone, Continental improved net sales by a billion euro, while those of its competitors is volatile. Similar are the results of net income, by which Continental, once more, demonstrated consecutive growth, despite its high cost of goods sold. Based on this information, the researcher believes that Continental operates more efficiently than its competitors. The implementation of more efficient technology and better management info system presumably is the cause for this better performance. As of 2016, Michelin's sales revenue declined while net income improved compared to the previous fiscal year. This was only achievable because Michelin sold its truck tire plant in Hungary income (Reiter, 2014, n.d). The researcher assumes, that net income at Michelin is reduced compared to its competitors, because of its intense acquisition strategy.

### *Profitability Analysis:*

The gross margin calculates the "total gross margin" on each revenue made (Stickney et al., 2010, p.332). This means, the gross margin indicates how much is left for a company for further investments (e.g., operating expenses). Analyzing the data from table 5.2.5.3, Michelin and Bridgestone represent a relatively high gross margin than Continental. In contrast, the profit margin represents the proportionate of net income earned (e.g., 7% → € 0,07). Michelin presented a relatively high profit margin compared to the industry, however, its competitors show continuous stable growth. As for return on equity, which determine the percentage an investor receives on its investment, it appears that an investor may expect more return on his investment compared to Michelin or even Bridgestone.

### *Long term and liquidity analysis:*

The result of the long term and liquidity analyses conclude, that Michelin and Continental finance more from debt and strongly depend on invested capital. In terms of liquidity, Bridgestone seems to have more quick or current assets to pay off short term liabilities, if necessary.

### *Operating analysis:*

The inventory turnover and period is a way to express how often a company is able to sell its turnover and the days it is hold. High turnovers are positive results as it means that companies are selling more often. Retrieving from table eleven, Michelin shows the lowest turnovers per year compared to Continental, that represent the highest. This high turnover rate, may have been influenced by higher OEM sales and RT-sales. Or, Michelin's prestige pricing strategy and reduced OEM sales, may explain the low rate, which ultimately verify the researcher's assumption, namely that the company has to adapt its pricing strategy and sales strategy, to improve sales (as suggested in 5.19 and 7.1). As for the collection period, Michelin, followed by Bridgestone, appears to have an advantage when collection accounts receivables. Continental's longer duration in collecting outstanding bills, may be explained by the flexible B2B offers and the possibility for buyers to extend payback periods.

In terms of asset turnover (i.e., how efficiently the company uses its resources), Continental and Bridgestone may consume assets quicker for manufacturing than Michelin. The higher the asset turnover ratio the more efficient the company operates. Moreover, a high turnover rate indicates higher profit margin., which can be confirmed when analysing the profit ratios of the manufacturers. The high ROA ratio for both companies Bridgestone and Continental, confirms this statement. This for example, further verifies the researcher's assumption, that Continental generally tends to manufacture more efficiently. Finally, the cash conversion period demonstrates how quickly a company is

able to generate cash. According to table eleven, Continental is the quickest in generating cash, while Michelin with 100 days of collection period, remain the weakest.

## Appendix H: B2B Segmentation

Table 5.5.3.2: *B2B Market Segmentation of Michelin*

<b>B2B Segments</b>	<b>Characteristics</b>
<b>Macro Segmentation</b>	
<ul style="list-style-type: none"> <li>• <i>Organizational Characteristics</i></li> </ul>	<ul style="list-style-type: none"> <li>• Large to mid-sized companies</li> <li>• 67 plants in 17 countries</li> <li>• Heavy Users</li> </ul>
<ul style="list-style-type: none"> <li>• Product or Service applications</li> </ul>	<ul style="list-style-type: none"> <li>• Automobile and Transportation Industry</li> </ul>
<b>Micro Segmentation</b>	
<ul style="list-style-type: none"> <li>• Operating Variables</li> </ul>	<ul style="list-style-type: none"> <li>• Wide product range of high quality tires</li> <li>• Offering latest tire technology (e.g., Nano-technology and tread patterns)</li> </ul>
<ul style="list-style-type: none"> <li>• Purchasing Approach</li> </ul>	<ul style="list-style-type: none"> <li>• DMUs user, influencers, deciders, and buyers</li> <li>• Relationship Buyer</li> </ul>
<ul style="list-style-type: none"> <li>• Situational Factors</li> </ul>	<ul style="list-style-type: none"> <li>• Seasonal orders</li> <li>• Large unit volumes</li> </ul>
<ul style="list-style-type: none"> <li>• Personal Characteristics</li> </ul>	<ul style="list-style-type: none"> <li>• Commerce transactions</li> </ul>
Source	Brassington and Petitt, 1997, pp.194-196

## Appendix I: Summary of Interviews

### *Interview with Armin Günther (Sales Solution Executive at SAP)*

The purpose of this interview was to gather more information on SAP HANA cloud system, about the future of the Internet of Things as well as about Cyber Tires. During the interview, the researcher got the opportunity to discuss her product development suggestion (as mentioned in 7.1), which Mr. Günther confirmed to be a great idea. However, he added that the tire industry might not find it appropriate for the PV-segment, at the moment. Nevertheless, he helped the researcher how this suggested product development could be implemented and used as a sales tool, simultaneously.



*Interview with Roger Eckel (CEO of the tire workshop Vergölst in Würzburg, Germany)*

The main purpose of this interview was to gain insights on how tires are sold between businesses and an OEM and distributor. Moreover, was the aim to obtain information on the sales strategy of Michelin and Continental, and what they are doing differently. In addition, the researcher discussed with Mr. Eckel the development of E-tires (tires for electrical cars) and how these tires differ from common tires. The final question of the interview, was the relevance of mobile tire services (i.e., a service where tires can be changed at home or at work, whereby the driver will not have to visit the workshop any longer). After a trial period, Mr. Eckel concluded that it generates additional service costs, which makes it expensive for the end consumer. However, he agreed that in congested areas (e.g., Frankfurt, Germany) a mobile tire services may be attractive and certainly the demand may be high, as well. He further, mentioned that such kind of service may be appreciated by large companies.

*Interview with Maurits van Son (Owner of van Son Ink Ltd.)*

The researcher hold an interview with Mr. van Son in order to receive a future perspective on the European economy. The interview entailed questions about the political situation of Europe, the productivity differences between Northern-, Southern, and Eastern Europe. Thus, did the researcher discussed the possibility of Grexit and whether Germany's current strong economic position may experience a sudden decline or will continue to flourish. According to Mr. van Son, Europe experiences now a rigid time due to upcoming elections and dissatisfaction of people. However, he believes that it might stabilize in the long term. As a final point, the researcher and the interviewee discussed the development of the oil price, where he believes that it will remain at a low-level for a while.

## Glossary

**Internet of Things:** “is a system of interrelated computing devices, mechanical and digital machines, objects, animals or people that are provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction” (Rouse, 2016, n.p.).

**Original Equipment:** is the tire an automobile manufacturer chooses to equip the car with (<https://www.tirebuyer.com/education/original-equipment-vs-replacement-tires>, tirebuyer.com, n.d., n.p.).

**Original Equipment Manufacturer:** “makes equipment or components that are then marketed by its client” (<https://www.inc.com/encyclopedia/original-equipment-manufacturer-oem.html>, Inc.com, n.d., n.p.).

**Point of Difference:** “are attributes or benefits consumers strongly associate with a brand, positively evaluate, and believe they could not find to the same extent with a competitive brand” (Kotler et. al, 2009, p.363).

**Point of Parity:** “are associates that are not necessarily unique to the brand but may in fact be shared with other brands” (Kotler et. al, 2009, p.363).

**Pneumatic Tire:** “A pneumatic, or air-filled, tire is made of an airtight inner core filled with pressurized air. A tread, usually reinforced with steel belting or other materials, covers this inner core and provides the contact area with the road.” (Grabianowski, n.d., n.p.).

**Replacement Tire:** are tires that replace used tires and are bought at any place that sells tires (<https://www.tirebuyer.com/education/original-equipment-vs-replacement-tires>, tirebuyer.com, n.d., n.p.).

**Ultra-High Performance:** is a segment includes all sport cars with average of 300 km/h. Brands such as Ferrari, BMW M, Mercedes AMG are examples of the Ultra-high performance segment (Bremer, 2014, n.p). “The term ultra-high performance once indicated tires that offered the highest grip” (<http://www.popularmechanics.com/cars/how-to/g1219/10-things-to-know-about-performance-tires/>, popularmechanics.com, 2017, n.p.).