

# Goodyear aquatred case analysis

Business



Contemplating the launch for the Aquatred, an innovative tire providing improved driving traction under wet driving conditions, Goodyear needs to finalize the specifics regarding their marketing plan and distribution structure. In a time when tire purchases are becoming more price sensitive and moving towards a market demanding low cost private labels, Goodyear needs to determine an efficient strategy that markets a premium priced tire to this price dependent consumer base. Below is a summary of the proposed marketing plan: Year 1 Expected Sales: \$76, 594, 350 (about 850, 000 units) In addition, Goodyear is considering expanding their entire distribution structure to occupy emerging channels in the market.

By utilizing these growing channels, Goodyear will be able to establish a solid foundation as the tire distribution evolves to accommodate lower priced tires. Based on current market trends, the only growing channel that Goodyear has yet to utilize would be that of Warehouse Clubs. Even though Warehouse Clubs are a relatively new retail format, they are quickly growing thanks to their variety of product offerings and low prices. Even though the Aquatred marketing plan would not appeal to this particular channel, Goodyear should expand distribution and market a low priced tire to be sold thorough this emerging channel. Define the Issue In order to revitalize the company, Goodyear needs to construct and implement an appropriate marketing strategy and distribution channel for the launch of their new innovative line of tires, the Aquatred.

With the industry turning toward long-life warranties and low cost private labels, Good year needs to select a specific consumer and channel in order to maximize sales and build brand equity, while increasing dealer

receptiveness and reducing channel conflict. In addition, Goodyear is debating whether to expand their overall distribution structure with the intention of boosting sales and reducing brand replacement. Goodyear needs to analyze how the market is evolving and determine which channels they need to invest in now, in order to provide them with the best possible position to establish market share in the future.

**Identify Constraints and Opportunities** The constraints and opportunities that Goodyear is facing can be found under Exhibit 1.

**Generate Alternatives Aquatred Target Market:** After analyzing the possible consumer segments, it became apparent that two of the three segments appear to fit Goodyear's product offering. The first segment includes "Quality-Conscious" buyers, while the second possible segment is comprised of "Value-Conscious" buyers.

The commonality between these two segments is their emphasis on tire quality, performance, and overall value. Because the Aquatred is considered a premium quality tire and sold at a higher price point, the large segment of "Price-Focused" buyers can be eliminated because they consider tires as a commodity purchase and care more about finding a bargain than the actual quality attributes of the tire.

**Aquatred Distribution Structure:** Goodyear and the Aquatred currently have two alternatives when deciding on a particular channel structure: (1) Utilize existing channel strategy (small independent dealers, manufacturer-owned outlets, large tire chains), and (2) Expand distribution by implementing a new channel structure (garage/service stations, warehouse clubs, mass merchandisers).

**Expanding Distribution:** Goodyear is debating whether to expand their overall distribution structure and, if so, what specific channels should they add (garages/services stations,

warehouse clubs, mass merchandisers). The decision should be based on market size, market trends, and also the channels compatibility with the Goodyear company and its associated products. Preferred Alternative Aquatred Target Market: In order to fully understand the Aquatred message that Goodyear is trying to convey, the target market needs to be very precise and knowledgeable about the benefits the Aquatred tire offers.

With that being said, the target audience has been narrowed down to exclusively the Quality-Conscious Buyers (18%). Even though most consumers view tires as a “grudge purchase,” the quality-conscious buyers want a tire offering the best reliability, durability, and handling, even if price of that tire comes at a premium. Of the potential markets, the target market analysis in Exhibit 2 clearly illustrates the size of the market and why the Quality-Conscious Buyers would be the most profitable segment to target.

Aquatred Distribution Structure: In regard to Aquatreds innovative technology, Goodyear has a great deal of time and money riding on the implementation of its strategy. With expected sales to “most likely” reach \$76, 594, 350 in year one (See Exhibit 3), I feel that Goodyear should stick to their existing channels, which include Small Independent Dealers and Manufacturer-Owned Outlets. Not only does Goodyear possess the greatest experience in these particular outlets, but they produce greater margins (See Exhibit 4) and allow Goodyear to maintain control throughout the distribution process.

Expanding Distribution: Based on current market trends, the only rising channel in terms of “Channel Share of Retail Sales” that Goodyear has yet to utilize would be that of Warehouse Clubs. Even though Warehouse Clubs

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are a relatively new retail format, they are quickly growing thanks to their variety of product offerings and their low prices. Even though Aquatred would not directly fit into this particular channel structure, Goodyear should design a low cost tire to appeal specifically to this channel. Not only will this allow Goodyear to start building relationships with various warehouse clubs, but if the channel continues to grow, Goodyear will be well established, which will put them in the best possible position to compete with other companies in the future. Actionable Marketing Plan for Aquatred Price: The price of Aquatred should be based less on cost-plus or margin techniques and should instead be calculated from a Perceived-Value Pricing strategy. Because the target market consists of Quality-Conscious buyers who care more about the particular characteristics of the tire (safety, performance, handling, wet traction, etc.

) rather than the price, Goodyear should sell the Aquatred at a premium. This will help associate the tires image as a superior product on the market offering unmatched quality characteristics. With a suggested retail price of \$91.95 (\$16.95 over the average selling price of all tires), Aquatred tires will be able to earn a reasonable profit margin for both Goodyear (40%) and their small independent dealers (28%) (See Exhibit 4), yet still have plenty of room for discounts and promotions to be implemented.

Even though this price may discourage some dealers at first, overall receptiveness will be high when they examine the potential revenues that Aquatred could generate for their outlet (See Exhibit 5). A Sensitivity Analysis from the above data can be found under Exhibit 6. Place: As stated earlier, Small Independent Dealers (SIDs) and Manufacturer-Owned Outlets  
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will be designated as the distribution channels for the launch of the Aquatred. However, Goodyear needs to focus on selling the majority of their tires through SIDs. With manufacturer-owned outlets steadily decreasing in terms of retail sales in the replacement tire industry, Goodyear needs to rejuvenate their relationship with their SIDs.

Accumulating over 50% of Goodyear's sales, SIDs are the heart of Goodyear's replacement tire distribution structure. In order to gain compliance and trust, Goodyear should consider closing manufacturing-owned outlets, which are in direct competition with specific dealers. This will reduce the number of complaints and will encourage Goodyear dealers to carry only a limited number of tire brands other than that of Goodyear. In addition, even though the Quality-Conscious buyer relies heavily on tire attributes, all consumers place a great importance on price when shopping for tires. With a relative price index of 100%, SIDs will maintain a retail price that is high enough to convey the enhanced image of the Aquatred tire, yet low enough to appeal to a wide range of Quality-Conscious consumers.

Promotion: In order to appeal to the Quality-Conscious buyers, promotions and advertising need to illustrate and inform the consumer about the strong technical attributes that the Aquatred tire possesses.

Prior to the launch, Goodyear will need to generate hype in regards to their breakthrough in wet traction performance. This publicity needs to be targeted to the general public, news stations, and also the Aquatred dealers. Goodyear will be able to generate this hype by utilizing print and television ads. These ads will stress the stopping ability of the Aquatred tire in wet conditions (as much as two car lengths) and also their ability to maintain  
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their wet traction even when 50% worn. The overall advertising message will illustrate that the Aquatred is more than just premium tire, but can save lives too. In order to lower advertising costs, messages will be targeted toward promotional hot spots as shown in Exhibit 7.

These particular locations have the greatest amount of rainfall per year and promoting a tire with wet traction technology will be extremely relevant to these consumers. Additional promotional activities are illustrated in Exhibit 8. Contingency Plan The contingency plan can be found under Exhibit 9.

Exhibit 1 Constraints and Opportunities Constraints: 1) Industry seems to be turning toward low-cost, high warranty tires. \* Some think of the Aquatred as a high priced "boutique" tire with minimal warranty (60, 000-mile). 2) Most consumers view tires as a "grudge purchase.

" With the average time between tire purchases equaling 2. years. 3)

Increased pressure to abide by dealers terms (NTDRA). 4) All sales of Aquatred must come through the replacement market. 5) Difficult to enforce patents on tread designs.

6) Three-fourths of all Goodyear tires sold through SIDs and company-owned outlets are sold on promotion (average 25%). 7)Introducing new distribution channels may increase dealer conflict, cannibalize sales, erode the Goodyear brand name, and cause dealers to take on additional lines of tires.

Opportunities: 1) Aquatred has the technology to revolutionize the tire market, with little competition offering similar products. Wet traction: Second most important tire attribute to consumers according to Goodyear surveys. \* Appeals to the wide number of consumers interested in safety.

\* When 50% worn, Aquatred maintains wet traction. 2) History of launching innovative new products. 3) Increasing opportunities to introduce new brands into fresh channels of distribution. \* Warehouse clubs are increasing in popularity due to their low prices. \* Large tire chains have increased their retail share by acquiring smaller independent dealers. Exhibit 2 Target Market Analysis (Aquatred)