

Michelin branding strategy

[Business](#), [Strategy](#)



As one of the leading tire companies globally, Michelin Group prides itself as a pioneer and a leader in tire innovation. The company has a long history of offering breakthrough solutions in terms of safety, fuel efficiency and eco-friendly products for the transportation industry. The company also prides itself with a world-class brand portfolio renowned in the different regions and two globally recognized brands – i. e. Michelin and BF Goodrich.

In this research paper, we discussed Michelin's global branding strategy highlighting the strength of Michelin brand in the passenger car and light car tire category. The research examined the strategic branding approach of Michelin group in the global marketplace. In particular, we conducted environmental analysis and internal strengths and capabilities that would make Michelin stand out in the global economy. We also explained what brand equity means and why it is important in the company's overall strategy and why it is important to further build this strategic asset.

We also identified how Michelin builds customer intimacy and retains this relationship in the global market. More importantly, we deduced conclusions on the effectiveness and future opportunities for strategic branding.

CHAPTER 1: INTRODUCTION Company Background Michelin Group prides itself as the Global Leader in Tire Innovation, providing the forward-looking solutions to help the road transportation industry in its bid for competitive edge and to meet society's ever pressing need for safety, fuel efficiency, and respect for environment.

Michelin had been the first to patent the radial tires, which had been widely used and famous in automotive industry and the company boasts of a century of progress and innovation in tire design and many product firsts. At <https://assignbuster.com/michelin-branding-strategy/>

the end of December 2005, Michelin posted 36 percent growth in its net income at EUR 889 million (USD 1.049 billion) with over EUR 15.59 billion (USD 18.40 billion) in net sales, up 3.6% from the previous year (Michelin Annual Report 2005).

While the tire industry continues to consolidate in the short term, Michelin has continued to expand its product line and operations into new regional markets. Currently, the company has a global sales network in 170 countries, 71 manufacturing plants in 19 countries, 6 rubber tree plantations in Brazil and Nigeria, and an extensive Brand Portfolio, which includes Michelin and BF Goodrich as the flagship brands of the company as well as 2 distribution networks namely Eurometer and TCI (online Michelin). Michelin Group

Consolidated Income Statement For the year ending December 31, 2005 (in EUR million)

2005	2004
Sales	15,590
Cost of Goods Sold	(10,835)
Gross Profit	4,755
Operating Expenses:	
Sales and Marketing Expense	(1,775)
Research and Development Expenses	(565)
General and Administrative Expense	(999)
Other Operating Expense	(64)
Total Operating Expense	(3,533)
Operating Income	1,303
Non-recurring Income/Expense	206
Interest and Other finance costs	(274)
Income Tax	(411)
Net Income	889

Source: Michelin (2006). Michelin Annual 2005 Report. (France: Michelin Group) [Online] Available: www.michelin.com/corporate/front/templates/affich.jsp?codeRubrique=20060414090253&codeLangue=EN [Accessed: September 7, 2006] Despite the increasing material costs, Michelin has been able to increase net sales and

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operating income significantly because of its strong brand portfolio of tire products. Today, it is world no. 1 tire manufacturer with 19.4 percent market share.

Michelin is at the forefront of all tire markets and travel-related services. Michelin is currently the undisputed leader in the most demanding technical segments and designs advanced solutions to help the road transportation industry (Michelin 2006). Michelin offers a number of highly reliable products and services such as Tires, Distribution and services, Mobility Enabling Services, Ground linkages and pressure monitoring systems, viaMichelin, and Michelin Lifestyle products (online Michelin). In addition, Michelin has an extensive brand portfolio.

All market segments are covered by leading national brands and well-positioned private brands, a large portfolio of strong regional brands such as Uniroyal in North America, Kleber in Europe, Warrior in China – and the Group's 2 world-class brands: Michelin and BFGoodrich (Michelin 2006).
Scope of the Study The study is delimited to Michelin Group, assessing the group's brand strength assessed in the self-constructed instrument. It aims to compare the brand position and branding strategy of Michelin with those of competitors.

In particular it intends to address the following sub-problems: 1) examine the strategic branding approach of Michelin Group in the global marketplace; 2) explain what brand management means and why it is important in the company's strategy and the global economy; 3) discuss how Michelin brand builds relationships, retains relationships; 4) identify any further opportunities to enhance the strategic brand-relationship-marketing plan;

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and 5) deduce conclusions on the effectiveness and future opportunities of strategic branding.

A methodological limitation is the lack of quantitative measures utilized; the study is limited to the qualitative responses of the respondent interviewed for the research. Thus, the results may not be generalizable to all players in the tire industry. Statement of the Problem 1. What is the strategic branding approach of Michelin Group in the global marketplace? 2. What does brand management and relationship marketing means? Why is this important in competing in the global marketplace? 3. How does Michelin brand build and retain relationships? 4. What are further opportunities to enhance Michelin strategic brand relationship-marketing plan?

5. What conclusions may be drawn regarding the effectiveness of brand positioning of Michelin products? 6. What are the future opportunities for strategic branding of Michelin Group? Importance of the Study To the company, the results of the study will provide critical information on how to enhance their brand management and relationship-building marketing strategies. The present macroenvironmental changes in the global marketplace make it necessary for them to customize these strategies, that should be consistent and supportive of overall organizational goals.

Michelin Group ought to scrutinize its business norms to be responsive to external changes, and still maintain competitive advantage over competitors. The current study wishes to concentrate on its brand marketing efforts. CHAPTER 2: LITERATURE REVIEW The literature review will consist of three parts: (1) Environmental Analysis, (2) Competitive Position of Michelin, and (3) Michelin brand. In the Environmental Analysis section, the research <https://assignbuster.com/michelin-branding-strategy/>

will discuss the competitive landscape of the global tire and rubber industry, and define the nature of competition within the industry.

The research will describe the market size, volume and growth of the industry. The research will also segment the market according to geographical location and tire category. Second, the research will discuss the competitive position of the Michelin in the market. It will provide an assessment of Michelin's strengths and weaknesses and how Michelin can use its strategic assets to take advantage of the opportunity in the market. Lastly, the review will also discuss key concepts on brand management and brand positioning; moreover, it will provide a brand positioning of Michelin's different product lines in the market using BCG Matrix.

Environment analysis Macro-environment analysis For replacement tires of passenger cars and light trucks, the global market has exhibited modest value and volume growth since the beginning of the decade. This has occurred in the face of increasing input and product costs due to rising energy and rubber prices. Looking forward, global average prices are likely to decrease with increasing competition, but as companies are becoming more vertically integrated, it will be possible for them to keep costs down; as global demand will remain high, the outlook for the market is positive.

Global replacement tires market value grew by 2.80 percent to \$ 27.9 billion for 2005; Global replacement tires market volume grew by 3 percent in 2005 to reach a volume of 736.4 million tires. In the last five years, the market value grew at a compound annual growth rate of 1.7 percent, while market volume grew at a compound annual growth rate of 2.0 percent. 2001 and 2002 saw sluggish growth, which held down the market growth for

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the five year review period; it was also during these years that the automobile market experienced slow market growth.

Despite innovation being used to differentiate certain brands in the market, tires are close to being commodities, and competition from low-labor cost manufacturing exerts a downward pressure on prices, which will hold back value growth (Datamonitor 2005). Figure 3. Global Replacement Tires and Rubber Market Value for 2001-2005. Source: Datamonitor (2005). Global Tire and Rubber: Industry Profile. Figure 4. Global Replacement Tires and Rubber Market Volume for 2001-2005. Source: Datamonitor (2005). Global Tire and Rubber: Industry Profile. Market Segmentations

Geographically, the European market is the leading revenue source for the global replacement tires and rubber market, accounting for revenues of \$ 9.3 billion in 2005. This is equivalent to 33.5 percent of the overall market value. In comparison, the Asia-Pacific sector is on a fast rise generating as much as \$ 8.6 billion or 30.9 percent of the overall market value. The Chinese market is forecast to grow strongly going forward, as income levels rise and make car ownership and maintenance accessible to more consumers there, and this is likely to increase the Asia Pacific contribution to the global market (Datamonitor 2005).