

Pest analysis of indian tyre industry

[Business](#), [Industries](#)



The PEST analysis is a useful tool for understanding market growth or decline, and as such the position, potential and direction for a business. PEST is an acronym for Political, Economic, Social and Technological factors, which are used to assess the market for a business. Basically it is a scan of macro-external environment, in which a business wants to operate.

Political Factors include:

- Tax policy
- Employment laws
- Trade restriction and Tariffs
- Political stability
- Trade Agreements

Economic Factors include:

- Economic growth
- Interest Rate
- Foreign Investment
- Raw material Availability
- Inflation

Social Factors include:

- Population growth rate
- Trend of Buyers
- Health Consciousness

- Career attitude
- Social cultural changes

Technological changes include:

- Industrialization
- R&D activity
- Advancement of technology

Political Factors

Political factors were supporting Indian tire industry as Indian Government especially reduces its taxes on raw material to promote the industry. Tariff and duties on the import and export of tires were set less so that cheaper tires and material could be imported and good quality tires can be exported. Tires made in India were mainly exported to other emerging countries such as Latin America, South-East Asia, Middle East and the Africa. On the other hand imports of tires from other countries are showing the supporting political environment. Read about political factors affecting Ryanair

Economic Factors:

The economy of was emerging and the total production of vehicles more than doubled between 1994 and 2004 so it had a good potential for the industry. Basically in 1926, the first tire was made by a British company Dunlop, and followers of Dunlop were other three foreign companies: The Americans Firestone, Good Year and Italian Ceat, but latter on Indian companies took over these foreign companies.

Now there are about 40 companies in India producing 70 million tires. The main competition is in four major companies which are MRF, APOLLO, JK TIRES, and CEAT. But among all these MRF is the market leader with 21% market share and APOLLO is on second number with 20.5% share, JK TIRES on third number with 20.3% and CEAT with 14% market share. The growth in the tire industry of India is positive as in 2005 growth was 5% in tire industry and 3% in commercial tires and predicted to increase in future.

Social Cultural Factors:

Changes in trends bring a positive or negative demand for a product. In India, the major part of population is youth and in previous years, as the income level of people increases so they start buying two wheeler bikes and as population increases and people start expanding geographically so transportation demand also increases so people start spending on automobiles industry. People in India prefer to buy low price tires like cross-ply tires as it is cheaper and more convenient on uncomfortable roads of India. But as the economy is growing, and improvement in road quality also influencing people to buy radial.

Technological Factors:

There are two technologies of tires in India, which are Cross-ply and Radial tires. IN cross-ply technology, the textile and metal cords are braided diagonally, while in radial tires, textile and steel cords are braided at 90 degrees. Cross-ply are more successful in India due to its compatibility with the roads of India, its long life as compared to radial and due to price. There

is also a price war between companies and every company tries to reduce its cost by getting low cost input or by bringing some kind of new technology.

Conclusion:

After scanning the market with the help of PEST, we come to know that Government is supporting the Indian tire industry and there is a strong industry of tires in India which bring hurdle for the other new industry to invest in India. But as the country is in developing stage, so people and infrastructure of the country is not so strong, so people like to have low cost tire that are compatible with the roads of India. So for that there is still needed to have new technology.