

Case study goodyear

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Key Issues: How can Goodyear be more competitive and maintain its leader position? How to launch Aquatred effectively? Factors to be taken into consideration: Intense competition • many players in the industry, both branded and private label • Michelin, was growing very fast in both replacement and OEM market • private label had become the biggest threat for all branded tires since many branded tire owners intended to replace their tires with private label.

Changes in consumer preferences • 45% of tire buyers thought that price was the most important factor • 33% for the outlets and 22% for the brand

Segmentation of consumers: ? price-constrained buyers (22%), ? commodity buyers (37%), ? value-oriented buyers (18%), ? quality buyers (23%). • Buyers turning into commodity buyers • Goodyear had the highest percentage among price-constrained buyers (16%) and commodity buyers (10%), • 24% of value-oriented buyers and 22% of quality buyers intended to buy Michelin tires.

Michelin's consumers had high loyalty to the brand more than Goodyear's.

Goodyear distribution channels • Three main distribution channels of Goodyear: ? 4, 400 independent dealers accounting for 50% of sales revenues ? 1, 047 manufacturer-owned outlets generating 27% of sales ? 600 franchised dealers accounting for another 8% of sales • Industry Statistics (retail channels) ? garages/service stations (6%) ? warehouse clubs (6%) ? mass merchandisers (12%) ? manufacturer-owned outlets (9%) ? small independent tire dealers (40%) ? large independent tire chains (23%)

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Inferences ? Goodyear might have too few channels of distribution ?

company could lose tire customers whose preferred outlets had no Goodyear

tires ? Goodyear claimed not to want its tires sold in low-priced outlets, they

sporadically obtained Goodyear tires New product launched: Aquatred Issues

- Aquatred was a new tire providing improved driving traction under wet conditions.
- ' was it the right product for the dealers and for the consumer, as the industry seemed to be turning toward long-life warranties and low-cost private label?
- planned to launch during the Winter Olympics in January of 1992.
- the initial inventory of Aquatreds had been made to fit only domestic cars and molds to produce other sizes would not be available until several months after the Olympics.
- Goodyear hoped to price the Aquatred at a 10% premium over the existing most-expensive tire.
- company research stated that more customers were price-sensitive, the company doubted whether the customers would be interested in Aquatred.

Possible Solutions:

- figure out the core competencies and differentiate from the competitors.

Tire being a commodity product, is difficult to differentiate. Therefore, the company should emphasize on other aspects, for example, strong brand image, and outstanding customer services.

- To make customers loyal to the brand implement customer relationship management or CRM. It is the system to establish and retain long-term relationship with the customers.

The Advantages of CRM

- Standardize - All departments that had to deal with customers would have real-time and same format of database to serve all customers.
- Quicker - As the information was real-time, the company could provide faster cross-function services to the customers.
- Know what they

want - The customers' database shows previous purchasing data and the preferences of all customers, which the company could use to forecast the trends and serve what customers really want. The Disadvantages of CRM ? Costly - CRM software is highly priced, and hidden costs involved, for example, training session. ? Resistance - people don't like change, some people might even resist.

The company had to give time for employees to adapt themselves with new things. • Goodyear has few channels of distribution, hence find more and new ones. From the fact that Michelin sold its tires in low-priced outlets and wasn't perceived as low-price tires, Goodyear might also be able to do it if the company had right pricing strategy. Firstly, Goodyear should evaluate which channel would be suitable for the company, and then test with one outlet from each channel that the company selected for three months. Make the final decision about which channel should Goodyear expand into.

Aquatred is the right product for Goodyear. Most people perceive tire as commodity product for long because no player came out with very innovative product. Aquatred could gain first mover advantage as it was very innovative one. Also, from Goodyear's survey, the second most important tire attributes was wet traction. Therefore, Aquatred would get attention from many customers who concern about tire's quality. • Aquatred should be launched as soon as possible. It's innovative product, which could gain highest profitability only when being the first mover. Although price was an important factor to be considered when customers wanted to purchase tire, there were still customers who concerned about quality more than price. Aquatred should focus more on quality buyers and value-oriented buyers. In

addition, Goodyear could acknowledge the customers that Aquatred was only \$8.2 - 8.5 more expensive than the existing most-expensive tire.

Recommendations:

- As Goodyear is the market leader, being innovative and doing lots of researches to observe the trends and changing in consumer preferences are the right things. As it was estimated that 75% of all Goodyear tires sold in independent or company-owned outlets were sold on an average discount of 25%, it implies that the company might have too many promotions. Finally, the consumers wouldn't come to buy Goodyear tires at full price and it could affect company's image, too.
- Goodyear needs a loyalty program to establish and retain relationship with consumers as soon as possible before they switch to other branded tires, like Michelin, or private label tires that had lower price than Goodyear. The company should find a way to compromise with independent dealers about competition in the areas, while expand more distribution channels and find more new retail formats, like Just Tires.
- In order to launch Aquatred effectively, Goodyear needs cooperation from every department, especially marketing department. Integrated marketing communication is very important to create awareness of the customers. Focusing on the word "innovation" and "safety under wet conditions".