

# [Goodyear tire and rubber company](https://assignbuster.com/goodyear-tire-and-rubber-company/)

[](https://assignbuster.com/)[Business](https://assignbuster.com/essay-subjects/business/), [Company](https://assignbuster.com/essay-subjects/business/company/)

The Goodyear Tire and Rubber Company was founded by Frank Seiberling in 1898 on the Little Cuyahoga River in Akron Ohio. He borrowed thirty five hundred dollars from his brother-in-law to start the company. The company was named after Charles Goodyear who discovered the rubber vulcanization process in 1839. The company started to build their first factory in 1902 in Akron. In 1903 Paul Litchfield, a factory manager received a patent on the tubeless tire. In 1904 the company became a leader in automobile, carriage, and bicycle tires.

In 1909, the company became involved in making airplane tires. Goodyear employs 73, 000 people in 22 countries and operates 53 facilities globally. Goodyear Tire and Rubber Company’s mission statement is “ To increase the value of our brands for everyone with market driven innovation, delivering the highest quality tires, related products and services, for our customers and consumers”. Strengths Goodyear has evolved as a leader in tire manufacturing and retreading across the globe.

The company is the third largest tire company in the world with revenue surpassing twenty billion dollars. Goodyear is the best-selling tire in North America. Goodyear has very strong growth potential in all markets. This is a positive strength because competition is fierce and there is no room for error in the tire business due to the low profit margins on tires. Goodyear remains very profitable despite competition and that has Goodyear in a strong position for future plans and innovations. Goodyear has a strong liquidity position in the market.

In the last couple of years Goodyear has advanced their position and had strong revenue streams to bolster their short and long termgoals. Over the first three months of 2013 Goodyear’s revue was at a record 5. 5 billion dollars. Goodyear managed to achieve this even when raw materials and weaker demand was present. This demonstrates that Goodyear is financially sound, beating out competition to remain on top of tire industry and also proves its positiveleadershipand goals are on target in today’s market. Weakness One of Goodyear’s weaknesses is Debit.

While Goodyear is seeing a rise in revenue and profits they still carry a large debit from recent years. On April 19th, 2012, Goodyear Tire and Rubber Company announced that it has completed a refinancing package of its U. S. credit facilities. These changes include increasing the company’s existing 1. 5 billion dollar existing revolving credit to two billion dollars and the maturity date has been increased to 2017. The company’s pre-existing 1. 2 billion dollar loan was extended until 2019. This is good news for Goodyear but still leaves them with a lot of debit to reduce in the future.

They should be able to reduce this debit with the strong earning they are making and with new introductions of tires coming to market at this time. Another weakness of Goodyear is weaker overseas demand. As most of Europe is in a recession and many countries have severe unemployment, tire sales are down. This not just a problem for Goodyear but for all tire manufactures. Goodyear must analyze their overseas market strategy and take new measures to improve sales and remain profitable. Once a strategy can be put in place to remain a strong contender in Europe, Goodyear will see positive gains once again.

Goodyear can minimize losses by reducing inventory and plant operation costs to make it more efficient than ever to keep their presence and name recognition at the forefront in the tire industry. Opportunities Goodyear has many opportunities to expand and gain market share worldwide. The Asian market is growing leaps and bounds and more people are able to purchase vehicles than ever before. The opportunities in these markets are quite great, and Goodyear will be there. With a solid global strategy, including manufacturing plants overseas, Goodyear is in a solid position with a large market presence already.

Goodyear realizes the expanding market in Asia and is attacking on all sides with marketing and rebate campaigns to capitalize on the growth that is there for the taking. If Goodyear stays aggressive, they will surely reap the benefits. Another opportunity for Goodyear has been their new innovation centers in Akron Ohio and Colmer-Luxembourg. These new centers are developing new tires that are being highly praised and wanted, like the new Goodyear Assurance fuel Max tire that has 27 % less rolling resistance than conventional tires. The new Ultra grip 8 has more and stopping power than any tire on the market.

With these new innovations and slim line operational costs, Goodyear is poised to be a market leader and very possibly will move up from the number three position they currently hold, and with the way the company is being run at this point, that is a definite possibility. Threats The highly competitive market is a big threat to Goodyear on all accounts. Bridgestone is the largest tire and rubber company in the world with sales over 35 billion. Michelin Tire Company is the second largest tire company in the world and both of these companies are threats to Goodyear in sear size and operation.

There are other tire manufacturers, but these two are Goodyear’s biggest threats today. These large companies have great leadership and facilities to have the positions in the world market that they do and are very competitive in nature. These companies can lower prices to gain market share without makingmoneyfor a short time and cut Goodyear’s market down, affecting the profits at Goodyear. Has this been done? Well nobody is pointing fingers, but there have been some fierce tire sales to accomplish increased market sales. Other threats that Goodyear faces are the lower cost tire manufactures.

Other leading tire manufactures are selling tires at lower prices to gain a foothold in the market. These tires are good tires, but may lack the quality and reliability of a Goodyear tire. However with a tight economy, people sometimes will go with a cheaper tire to save money even if the tire will not give them the mileage and quality of a Goodyear. These companies can affect the over market share and profit at Goodyear. At a time when things are tough, people may choose these lower cost tires over Goodyear’s product, but Goodyear also has lower cost tires on the market to combat this, such as Dunlop and Kelly-Springfield brands.

Summary Goodyear Tire and Rubber Company can capitalize in any market for tires, from high performance tires to lower priced economical tires. Goodyear has strong liquidity, multiple manufacturing plants and retreading facilities around the globe to compete in a very competitive market and has done well in the last couple of years in reducing operational costs and offering tire rebates, to place them in a great position for future growth. If Goodyear holds to its mission statement of delivering high quality tires at a great value, Goodyear will continue to prosper.

## References

Goodyear Corporate website (2012). Retrieved from: http://www. goodyear. com/corporate/about/

Cars Direct, (2009, August 17). Retrieved from: http://www. carsdirect. com/car-repair/the-7-best-tire- companies-out-there Ranker, (2012), Retrieved from: http://www. ranker. com/list/world\_s-top-10-tire-manufacturers-by-2010-revenue/micksgarage TR & W, (2010) Retrieved from: http://www. tiresrimsandwheels. com/top-tire-manufacturers/ Market Research. com. (2009, December, 31) Retrieved from: http://www. marketresearch. com/map/prod/2532908. html

Consumer reports, (2012, April), Retrieved from: http://www. consumerreports. org/cro/tires/buying-guide. htm   
Event Brief of Q1 2012 Goodyear Tire & Rubber Earnings Conference Call - Final Fair Disclosure Wire (2012, April). Quarterly Earnings Reports. Retrieved from: Database: Points of View Reference Center