

Goodyear aquatred case study essay



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How do consumers purchase tires? Tire consumers (at replacement market) will buy tire at two different occasions: when they need new tire immediately (emergency occasion), and as a spare change in case of emergency (preventative occasion). It is dubbed a “grudge purchase” where consumers won’t have any choice but to buy tires in order to make sure that their car is able to run.

The average time between purchases is 2. years but more than 50% of all consumers buy the tire at the same time they became aware of their need of the tire which means that they (most consumer) have immediate action and limited time to consider purchase. Consumers of Goodyear purchase tires according to the classification of the consumer, in the sense that consumers in each classification will perceive Goodyear tires differently, therefore will purchase the tires in a different manner/process. Tire consumers are generally consisted of: 1. Quality Conscious buyers accounted for 18%.

These consumers put emphasis on the quality of the tire. Their buying decision will be determined by the quality-driven property of the tire including the long-life of the tire, the quality of the rubber, the traction it provides, the tread of the tires, as well as high quality sales and after service. These consumers perceive tire as an important investment for their car (which most likely to be expensive and/or luxurious) and will not hold back their money to purchase high quality tires. They are considerably less sensitive to the pricing, and more on the product.

Exhibit 4 also shows a relatively high awareness/intent to buy at 15% for Goodyear but still lower than Michelin which consumers of this classification

mostly prefer. Consumers in this classification would buy their tires mostly from their respective manufacturer dealers (car manufacturers), tire manufacturer outlets (Price Index 107%), as well as independent dealers for the specific brand. They would generally gather information to find which tires conform to their specification of quality, and this could be done at point of purchase, from technical experts or from fellow users.

2. Value Conscious buyers accounted for 23%. These consumers put emphasis on the balance between quality and price, namely the value they can get for every dollar they spend. Their buying decision will be determined by the benefit they will get from their purchase. They are less likely to spend more money on tires than the quality conscious buyers. There's 17% intent to buy for this consumer classification for Goodyear but still lower than Michelin. Consumers in this classification would buy their tires after thorough research since they prefer benefit or value per dollar purchased.

Information gathering could be from point of purchase, or advertisement (printed or otherwise.) After deciding purchase they would go to independent dealers or mass warehouse which can give them service with the tire they purchase. This is not generally limited to manufacturer-owned outlets, or independent dealers specific to Goodyear. 3. Price Conscious buyers accounted for 59%. These consumers put emphasis on the price, as opposed to the quality conscious buyers who don't perceive price as a determining factor.

Overall, price is the main drive to purchase for this consumers classification. They perceive tire as a necessity, a regular item. It is likely that they will

switch brand whenever they can find lower cost. There's 14% intent to buy for this consumer classification for Goodyear which place Goodyear ahead of Michelin. This also means that Goodyear has a good positioning for the price conscious buyers. Consumers in this classification would buy their tires at lowest price possible which include places such as warehouse clubs (Price Index 80) and large tire chains (Price Index 90).

Research might be involved to find out the lowest price possible. They are also more prone to promotional activities and discounts, which are particularly common for warehouse clubs and large tire chains. What is the strategic role of Aquatred? Is it the right tire at the right time? Aquatred is a new product which will be marketed as a premium product with a great value proposition which includes a high quality tire to be used in wet, snow, and dry environment. It has a unique design due to its Aquachannel design.

The tire also hails long-life with a maintained performance regardless of wear. Pricing for the product is relatively more expensive, even more than the Invicta line, this premium price is justified by the increased performance, durability, and reliability of the tire. The product is to be marketed in a replacement tire market which is 80% of the total (the other being OEM market). The market is filled with competition from powerful brands with high customer loyalty such as Michelin with 44% switching (exhibit 5).

Goodyear itself placed second among Major Brand loyalty.

Some of the market is also crowded by minor brands, and private labels (70% switching) which should be popular among price conscious consumers. Goodyear also did not have a good product diversification which should set it

apart from competition among other brands, competition is harsh and brand image is endangered by low price outlets with their discounts and promotion. Sluggish income also puts some burden to Goodyear. To sum it up, the current situation of Goodyear is: 1. Market is mature and have a low growth (growth can be attributed to the growth of car owners). (Exhibit 1) 2.

Heavy competition from other major brands namely Michelin, also minor brands and private labels (some are Goodyear's, thus practically cannibalize Goodyear's market). (Exhibit 4) 3. Tainted brand image from low pricing of various low-price outlets. 4. Lack of control of the said outlets in point (3). 5. Low customer loyalty. (Exhibit 5) 6. Low income. (Net income less than 1% of total revenue of \$10. 91) 7. Too many investments in various, possibly non-related business makes the business of Goodyear an unfocused and too dispersed. Aquatred should be positioned strategically to improve brand image.

This in turn will improve consumer perception of Goodyear's other lines. The marketing of Aquatred also has the objective to increase income for the company through increased profit margin from improved brand equity. Is it the right tire at the right time? To answer the question, we should put into account all the considerations above regarding Goodyear's current position, also the position of the competitors. In 1991, Goodyear actually has the biggest market share in the US Passenger Tire market as can be seen in exhibit 1. For replacement tire market, Goodyear had 15% followed by Michelin with 8. %, and Firestone with 7. 5%.

In 1975, Goodyear's market share was 14% and Michelin was 2.5% for replacement tire market, a significant growth for Michelin. In 1975 Michelin also had 2% market share in OEM market, growing to 16% in 1991.

Goodyear however, grown only by a small percentage. The growth of Michelin can be attributed to its wide distribution including mass merchandisers and warehouse clubs. Michelin and Bridgestone were planning to capture price conscious and value conscious consumers by introducing tires with improved warranty up to 80,000 miles.

Michelin itself already managed to position itself in quality conscious and value conscious consumers (exhibit 4), another subsidiary of Michelin, Goodrich also focusing on high performance market. Michelin also had wider channel of distribution with more independent dealers (7,000 compare to Goodyear with only 4,400) as well as mass merchandisers and warehouse clubs. Continental Tire was also planning to come up with similar technology with the potential to rival Aquatred within 2 years.

Considering the market situation and the strategic position Aquatred holds, it is imperative that Aquatred be introduced as soon as possible. How should Aquatred be priced, distributed and advertised? To answer that, we need to see how should Aquatred be positioned in the market; there are three possible segmentations for Aquatred: Price conscious, value conscious, and quality conscious. Goodyear should target quality conscious consumers for Aquatred. Quality conscious consumers are always seeking for higher quality product, in this case, Aquatred provide higher quality product line.

Value conscious may purchase the product, as long as the price is right for them. Goodyear needed to improve its brand equity by introducing a premium product into its line. So far, Goodyear brand equity was not doing so well, most consumers perceived tires as a mere commodity. Changing this perception is imperative for strengthening brand equity, which is better to be done through targeting quality conscious consumers. The positioning strategy for Aquatred should be done in the high-end of replacement market (quality conscious consumers), position it as a quality brand, at premium price.

There are several value propositions that should appeal to the quality conscious consumers including safety and performance (55% faster stop time during wet condition), reliability (wet traction), also durability (longer tire/tread life) which should justify the premium price, and increasing the probability to action (purchase). Aquatred Position (quality value proposition) for Quality Conscious consumers: Safety (55% faster stop time during wet condition) Performance (Increased handling during wet, snow, and dry) - Reliability (Maintained traction with 50% wear) Durability (Longer tire/tread life)

These positioning translate into top, high-end, premium, quality tire for the replacement market targeting consumer who concerns about quality. Safety and Durability may also be used to appeal to value conscious consumers by emphasizing value on safety and durability, which should worth their dollars. These value propositions also communicate a better brand image on Goodyear. Pricing is an issue that created the image problem in the first

place. Low pricing endangered the brand equity, and since we would like to improve brand equity, premium pricing should be considered.

Premium pricing can be justified by the quality value propositions, at the same time enhancing the brand image when consumers perceiving high price products also perceive high quality value propositions. Since we put emphasis on the quality, it is justifiable to get more margins from the quality itself. This means, we are going to price the quality. Average selling price for Goodyear tires by independent sellers are \$75 per tire. Exhibit 6 suggests the pricing to vary 5-35% from the average selling price. Exhibit 6 also says that Aquatred was perceived to be 15% to 35% better traction.

Considering the 15% and 35% as the extra perceived value for the Aquatred, we can price the added value; $\$75 + 15\% = \86 , and $\$75 + 35\% = \101 . Aquatred should be priced between \$86 to \$100. This will put priced on the value. While Goodyear can still price at the 10% from Invicta which is \$89. 95 to \$93. 95, price should be considered along many other factors. Distribution strategy should be different than the existing distribution strategy, putting more emphasis in communicating the value of the new product.

Distribution should be consistent in transferring the value, including excellent service along with excellent product. Since the positioning strategy would be in the Quality Conscious consumers, it is natural to select the distribution channels which they are familiar with – namely, the independent dealers and manufacturers outlet. Distribution channels should also optimize, if not adding more value to the product by delivering excellent

service which includes information, technical support, post-purchase service (warranty and checkup), promotion, and financing options.

It is also important that the channels be educated in the values of the new product, and relaying this information to the consumers. It is very important that the channels maintain the image of the product. Goodyear also needs to keep track of the pricing for every distribution channels there is, and to emphasize the value of the product AT that price level. Promotional and advertising strategy should emphasize on the quality by communicating it to the intended target market.