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Market Analysis and Price Analysis of
Agricultural Tyres Market in France:
Case study Mitas

Diploma Thesis

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Market Analysis and Price Analysis of Agricultural Tyres

Market in France: Case study Mitas

Summary

The diploma thesis aims at the market analysis and the price analysis of agricultural tyres market in France. The diploma thesis focuses on a position of manufacturer MITAS and its brands of agricultural tyres among other tyre brands produced by competing manufacturers. Market analysis confirms current trends on the French market of agricultural tyres; fluctuating number of new registered tractors, changing power distribution of tractors, unfolding market share of tractor manufacturers, decreasing number of farm owners and increasing average size of farms. Agricultural tyre market is further analysed based on sales of the most important category of agricultural tyres; Radial tyres and their volumes of sales distributed among dealers of agricultural tyres, and market share of agricultural tyres manufacturers in France. Price analysis compares price levels of agricultural tyres in three main dimensions of Radial tyres. Price indexes are set as a comparison to the market leader MICHELIN. Agricultural tyres brands produced by MITAS are compared in three groups of brands of agricultural tyres.

Keywords: tyres, market price, analysis, manufacturer, agricultural radial tyres, tractor, Mitas, France

Analýza trhu a cenová analýza zemědělských pneumatik ve Francii: Případová studie Mitas

Souhrn

Diplomová práce cílí na analýzu trhu a na cenovou analýzu zemědělských pneumatik ve Francii. Diplomová práce se zaměřuje na pozici výrobce zemědělských pneumatik MITAS a jím produkováných značek pneumatik CONTINENTAL, MITAS a CULTOR mezi konkurenčními výrobci zemědělských pneumatik. Analýza trhu potvrzuje současné trendy na francouzském trhu zemědělských pneumatik; proměnlivý počet nových registrovaných traktorů, měnící se rozložení výkonu traktorů, vyvíjející se podíl trhu výrobců traktorů, snižující se počet majitelů farem a zvyšující se průměrná rozloha farem. Trh zemědělských pneumatik je dále analyzován počtem prodaných radiálních pneumatik u prodejců zemědělských pneumatik a podílem trhu výrobců ve Francii. Cenová analýza porovnává cenové úrovně zemědělských pneumatik třech nejvýznamnějších rozměrů radiálních pneumatik. Cenové indexy jsou vytvořeny jako porovnání s lídrem trhu společností MICHELIN. Značky zemědělských pneumatik produkováné společností MITAS jsou porovnány ve třech skupinách značek zemědělských pneumatik.

Klíčová slova: pneumatiky, tržní cena, analýza, výrobce, zemědělské radiální pneumatiky, traktor, Mitas, Francie

Objectives and methodology

Main objectives of the thesis are to conduct market and price analyses of agricultural tyres market in France in order to analyse supply and demand of agricultural tyres. **Market analysis** is based on analysis of current evolution of supply and demand; factors that are affecting agricultural tyres market in France. Supply is being analysed as developments on both sides; potential customers and related industries. Supply is analysed using purchasing power of farmers through evolution of number of farms in France and the EU-27, and number of new registered tractors that are purchased by farmers annually. Related industries, both supply and demand, are analysed using market share of tractor manufacturers in France and its development according to Horsepower of tractors. Another related industry analysed are tyre dealers operating and selling agricultural tyres in France. Finally, market share of manufacturers of agricultural tyres operating on the French market is analysed and position of MITAS is being compared to other tyre manufacturers.

Price analysis is conducted to compare price levels and range of products that are being offered by agricultural tyres manufacturers in France. Price analysis contains price comparison and positioning in three different categories of agricultural tyres; Premium tyres, Classic tyres, and Lower-cost tyres. MITAS is presented in all three categories and price and range of their products is being compared to other agricultural tyres manufacturers.

Company profile is analysed using Annual Report of CGS HOLDING from 2014 and using data provided by Central Procurement Department of CGS HOLDING, namely by its Director Zdenek HUSTAK.

Methodology used for **market analysis** contains publicly available data from database of European Commission EUROSTAT – statistics and indicators of agricultural and rural development, then INSEE – *Institut national de la statistique et des études économiques* in France, databases of Service de la Statistique et de la Prospective (SSP) of Ministry of Agriculture and Forestry in France. Other publicly available resources used are French agricultural magazines MACHINISME&Réseaux and Matériel Agricole, and online public database and articles of agricultural data available on internet portal Terre-net.fr.

The analysis of agricultural tyres market in France is done using MITAS internal database of annual sales of tyres in France which provided volume of market according to categories of agricultural tyres, number of tyres sold by dealers per year (including number of their agencies in France), and market share of agricultural radial tyres manufacturers. Data were provided by Xavier MENIGOZ, Director of MITAS France, and by Philippe MACHADO, Sales Representative of MITAS France.

Both analyses were processed using Microsoft Excel which is commonly used software for calculating, processing and presentation of findings. Analyses were also inspired and compared with internal analyses processed by MITAS France in 2009, provided by Xavier MENIGOZ, Director of MITAS France.

Methodology used for **price analysis** contains volume of agricultural tyres sold in France in 2014 sorted according to market share of different dimensions of agricultural tyres in each analysed dimension of radial tyres (Standard Radial 85, Radial 70 and Radial 65). These data were provided by Philippe MACHADO, Sales Representative of MITAS France. Price analysis is based on current price lists of all agricultural tyre manufacturers operating in France. These pricelists were available on the website of the manufacturers, others were provided by sales managers of MITAS France in cooperation with dealers. Results were processed by Microsoft Excel using the following equation:

IF(SUM(of all prices of tyres in selected dimensions) > 0; SUMPRODUCT(market shares of all dimension in the category; all prices of tyres in selected dimensions)/SUMIF(all prices of tyres in selected dimensions; ">0"; market shares of all dimension in the category); 0)

The second part of price analysis, focused on sell-in price values, is using sell in rates of all agricultural tyres manufacturers. These sell in rates were provided by Sales Representatives of MITAS France. These values of sell in rates were estimated, therefore analysis of sell-in prices provides only price estimates.

Discussion and recommendations

Market analysis

Number of new registered tractors in France is determinant of supply and demand of agricultural tyres. It is very important for OEM (Original Equipment Manufacturer), in other words a presence of selected brand of agricultural tyres mounted on a brand new tractor that has just left a production line. Together with provided data of market share of tractor manufacturers, it is up to MITAS to negotiate the presence of CONTINENTAL, MITAS, and CULTOR tyres on brand new tractors. This presence is also important for any expositions of tractors where a final customer has a chance to see tractors and other machinery mounted with tyres manufactured by MITAS. Final customer has also a possibility to select which tyres will be mounted on a new tractor that he or she has just purchased. MITAS has to target these tyres selections and provide interesting price offers to compete with competitors. Also MITAS needs to be up to date with current strategies of its competitors.

Increasing Horsepower of tractors in France is a great opportunity for MITAS. Keeping up with technological development is important, and MITAS needs to innovate current products and launch new tyres for new developed tractors. Technological demands of tractors are increasing every year, so technology of tyres needs to keep up. Research and development activities together with cooperation with tractor manufacturers will be essential for MITAS in the future. There should be considered a foundation of an alliance with a tractor manufacturer as it is common in car industry. Good partnership is an opportunity for MITAS to strengthen its position on the French market.

A trend of decreasing number of farms in France is a threat and also an opportunity for MITAS to the future. If current trends continue, there will be lower number of farm owners and average hectare size of each owner will increase. It may change demand of agricultural tyres in France in the future as few hundreds owners of farms will select a tyre manufacturer for their machinery, possibly for their whole concern. If MITAS is to be selected in the future, it needs to increase a brand awareness in France, and create and further develop strong ties with dealers of agricultural tyres and provide high quality services to final customers.

Otherwise, MITAS can face a decrease in market share in France and competitors will outrun weak spots of MITAS.

Current presence of tyre dealers in France provides stable background for a tyre manufacturer. However main dealers originally belong to an agricultural tyre manufacturer. As Best Drive is owned by CONTINENTAL, MITAS faces a challenge with launching MITAS PREMIUM products which replace CONTINENTAL agricultural tyres. As MITAS has purchased a license from CONTINENTAL to manufacture agricultural tyres under CONTINENTAL brand, changing it to MITAS PREMIUM may resolve in lower support of Best Drive to promote them. Even though there are strong ties between MITAS and Best Drive, the dealer may not be willing to sell MITAS PREMIUM tyres for the same price as CONTINENTAL.

Price analysis

This part provides further comments of the author to the results of price analysis of CONTINENTAL, MITAS, and CULTOR tyres. These comments were also given by the author to the representatives of MITAS.

Position of CONTINENTAL in Standard Radial 85 should be more competitive with other brands. CONTINENTAL should increase its price position among Premium tyres manufacturers. It may be considered as price attractive but its values are closer to the second group of agricultural tyre manufacturers - Classic tyres. Also in Radial 70 and Radial 65 categories, CONTINENTAL should be more competitive, increase its price index and distinguish more from Classic tyre group. CONTINENTAL tyres are completely replaced by MITAS PREMIUM tyres from January 2016 and price level will remain the same. The upcoming challenge for MITAS PREMIUM is to be more competitive in Premium tyres group and distinguish more from Classic tyres group by enhancing brand reputation among clients and dealers. MITAS PREMIUM tyres will be facing issues when dealers will not be willing to sell MITAS PREMIUM tyres for the same price as CONTINENTAL due to lower brand awareness among final customers. It would be a good idea if MITAS invites representatives of dealers and the best customers to visit production facilities, show them the

production process in which MITAS should deliver the message that MITAS PREMIUM and CONTINENTAL tyres have completely the same characteristics and quality and that it is just a name that is changing.

In the Classic tyres group, position of MITAS seems to be considered as price attractive but with its values MITAS is very close to the third group of agricultural tyres – Lower-cost tyres. The price position of MITAS is yet to be strengthened in the Classic tyres group, making it more competitive by increasing prices while increasing brand recognition in France. MITAS tyres should not be considered as Lower-cost tyre group by its clients and dealers in future. MITAS tyres should be distinguished more in all categories of radial tyres. Currently, MITAS tyres in France suffer from low brand recognition; low knowledge of final customers about its characteristics and qualities. It is also not very known among customers that MITAS also produces CONTINENTAL and CULTOR tyres.

CONTINENTAL and MITAS tyres are on one hand the cheapest in their categories, but on the other hand its price attractiveness for customers can sometimes be seen negatively.

In the third category of agricultural tyres – Lower cost tyres - CULTOR is very well-positioned among other lower-tyres group brands, its price position and price attractiveness for customers is great. CULTOR should increase brand awareness on the French market, more customers should be aware of CULTOR brand and that it is produced by MITAS. Higher marketing attention should be put to CULTOR as it has potential to grow on the French market.

Considering sell-in price attractiveness for clients and dealers, it depends on the price set by the manufacturer, and on sell in rates for clients and dealers. Sell in rates values are only estimates and may change according to different strategies of tyres manufacturers. For CONTINENTAL and MITAS tyres, better sell-in price position can be accomplished by changing the prices of CONTINENTAL and MITAS tyres on the French market, or by negotiating better sell in rates with dealers to match better with competitors in each tyres group. CULTOR has a good price position among other brands in the Lower-cost tyres group.

Conclusion

The market analysis of was done in order to understand agricultural tyres market in France. It was necessary find out variables influencing the French market and then to search for available and the most recent data. These data were then further processed and compared internally with previous market analysis done in 2009. Results confirmed existing trends in agricultural tyres market in France. Fluctuating trend in number of new registered tractors was confirmed when in 2013 it was registered one the highest number of 37,965 tractors in last ten years, followed by one of the lowest number of registered tractors in last ten years of 28,443 tractors in 2014. Increasing average Horsepower of standard tractors in France was confirmed; there were 38.01% of standard tractors with less than 100 Horsepower in 2008. In 2014, proportion of standard tractors with less than 100 Horsepower is 15.54%. Standard tractors with more than 150 Horsepower increased from 24.11% in 2008 to 32.86% in 2014. There is a changing market share of tractor manufacturers. JOHN DEERE keeps the higher market share of 18.4% of all tractors in France in 2014, followed by NEW HOLLAND (16.8%) and MASSEY-FERGUSON (11.2%). Market share of CLAAS tractors is decreasing; in 2008 CLAAS tractors accounted for 16.6% of market share, in 2014 the market share decreased continuously to 10.9%. On the other hand, FENDT tractors with market share of 7.6% in 2006 increased continuously to 10.7% in 2014, and KUBOTA entered market after year 2006 and in 2014 accounted for 6.5% of market share. There is a decreasing number of farm owners in France; in 2005 there were 545,000 farm owners with average size of farms equal to 50ha, in 2010 number of farm owners dropped to 326,000 with average size of 76ha.

Agricultural tyres market is evolving positively with dominance of sales of Radial agriculture tyres (60%). Tyres Dealer network has expanded, BEST DRIVE, EUROMASTER and PROFIL+ are keeping the superior positions among tyre dealers in France. Market share of radial agricultural tyres is still dominated by MICHELIN which owns more than 33% of the market. Its brands MICHELIN and KLEBER have strong market presence in France. MITAS, together with CONTINENTAL and CULTOR, accounts approximately for 12 % of market share of agricultural tyres in France.

Price analyses analysed comparison of price levels among manufacturers of agricultural tyres, focusing only on Radial tyres and their three most important categories; Standard Radial 85, Radial 70, and Radial 65. All brands of tyre manufacturers are compared to MICHELIN tyres which has a leading position on the French market. MICHELIN tyres serve as a base from which other brands of tyres are put into index. Prices were analysed in three different groups of tyres – Premium tyres, Classic tyres, and Lower-cost tyres. MITAS and its tyres are present in all three groups; CONTINENTAL represents a Premium tyre brand with index value of 75.44 compared to MICHELIN tyres. Price index of CONTINENTAL should increase to distance from Classic tyres brands to represent Premium quality. MITAS tyres are in the Classic tyre category with value of price index of 64.22. MITAS needs to increase brand awareness of MITAS tyres on the French market and also be more distant from Lower-cost tyres brands. CULTOR is very well-positioned among Lower-cost tyres brands. CULTOR accounts for 58.98 price index value. CULTOR relies on higher marketing promotion on the French market as it has high potential among Lower-cost tyres manufacturers. Price analysis of agricultural tyres in France created an internal debate of sales managers in MITAS France. The price analysis document was provided to MITAS France so it can be further modified, enhanced and updated with current price lists of each manufacturer.

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