



E-commerce in tyre industry and supply chain

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The tyre manufacturers of today face rapidly changing customer behaviour and patterns of purchasing which are moving away from the traditional channels to searching and ordering tyres online. It's a development that is gathering more momentum across different regions of the world with the main driving force being the tech-savvy generation of consumers and their buying behaviour that has impacted other markets in recent years. The normality that has arisen from purchasing other products online makes customers feel more comfortable with the concept of buying a tyre online too.

The tyre industry has generally been a follower rather than a trend setter when it comes to e-commerce. The success of e-commerce sites demonstrates that online purchasing is here to stay. For the tyre manufacturers

however, the challenge goes beyond enabling customers to 'click and buy' online and the logistics of fulfilment is a significant consideration in establishing a new business model. If one looks at some of the e-commerce sites it is possible to locate tyres as a product with all the necessary product detail, but in reality, online purchase is restricted to certain geographies as far as ability to deliver the tyres are concerned. It is exciting for those who use e-commerce for purchases to see the tyre manufacturers starting their e-commerce platforms and supporting the fulfilment part at their own store locations to provide fitting services. In various cities around the world, there are an increasing number of e-commerce users and the number of tyre buyers online are also growing. This segment will be both car owners and truck fleet owners. The younger generation of buyers follows a very different approach to searching

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and finding a product compared to previous generations.

Changing customer perceptions

The major tyre manufacturers are at different levels with their e-commerce capabilities but going by the general trend, there's an obvious eagerness and interest among them. That trend is being driven by the changing face of the customer; the millennial generation who makes online purchases with ease and prefer to "get it right now on the net". The tyre industry has been traditionally dealer-driven with a human touch, but today is witnessing a direct to consumer model by those manufacturers who have embarked on e-commerce for their business. The old way where the dealer was being the guide to selecting brands, and then also the installer and partner, will find themselves in a different role because customers now have the ability to select tyres themselves, based on product details on the internet and then finally connecting with manufacturer's appointed installer.

There is unquestionably a level of uneasiness among dealers who have been in the business for long time because they are unsure yet if it is good or bad for them. In spite of general scepticism, some tyre manufacturers consider the online channel as simply one of the sales channels, but not yet a key channel, for their present and future business. Most acknowledge it is not something they can afford to ignore. Those manufacturers need to build a strong and robust e-commerce strategy, from the search process to discovery, to purchase and fulfilment, which will enable them to provide a totally new level of customer experience. They will have direct contact with customers and opportunities to improve service, leverage technology through mobile apps or car multimedia system to monitor tyre utilization, suggest other tyres more adapted to customer specific driving requirements, all the way to ordering personalized tyres. It will open up a whole new approach to buying and selling tyres.

Supply chain and logistics will play a vital role in any e-fulfilment process for tyres. As the tyre manufacturers move to direct customer model, the logistics partner can provide total supply chain support for e-fulfilment, from having stocking points across the country to replenish stocks, to the manufacturer's facility for fitment. With continuing cost pressures, opting for dedicated facilities for this purpose may not be a good option for tyre manufacturers. The changing trend towards e-commerce means the need for innovative solutions from a supply chain point of view and those solutions will vary in different geographic locations.

Changing models

Today's current dealer model to wait for the end-user customer with the stock in hand will change because in the e-commerce world, it's all about delivering faster, better and accurately. This calls for a more dynamic approach from the tyre manufacturers' logistics providers in order to

ensure delivery time is reduced and accurate.

Tyre manufacturers can get great support from logistics partners today through multi tyre warehousing at strategic locations to support order fulfilment. Multi tyre warehousing basically means that the logistics provider stores tyres from competing brands within a managed facility in distinctly separated areas, under one roof. In this facility, the logistics provider brings in the best of fire safety standards, IT support and top class handling, storage methods and security for products as well as customer data.

The tyre multi user concept can be a more economically viable way to deliver small quantities of tyres to customer as they still require support to fit them. Suitable models could follow this process: ordered tyres are made available for pick up at the multi user tyre warehouses then the tyre manufacturer has an area set up next to the warehouse facility with a fitment center. This could be in direct competition to what dealers do today but since direct customers who are placing the order on the internet are looking for such services, tyre manufacturers may eventually have to own fitment centers or outsource the activity to a third party operating in the same location as the tyre multi user facility where deliveries via a counter can take place.

The future could also involve customers driving into a facility after they've placed an order online, informing the counter of their arrival and tyres are then issued from the multi user tyre warehouse to the fitment center. Then the customer can hand over their car to the fitment center and relax in the lounge, whilst the fitting is completed. This could well be the new or future way of buying and fitting tyres instead of going to a dealership at the weekend – which would take considerably longer.

It is not surprising therefore that the rise of e-commerce and its impact on the tyre sector will produce new supply chain models across warehousing and distribution in the future.

In response, the industry needs to address the complexity of the tyres supply chain. One of the ways in which CEVA supports its customers in the sector is the use of a sector-focused multi-user hub, like Tire City in Italy, a dedicated hub for the tyre sector to create economies of scale, sharing knowledge, best practice and innovation, optimizing transport flows and increasing productivity for customers. Tire City in Italy is the fourth sector-dedicated hub in Italy, covering an area of 50,000 sqm strategically located in Somaglia, in the province of Lodi. This collaborative approach of sharing infrastructures, people and processes enable our customers to mitigate costs in a volatile market, benefit from savings and receive high quality service levels instead. ▲

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