



Australian Tyre Dealers and Retreaders Association (ATDRA): Draft Strategic Plan January 2018

Fostering and promoting a professional, sustainable and profitable Australian tyre dealer and retreading industry



ATDRA is a National Industry Sector Committee of the Motor Trades Association Of Australia



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Key considerations

ARE WE READY TO DISRUPT THE CHANGING MARKET ENVIRONMENT?

WHAT DOES THIS MARKET LOOK LIKE NOW AND IN 1, 2 AND 5 YEARS TIME?

WHAT VALUE ADDING SERVICES SHOULD WE PROVIDE AND WHY SHOULD WE PROVIDE THEM?

HOW WILL WE PROVIDE THEM?

Industry Issues and MTAA Action Items

Industry Issues	MTAA Action Items
<ul style="list-style-type: none">• Parallel importation of tyres: All states are <i>extremely</i> concerned that imported cheap tyres are negatively impacting business profitability and are a safety hazard for consumers.• Consumer guarantees: As certified tyre dealers, WA Business Members are worried that they are required to guarantee tyres being purchased on-line.• Lack of wheel and tyre safety standards:<ul style="list-style-type: none">○ SA, NT, NSW and WA Business Members highlight the need for enforcing tyre age limits and the manufacturer recommended tyre	<ul style="list-style-type: none">• Examine the impact of the parallel importation of tyres:<ul style="list-style-type: none">○ Develop an information package for consumers outlining the risks of parallel imported tyres and educates them on the tyre coding system. This package is to be provided to consumers in a yet to be determined format.○ Develop a report that scopes the impact of online sales, the parallel importation of tyres and the safety risks posed to consumers and businesses.○ Examination of a Tyre stewardship funding program to apply to imported tyres and an

<i>Industry Issues</i>	<i>MTAA Action Items</i>
<p>application.</p> <ul style="list-style-type: none"> ○ Also highlighted was a lack of consumer knowledge on Tyre safety. ○ States (SA, WA, and NT) that do not have yearly vehicle inspections are concerned about tyre safety and missed revenue opportunities (i.e. mandated tyre replacement). ● Inconsistency across State and Territory legislation / regulations: Members are unaware of the different variations across State and Territory jurisdictions and are seeking opportunities to generate revenue. ● Lack of national standards: All states want the identification of an optimal national standard that uses various advantageous aspects of different State and Territory legislation. ● Gaining and retaining skilled workers: NSW are concerned that over-regulation (i.e. tyre fitter licensing requirements) is hindering access to labour and increasing costs for Business Members. However, an NT Business Member believes that increased recognition of tyre fitters (i.e. through certification) will result in an increased skilled talent pool. 	<p>advocacy position determined.</p> <ul style="list-style-type: none"> ● Research environmental regulation: <ul style="list-style-type: none"> ○ Develop information material outlining environmental obligations and requirements for tyre dealers. ○ Provide a reporting mechanism for non-compliance and / or provide information on how to access existing complaint mechanisms. ○ As tyre dealers pay an oil levy, identify where the money is currently directed and develop an advocacy position on its use. ○ Examine current tyre stewardship programs that aim reduce the cost of tyre collection and recycling and / or develop a scheme that is acceptable to MTAA Members and Business Members. ○ Advocate for enforcement actions. ● Advocate for tyre age limits: Note: Due to yearly vehicle inspections, NSW and VIC do not have a problem with tyre age limits. <ul style="list-style-type: none"> ○ Develop a report on international tyre age limits and other tyre safety requirements with the aim of introducing an Australian national standard. ○ Increase exposure of testing requirements with



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<i>Industry Issues</i>	<i>MTAA Action Items</i>
	<p>identified cases of tyre failures.</p> <ul style="list-style-type: none">• Advocate for National tyre safety standard: MTAA to progress work on developing a national code for wheel and tyre safety standards.<ul style="list-style-type: none">○ Develop a report examining regulations in each Australian State and Territory and identify what aspects should be included in a National Tyre and Wheel Safety standard. This also includes identifying the positives and negatives of known regulatory requirements.○ Identify a strategy for advocating for a National Tyre and Wheel Safety standard and how this will be delivered.○ Provide consumer information on correct repair procedures and tyre labelling.• Examine worker certification: Identify the willingness of MTAA Members across all states to promote tyre fitting certification. Include the pros and cons of a national worker certification standard.• Develop warranty disclaimers: Develop disclaimer and information material that outlines dealer rights and obligations in relation to warranty claims.



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Financial considerations

The costs associated with the implementation of most actions and activities contained in this Strategic Plan can largely be accommodated within the existing MTAA budget.



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Appendices

ATDRA's Mission

Proactively, effectively and efficiently represent and protect the interests of professional tyre dealership and tyre retreading business members of Motor Trades Associations and Automobile Chambers of Commerce and through them the Australian Tyre Dealership and Retreaders Association (ATDRA).

ATDRA in context

The Australian tyre dealership and tyre retreading industry is an important part of the Australian automotive sector, the nation's largest small business sector and is responsible for the professional replacement and servicing of tyres to manufacturer's specifications and in accordance with required laws and regulations. Thousands of Australian's are employed small to medium sized tyre provision and servicing businesses with many businesses part of a franchising chain.

Key Stakeholders

Business owners and members, supply chain providers (i.e. tyre and wheel manufacturers, equipment suppliers), State and Federal Governments (ACCC, Small business and family enterprise ombudsman etc.) and consumers (motorists, road transport providers, etc).

(The above is always under review. Please feel free to add your thoughts concerning the above)



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Strategic priorities

<p>1. Industry driven solutions</p> <ul style="list-style-type: none"> • Self-Regulation: Identify, develop, gain endorsement, and implement industry national standards to respond to change and to contribute to sustainability. • Industry policy responses to key issues: Identify, develop, gain endorsement, and implement national policy responses on issues impacting industry. • Strengthened industry-wide collaboration and unity: Identify, develop, gain endorsement and implement processes and actions to unite and strengthen industry collaboration and commitment. • Develop and implement specific tools, processes, actions and initiatives to assist industry adapt to change: Provision of specific tools to support members changing business requirements. 	<p>2. Government partnership</p> <ul style="list-style-type: none"> • Training and skills development: Advocate for government support of national uniform skills and training requirements and specialist business proficiency programs. • Industry Adjustment / Restructure: Development of industry specific adjustment / restructure packages that provide advice and assistance to industry. • Ongoing Representation: MTAA / ATDRA will continue to provide advocacy and representation on issues as they arise.
<p>3. Awareness and advocacy</p> <ul style="list-style-type: none"> • Industry awareness campaign: Rebrand the industry image to promote a more social, environmental, business and consumer friendly industry. • Political and bureaucracy awareness program: Target positive messaging to key government officials to create political action and ensure affiliated members are key representatives to government on industry issues. 	<p>4. Networking and promotion</p> <ul style="list-style-type: none"> • Collaboration and networking activities: Sponsor events that raise the profile of members and increase their sense of worth, collaboration and fulfillment. • Membership campaign: Undertake a membership campaign that highlights the value of membership for industry.



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Disruption and competition

The following industry analysis shows that the tyre retailing industry is dealing with increased competition from car dealerships and their service centres, increased numbers of lower priced Chinese tyres in the market, lower profit margins, passenger vehicles being used less, the rising value of the Australian dollar, a newer national vehicle fleet and increased on-line sales.

How ATDRA reacts to market change and evolution is *key* to developing business strategy. There is a requirement to accept market disruption so that ATDRA can develop a strategy that ensures it is relevant to members and industry going forward. New and innovative ways of approaching the market and potential members requires consideration.

Industry snapshot

The IBIS sourced information presented below is based on the following definition of the tyre industry which unfortunately does not include tyre retreaders who are an integral part of ATDRA: Tyre retailers sell new and reconditioned tyres (not retreads) for passenger cars, utility vehicles, SUVs, vans, buses, trucks and motorcycles. Tyre retailers can also undertake fitting services such as wheel balances and alignments (Johnson, S. IBISworld, Dec 2016).

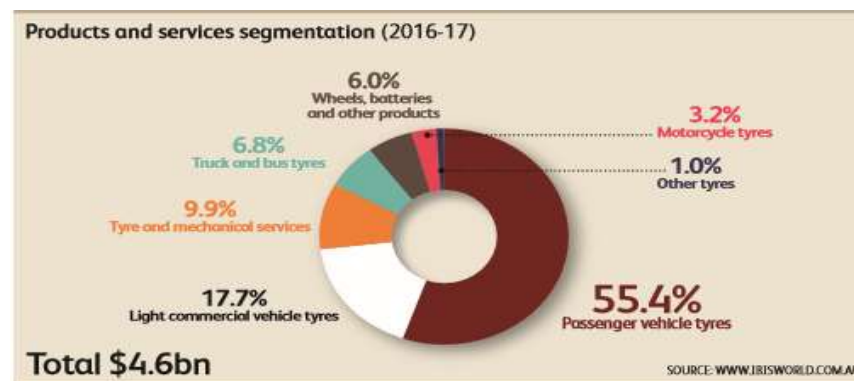
Please note: IBIS figures do not always align other industry research (i.e. the Direction's report). As a result, the information may not be an accurate representation of the automotive tyre retailing industry or particular industry businesses. Additionally, information used by IBIS world to base conclusions is unknown and may be contradicted by other sources. Consequently, the information presented may have limited accuracy and presents only one version of truth. However, the information presented is useful to show industry trends.



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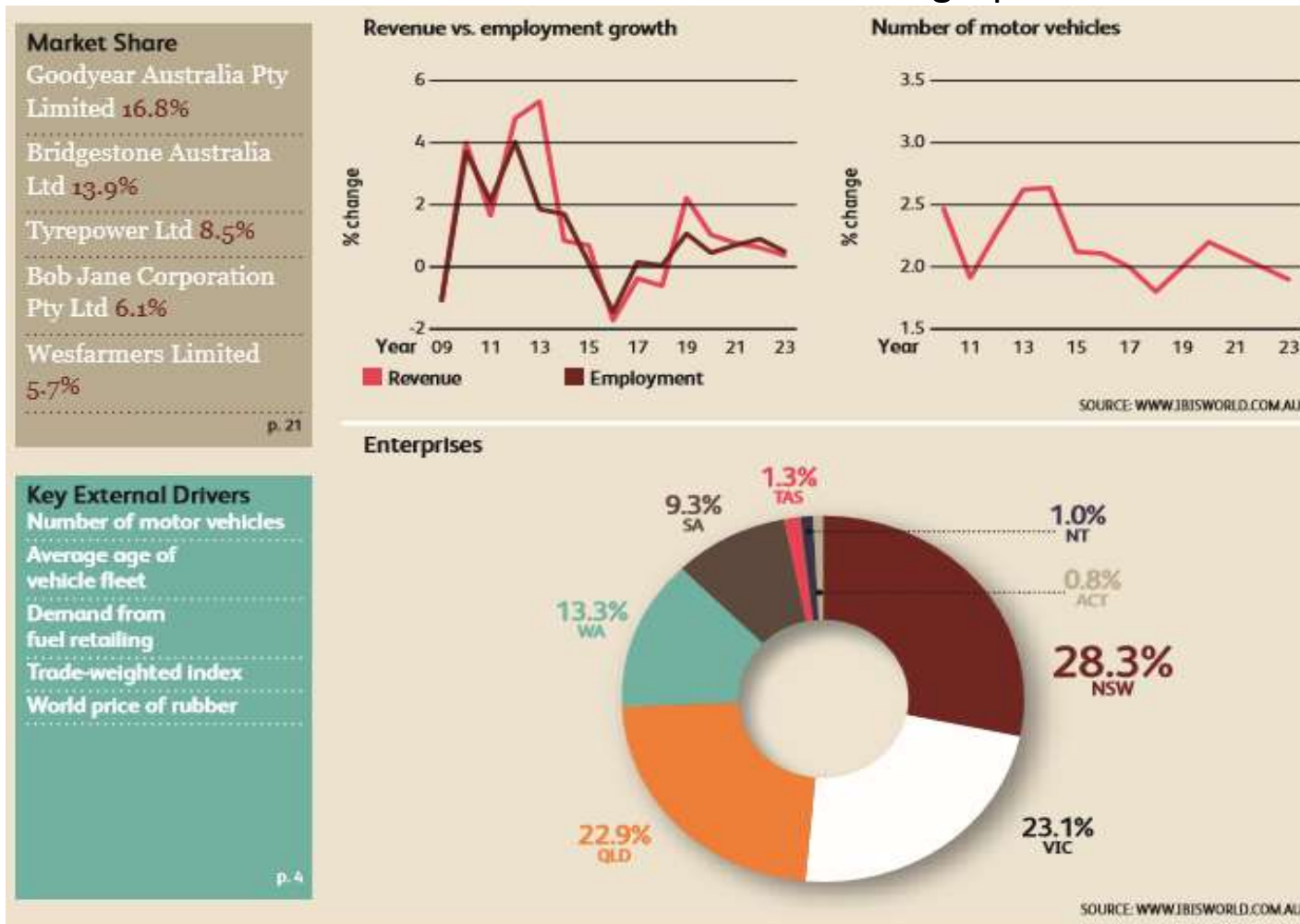
Revenue: \$4.6bn	Annual growth 2012-17: 0.9%	Predicted annual growth 2017-22: 0.8%
Profit: \$240.3m	Wages: \$628.4m	Businesses: 2,073



(Johnson, S. IBISworld, Dec 2016)



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(Johnson, S. IBISworld, Dec 2016)

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Table 1: Australian Automotive Industry Profile, post October 2017

Automotive sector	Major activities	Per cent of industry business population
Automotive Repair and Maintenance	Light and heavy vehicle mechanical service and repair; vehicle body, paint and interior repair; automotive electrical services; mining machinery service and repair; mobile plant and equipment service and repairs.	54.0%
Motor Vehicle Retailing	New and used car, motorcycle, truck, trailer and other motor vehicle retail sales.	8.3%
Motor Vehicle and Parts Wholesaling	Car, commercial vehicle, trailer and other motor vehicle wholesale sales; motor vehicle dismantling, recycling and used part wholesaling.	7.6%
Motor Vehicle Parts and Tyre Retailing	Original equipment and aftermarket retail sales of vehicle parts and tyres.	6.2%
Fuel Retailing	Retailing of petrol, LPG & CNG, oils and service station operation.	6.0%
Motor Vehicle and Parts Manufacturing	Specialist vehicles; bus and truck manufacturing; vehicle body and trailer manufacturing; automotive electrical components and other vehicle parts manufacturing.	4.4%

(Source: Directions in Australia's automotive industry: An industry report 2017)



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Industry summary

- Revenue from tyre retailing is growing due to the increasing number of Australian registered vehicles which is expected to continue. However, many car owners are reducing costs by driving less with longer periods between tyre replacements.
- Industry revenue is forecast to rise at an annualised 0.9% over the five years through 2016-17 to \$4.6 billion.
- There is increased choice for consumers with the influx of cheap Chinese made tyres.
- Impacts of fluctuations of the Australian dollar on the price of tyres (particularly imported tyres) have sometimes been passed to consumers thus, reducing demand.
- Consumers have also benefited from increased price competition within the supply chain, including on-line sales.
- Car dealership service centres that provide tyres may prove a threat to industry expansion and future revenue growth.
- Industry revenue is forecast to rise at an annualised 0.8% over the five years through 2021-22, to reach \$4.8 billion.

Source: Johnson, S (Dec 2016). IBISWorld industry report F3922: Tyre retailing in Australia.



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Strategic analysis of the industry: market forces

Threat of new entrants and the competitive environment

- Although the four largest industry retailers account for 45% of the market, consumers are increasingly going to independent operators based on the price of tyres and therefore customer loyalty is low. This is encouraging for new market entrants but shows that competition is high. Those with franchised dealerships are more likely to survive.
- Larger franchised dealership chains are using innovative on-line tools to increase sales and gain competitive advantage.
- Offering a range of tyres, having strong relationships with manufacturers or wholesalers, having a high profile brand (or tyre brands), adding additional value added services (i.e. wheel balancing and alignment), and being able to deal with the fluctuating import prices of tyres also offers competitive advantage.

Bargaining power of buyers

- Key buyers of tyres include road freight transporters, long distance and urban bus transporters, taxis and limousine service providers and consumers. Larger transport organisations have the ability to negotiate with tyre providers.
- Buyers commonly consider price, reputation, service and location when purchasing tyres.
- Prior purchasing experience also generates repeat business, particular as consumers often have the ability to choose between multiple retailers.



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Bargaining power of suppliers

- As tyre retailers primarily obtain tyres and other automotive products from wholesalers, their profits are directly impacted by prices set by these organisations.
- Retail property operators also impact on profits particularly as location offers competitive advantage.

Threat of substitute products and services

- Car dealership service centres are providing consumers a convenient alternative to existing dealerships.



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ATDRA review: Strengths, weaknesses, opportunities and threats

Strengths:

- Peak national tyre dealership and retreader business industry body (exception is QLD) with potentially consistent views and positions to take to government on particular issues.
- Tyre dealers and retreading industry knowledge and experience of key members.
- Key member political connections.
- Members representing a multitude of tyre dealerships and retreading businesses with various business objectives.
- Passion for the tyre and retreading industry.
- Knowledge and links to other industry sectors through MTAA and affiliated member associations.
- Strength and standing within the industry of individual state affiliated members.

Weaknesses

- No QLD representatives prevent a complete unified national view and united effort on tyre related issues.
- Individual state bodies with individual priorities and agendas restrict ATDRA's ability to act quickly and decisively and to implement and deliver value adding services to members.
- Limited resources.
- Chasing unattainable objectives that are not linked to strategic priorities.
- Different members addressing issues in a non-coherent fashion resulting in too much noise to policy makers and thus, diminishing the impact of communication.
- Diversity of priorities in relation to state and federal government policy.
- Failure to achieve critical performance milestones.
- Failure to seize political and social capital.
- Failure to seize opportunities to engage with industry, government and internal association stakeholders.
- Failure to use opportunities for improved B2B and industry to industry relationships as a means of addressing common issues.
- Resistance from government, departments and bureaucrats to working in partnership to address impacts and industry adjustment.
- Lack of awareness, understanding, willingness and support for actions designed to enable businesses to adapt to changing market conditions.



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Opportunities

- Ability to use collective power for political initiatives and commercial activities e.g. franchising agreements.
- Be the single national authority of the tyre and retreading industry.
- Harness Australia's automotive interest.
- Improving awareness and knowledge of stakeholder and member base on broader issues, change and its impacts.
- Increase Government awareness of the tyre and retreading industry and relevance to individual state and electorates. For example, mandating the replacement of tyres.
- Develop linked initiatives with other automotive sectors.
- Sponsor particular events and increase networking and research opportunities.
- Provide targeted information and promotional campaigns e.g. provide advice on responses to behaviour of manufacturers and suppliers and provide advice on franchising agreements and business conditions.
- Support industry skills development e.g. mentoring programs.
- Redefine relationships and facilitate communications with manufacturers, wholesalers and suppliers.
- Research industry needs and target corresponding services.

Threats

- Emergence of other industry associations that offer services and representation perceived as more valuable and more responsive to market changes and member's needs.
- New and existing business not perceiving value in ATDRA activities and not joining.
- Diminishing membership.

(The above is always under review. Please feel free to add your thoughts concerning any of the above)