

FINANCIAL TIMES

MONDAY SEPTEMBER 28 2009

Business Life

Eco-friendly tyres with additional marketing grip

European tyre makers hope that displaying the energy efficiency of their products will win business, says **Gerrit Wiesmann**

Visit any car-parts shop and there is nothing at first sight to reveal that the round, black tyre made by Continental in Germany differs from the round, black tyre made by Wanli in China – except that the European-made one costs €100, while the latter is just €40.

Such price differences mean imports of low-cost tyres from China into Germany have jumped from 20,000 in 1997 to 3.6m in 2007, according to Eurostat, the European statistical office.

This trend is mirrored in other western markets, including the US, which recently edged towards a trade war with China about cheap tyre imports.

But Europe's tyre and rubber makers are looking for another solution: an EU-wide

labelling scheme that will show the energy-efficiency of every tyre – similar to that used on electrical appliances, such as dishwashers and washing machines.

With low-cost tyres claiming a market share of 25 per cent in western Europe, the average European tyre buyer has not been “differentiating between cheapness and innovation” quite enough, says Christoph Kalla, head of marketing in the polybutadiene rubber division of Lanxess, the German chemicals manufacturer.

Lanxess and European and US rivals have spent years developing rubbers that grip the road while providing less rolling resistance. These compounds cost more, but can save up to 20 per cent of a car's fuel consumption.

Still, it has proved hard to make others see the difference. Mr Kalla says Lanxess has talked to tyre makers “for at least 10 years” about seeing high-performance tyres as a way to differentiate themselves from low-cost rivals.

“But it was hard for the consumer to see the technology and pay extra [for it],” he says.

This spring, however, the European parliament passed a proposal to force tyre makers to declare the fuel efficiency of every tyre from late 2012.

Europe's car, tyre and rubber makers hope the scheme will prove as successful for tyres as it has for appliances. From the mid-1990s, a number of European governments introduced energy labels for many white goods.

In showrooms, refrigerators, for example, had to be adorned with a letter from A to G indicating where it stood in terms of energy efficiency.

These little labels transformed the market. According to a 2002 report by GfK Marketing Services, purchases of pricier,

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energy-efficient fridges rose from 5 per cent in 1995 to more than 35 per cent by 2000.

For manufacturers, it meant they could compete on terms other than price and focus on creating innovative products.

Miele, the German maker of

high-end appliances, says the shift of consumer to energy-efficiency had “a huge influence” on sales. It says that 80 per cent of the fridge-freezers it sells today fall into the A+, A++ and A+++ classes for energy efficiency.

“The rest are all labelled A, nothing lower,” it says.

“We think the performance-tyre market will grow more than the global tyre market,” says Mr Kalla.

LMC International, a UK consultancy, has projected that the use of performance-tyres in western Europe could increase from 76 to 86 per cent of all tyres sold by 2014, and from 40 to 70 per cent in the US.

Lanxess warns recession will make achieving these goals difficult, but it remains convinced that there is a huge demand for such products.

With high-tech rubber demand in Asia also likely to increase, Lanxess reckons it could end up exporting more high-tech rubber into China from its six plants in Europe and the Americas than it already does.

“We can't compete [with China] on labour cost, but we can compete in terms of innovation,” says Mr Kalla.