

# Tire Marketing in Iran

The growing proportion of young people in Iran and their diverse tastes when it comes to cars has resulted in a booming automobile industry in the country. This has caused an upsurge in all related industries also, particularly for the tire industry. The tire industry has responded to this upward trend in the market with more investments for enhancing the technical and performance aspects, so that they can stay up-to-date in a highly competitive market.

Iran is a country that entered the automotive industry more than 50 years ago, with the first automobile factory being established there in 1957. Due to the close association between the automotive and tire industries, a tire factory named B.F. Goodrich was also set up about 50 years ago.

Iran is the second biggest country in Middle East with 1698340 km<sup>2</sup> area and with a growing demographic of young consumers who are responsible for increasing demand for cars. Hence, the tire industry should develop at the same pace as the automotive industry. It should be noted that the establishment of research institutes such as the Petrochemical and Polymer Research Center of Iran and Tire Industry Research Center of Iran have helped this industry significantly. The current report gives an in-depth picture of the current situation of the tire industry in Iran.

## Automobile industry of Iran:

Iran's economy is one of the few big economies of the world that were not affected directly during the recession of 2007-2009 [2]. The oil industry of Iran is one the most important industries in this country, with Iran being the fourth largest producer of oil in the world during 2011. Iran's main source of income is the export of gas and oil. For example during 2010, the oil and gas exports of Iran constituted 60% of the government's income [2]. In addition, the petrochemical industry is well established in Iran. After the oil industry, the automobile industry is the most active industry in Iran. As is shown in diagram 1, based on the data of 2011, the automobile industry of Iran with an output of 16, 48,505 cars was identified as the 13<sup>th</sup> biggest manufacturer of cars in the world and as the biggest manufacturer in the Middle East [3].

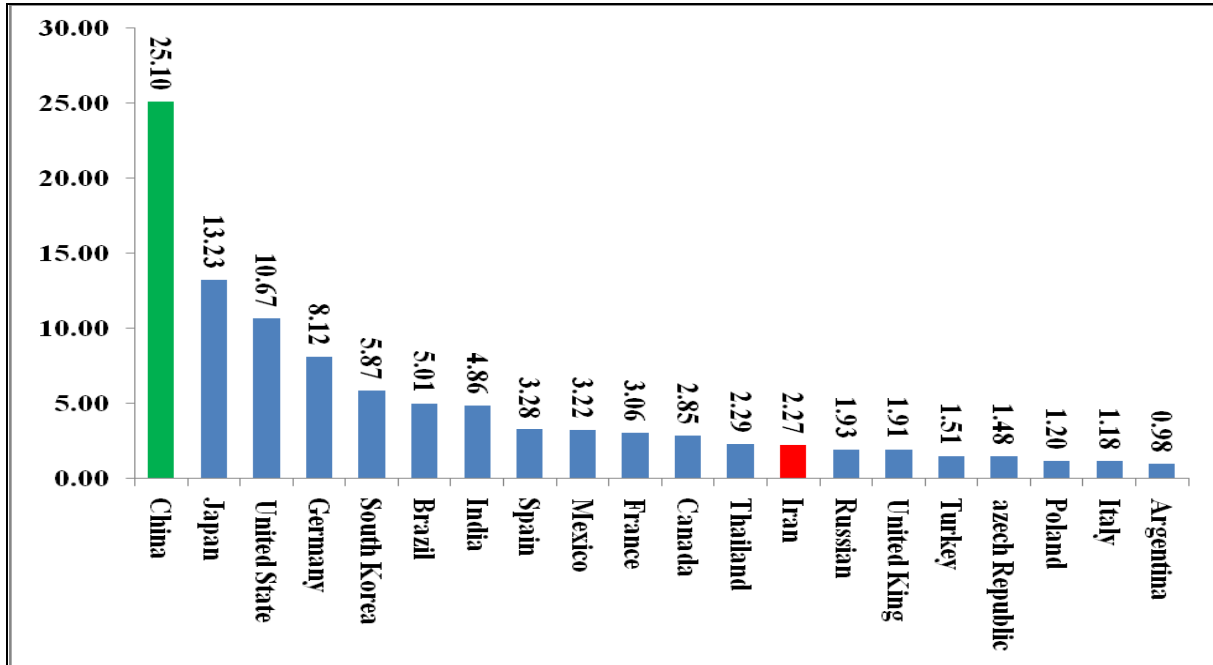
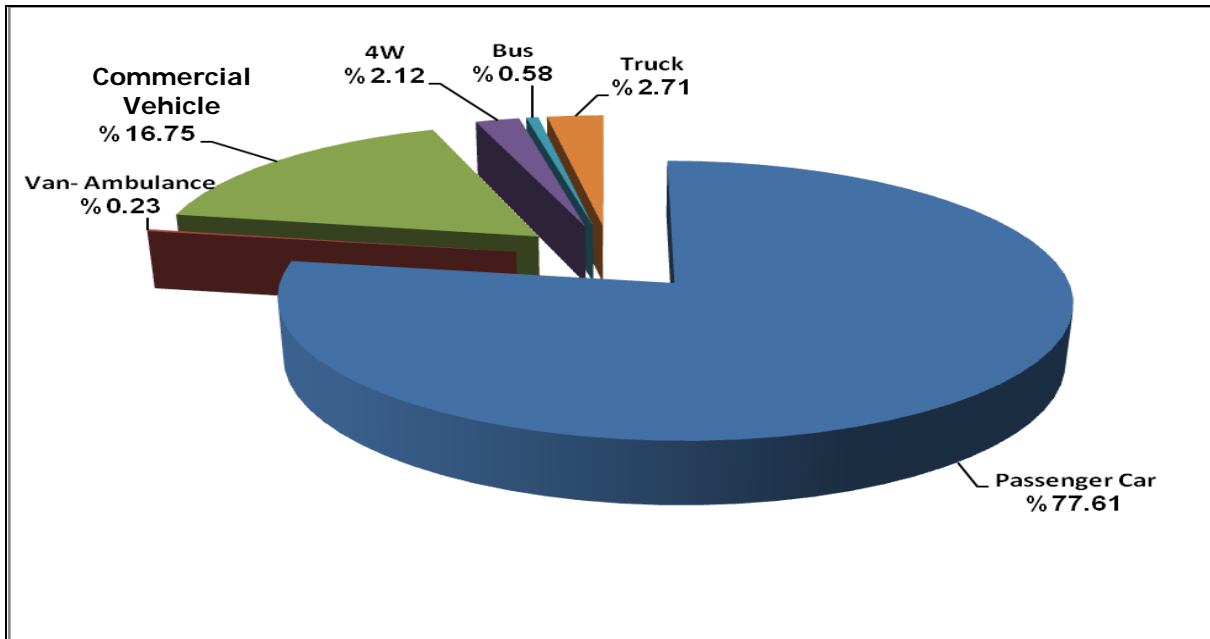


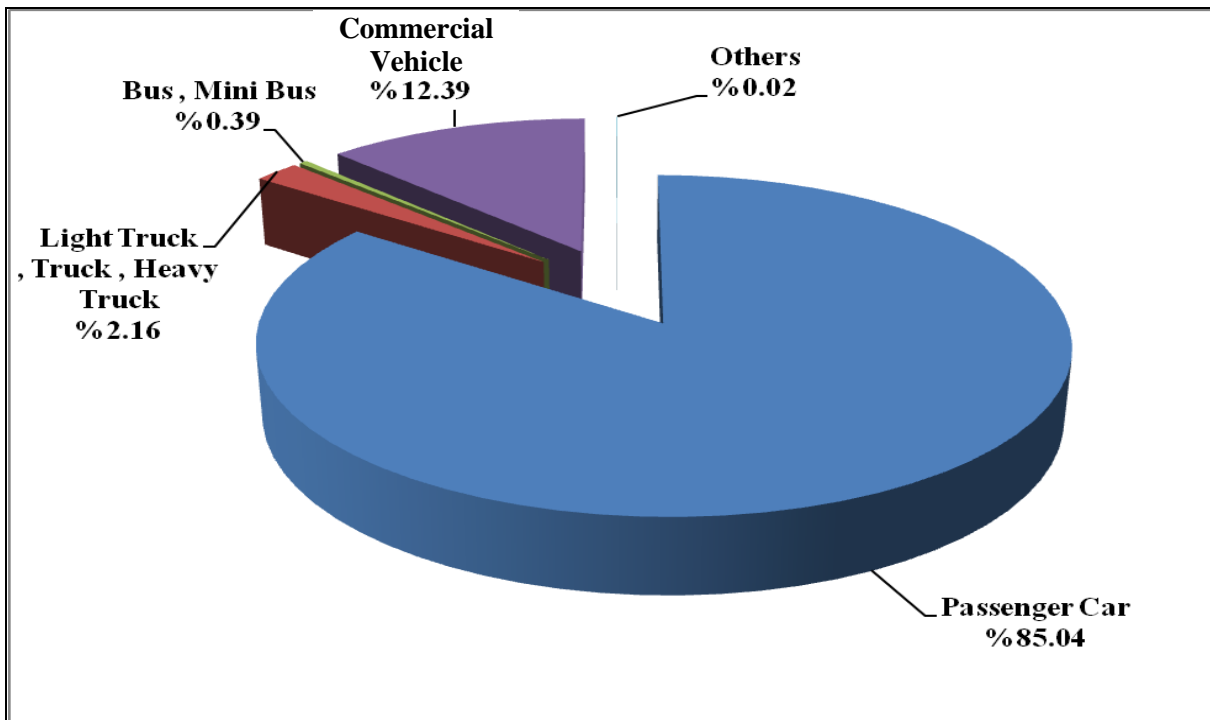
Diagram 1- Top 20 manufacturers of cars in the world during 2011

During 2009/2010, with respect to the growth rate of the car industry, Iran came fifth on a worldwide basis after China, Taiwan, Romania and India. The tire and automobile are directly related to each other. On a practical basis, it is the demands of the car industry that determine the technical and performance needs of the tire industry. Now in developed countries, the car market has reached the saturation stage [4].

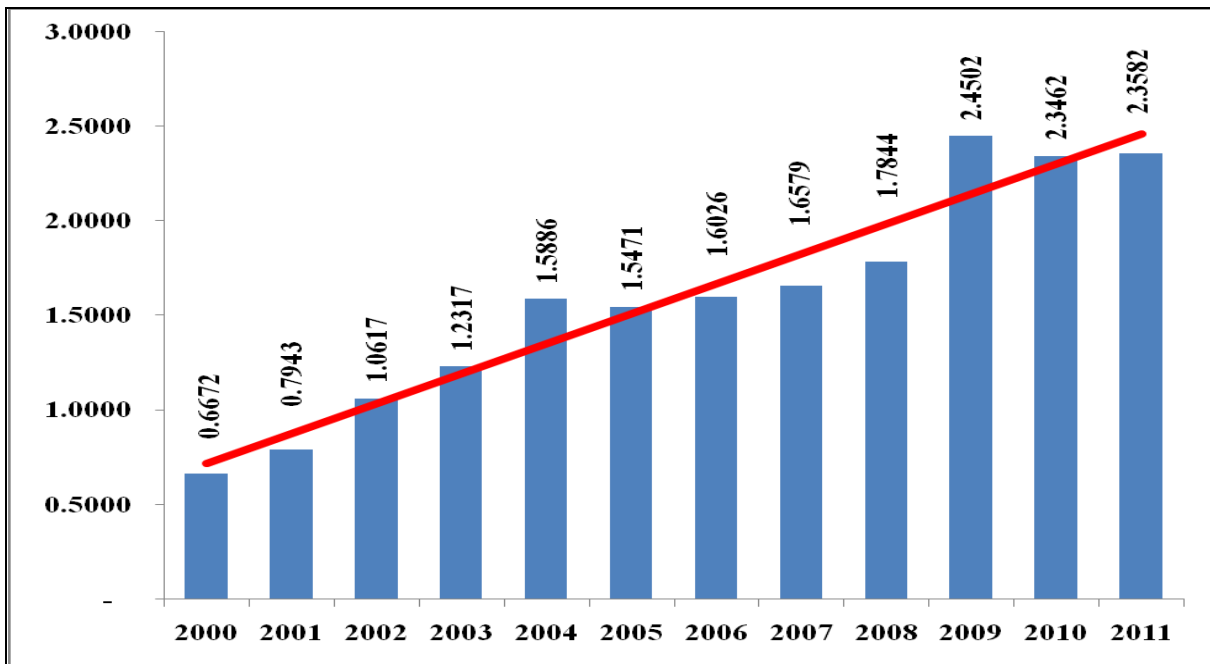


**Diagram 2- Statistical percent of all the vehicles on the road in Iran until 22 September of 2012**

In the automotive industry, with growing demand and the need to improve the quality of the cars produced, the focus is now on core areas such as reducing the weight of the cars, enhancing the safety, reducing the manufacturing costs and increasing fuel efficiency. This has resulted in continuing growth in the automobile industry and allied industries such as the tire and tube industries. In diagram 3, you can see the percentage of passenger cars produced from April 2010 to the end of September 2012 in relation to the total number of vehicles produced [4]; and in diagram 4, you can see the output in Iran as a percentage of the total global production of automobiles [3].



**Diagram 3- Total number of cars produced from April 2010 to end of 22 September of 2012 in the world in relation to other vehicles.**

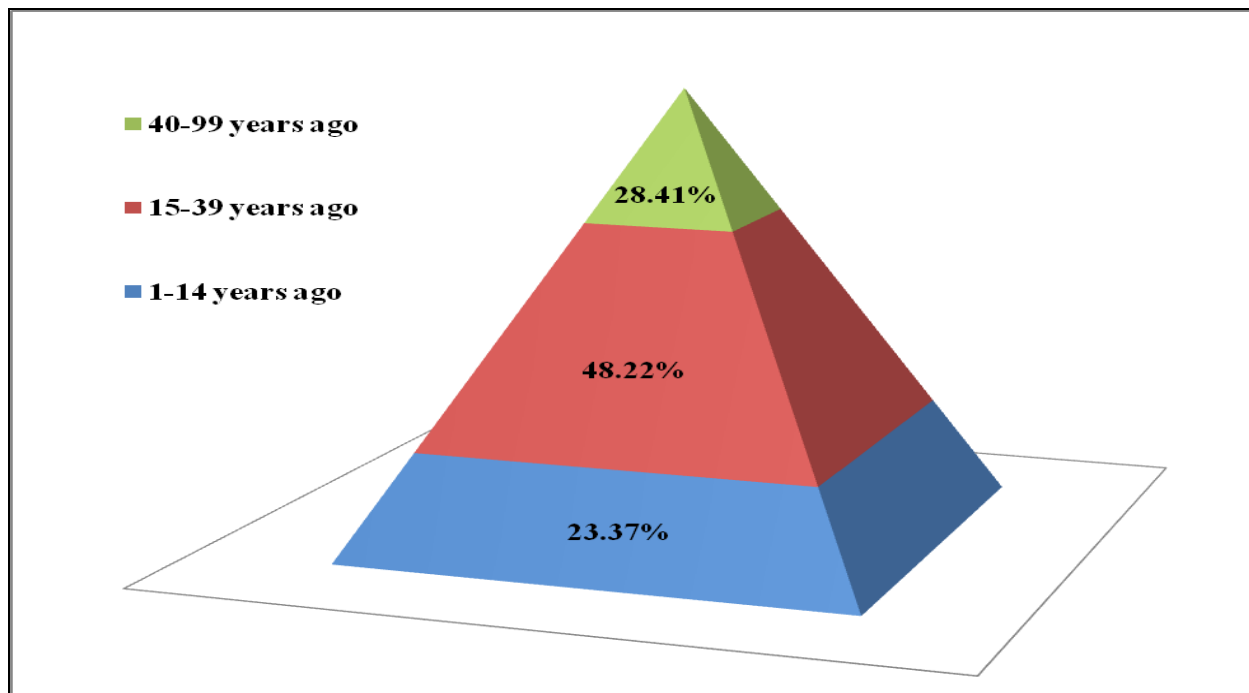


**Diagram 4- The share of Iran with respect to Global market when it comes to automobile production**

Normally, global production is estimated based on the number of cars per 1000 people in each country. Nevertheless, in Iran the number of cars per 200 people is used as the standard index. It is projected that the number of cars in the country will exceed more than 30 million by the end of 2021. Thus, as demand and import of cars into the country grows in volume, there will be an upward surge in the demand for tires for the new cars and for replacement of tires in cars that are currently being used.

### The study of car consumers in Iran:

Based on estimates by the census bureau, the current population of Iran is about 77 million people. About 48.22% of the population, almost half the people in the country are in the age range of 15-39 years of age with high levels of education (almost 70% having bachelors or more advanced degrees) and a modern outlook when it comes to cars and tires [6].



**Diagram 5- The pyramid of age ranges**

This growing class of young, affluent, educated consumers is the major force powering the increasing demand for cars and indeed, tires. Table 1 shows the UN estimates for Iran's population in 2010 in low, medium and high growth scenarios for the years 2026, 2041, 2056, respectively [7]. Based on this table, we can confidently forecast that this trend will continue to be on the upswing.

**Diagram 6- The percent of educated population of Iran**

Year	High Growth Scenario		Medium Growth Scenario		Low Growth Scenario	
	Population	Growth	Population	Growth	Population	Growth
2011	73.97	1.77	73.97	1.77	73.97	1.77
2026	87.14	1.86	83.1	1.36	79.1	0.86
2041	94.77	1.96	85.89	1.46	77.3	0.96
2056	100.02	2.17	83.3	1.67	69.88	1.17

**Table 1- The UN prospect for Iran's population (Million People)**

## The Tire Industry of Iran:

Iran has highly diverse climatic conditions that are rarely seen in other countries: the temperature ranges from -30 degrees C (in Ardabil) to +60 degrees C (in some areas of south and central deserts of Iran). Latitude and altitude are among the most important factors that contribute to the climatic variations in Iran. The southernmost point is only one or two degrees away from the Tropic of Cancer, thus the south areas of Iran are typically hot throughout the year. On the other hand, in the mountains and in the northern areas of Iran, apart from the coast of the Caspian sea, temperatures drop below zero every day except during the summer which lasts only for three or four months of the year, [8]. About 80% of the transport in Iran is hence done through ground transport as the potential of rail and air transport is limited due to the geographical conditions that limit access to the cities and villages. Hence, with road transport being the main mode of transport and the rise of a young, educated middle class driving the demand for cars, the tire industry has emerged as a major industry in Iran. It has faced numerous challenges through the years including the limitations imposed by the eight year war with Iraq and the tough economic sanctions. Nevertheless, the transport industry has maintained its longstanding tradition of growth when it comes to quality and quantity. The production of tires at the beginning of Islamic revolution was only 1000 tons but by 2007, it had increased to 238000 tons [5]. Currently, nine industrial units are active in the production of tires and tubes. Of the nine units, eight of them are equipped with technology for the production of bias, radial wire and string tires for cars and tubes, while one of them has the technology for the production of the full wire tires for trucks.

Company	Year Established	Technology	Capacity (ton year)	Produce	Location
Ortavil Tire	1996	TRI - Russian	28,500	Bais Truck&passenger Car- Radial Passenger Car- Agricultural	Ardabil
Iran Tire	1963	General Tire & Rubber-U.S	29,000	Bais Truck&passenger Car- Radial Passenger Car- Agricultural	Tehran
Iran yasa &rubber	1968	IRC- Japan	16,000	Tire & Tube Bicycle and Motorcycle	Tehran
Barez	1993	Continental – Germany  Marangoni - Italy	50,000	Bais Truck&passenger Car- Radial Passenger Car& Truck (All Steel) - Agricultural	Kerman
<u>Pars Tire</u>	<u>1976</u>	<u>Pirelli - Italy</u>	<u>40,000</u>	<u>Bais Truck&amp;passenger Car</u>	<u>Saveh</u>
Khozestan	1974	Berjiston - Japan	40,000	Bais Truck&passenger Car- Radial Passenger	Shiraz

				Car- Agricultural	
Kavir Tire	1998	Matador - eslovaki	25,500	Bais Truck&passenger Car- Radial Passenger Car	Birjand
Alborz	1962	B.F. Goodrich- U.S	28,000	Bais Truck&passenger Car- Radial Passenger Car- Agricultural	Tehran
Yazd Tire	1995	Verdeshtain - Netherlands  IRC- Japan	20,000	Bais Truck & passenger Car- Radial Passenger Car- Bicycle and Motorcycle	Yazd

**Table 2- The Leading Iranian companies in the Tire industry**

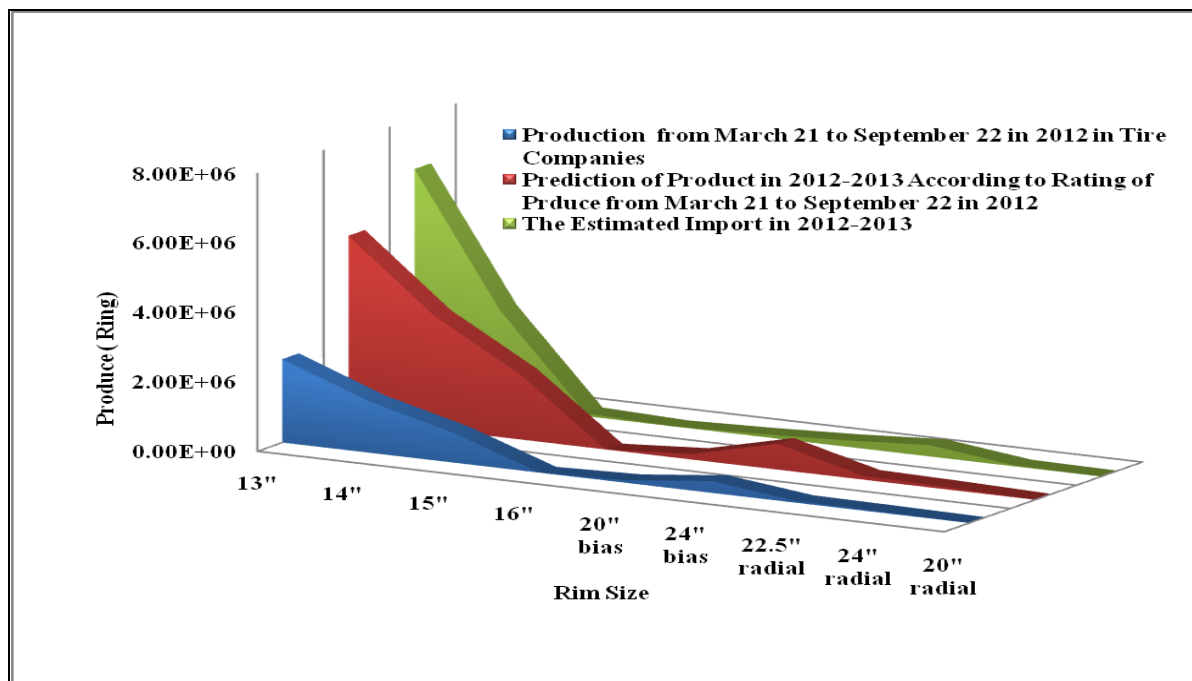
The tire industry in Iran has been keeping pace with the growth of the car industry. Table 3 shows the growth trend for the tire and tube industry in Iran from 2001 to 2007 [5].

2007	2006	2005	2004	2003	2002	2001	Year
238	220	211	217	191	177	174	Weight (Thousand Ton)

**Table 3- The growth trend of Tire and Tube production (1 Ton=1000 Kg)**

Table 4 outlines the import and export situation of tires and tubes during the 2005-2007 period [5].

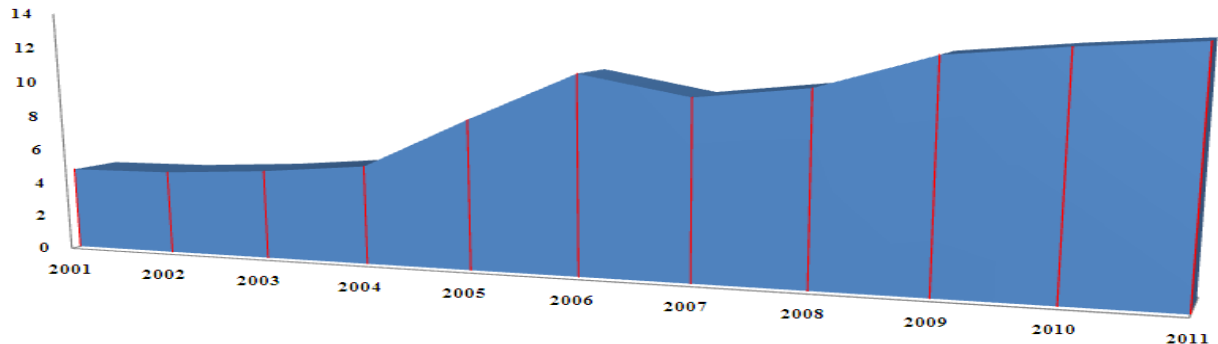
Import	Export	Produce	Consume	Year
73	13	211	271	2005
87	14	220	293	2006
99	13	238	325	2007



**Diagram 7- Situation of production and demand for Tire during 2012**

Diagram 7 shows the widening gap between the production levels and the demand for tires during 2012 [5].

Thus, the production of tires in Iran is not adequate to supply the growing demand and tires need to be imported from other countries. Diagram 8 shows the increase in import of tires over the years and proves that tire consumption has been growing steadily [5].



**Diagram 8- Trend of importing the tire in percent for truck, bus and car from 2001 to 2011**

The locally based tire companies have now come up with projects to offset this shortage. Companies that have launched tire manufacturing projects include Barez Industrial group (Kerman), Yazd Tire and Iran Tire [5].

### The Standards in the Tire Industry in Iran:

All tire manufacturers in Iran follow rigid quality standards that attest to the high quality and roadworthiness of tires manufactured in Iran and help them to remain competitive in the tire industry. The first set of standards for bus tires, bias truck tires and bias wagon tires named “properties and methods of test” was established in 1974 and now it has been revised and updated as “standard No: 2169/1”. Many references such as TRA, JIS, ISO, FMVSS, ETRTO, ECE were used for defining these standards and as an outcome, the Iranian tire industry has not lagged behind other developed countries when it comes to quality and safety norms.

### Iran In 2026:

Based on projected rates of development in different contexts, it is forecasted that the automobile production in Iran will exceed 11.6 million cars, with 1 million cars being imported every year. Total number of cars in the country will reach 38.18 million; and this volume of car production will need to be matched by equally large levels of tire production. [9].

Title	Unit	Prediction in 2006	Prediction in 2007	The Average Percentage Global Growth (15 Years)	Prediction in 2026
Available Vehicle	Million Set	867.63	887.57	2.36	1415.16
Produce Vehicle	"	68.78	70.45	2.3	111.02
Required OE Tire	Million Ring	360.67	363.71	2.6	607.72
Required RT Tire	"	922.12	957.72	2.8	1670.28
Sum of Required Tire	"	1283	1321	2.8	2278
World Import of Tire	"	673.21	698.65	5.77	2145.4
World Export of Tire	"	672.86	698.37	5.77	2144.54

**Table 5- Total situation of light and heavy tires in the world**

Title	Unit	Prediction in 2006	Prediction in 2011	Percent Annual Growth to 2012	Prediction in 2026
Available Vehicle	Million Set	8.22	11.74	8.18	38.18
Produce Vehicle	"	1.34	1.63	14	11.6
Required OE Tire	Million Ring	7.63	9.09	13.86	63.7
Required RT Tire	"	9.61	13.97	7.44	41
Sum of Required Tire	"	17.24	23.06	9.47	104.7
Import	"	3.19	7.13	8.7	24.9
Export	"	0.2	0.27	0	0
Produce	"	1.2	16.08	5.7	36.93

Table 6- Total situation of light and heavy tires in Iran

## Conclusions:

There are many factors that lead to the conclusion that there is great potential for the success of new tire factories that can be established as joint ventures with other manufacturers. These factors are as follows:

1. The low cost of establishing production facilities in comparison with other areas of the world.
2. The proximity of Iran to other big markets in the Middle East.
3. The road transport system is the main transport system in the country and this contributes to growing demand for automobiles, and hence tires.
4. Iran is the second biggest country in the Middle East with a large land area.
5. There have been previous investments in this sector and these tire factories have operated successfully.
6. The increasing population of educated, young middle class customers has led to growing demand for cars, and thus tires.

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