

BEST BUSINESS PRACTICES IN A BOTTLENECK:

How COVID-19 is Changing the Tire Industry



LINTEC OF AMERICA, INC.

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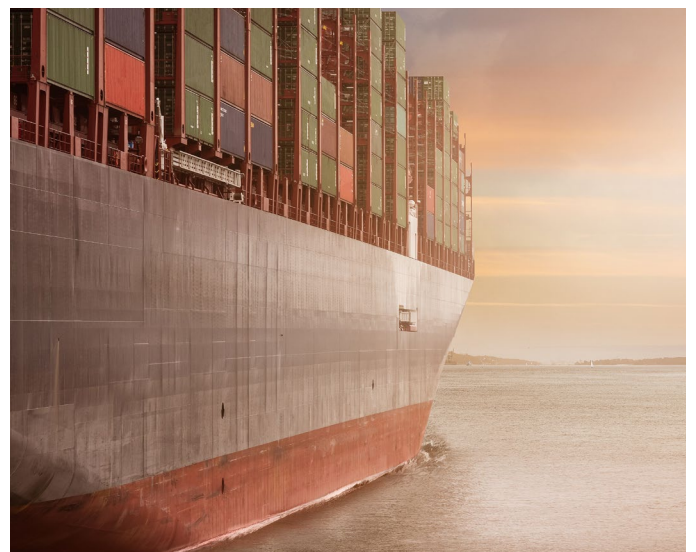
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INTRODUCTION

To put it bluntly, the global supply chain is a mess right now. Disruptions have affected every possible industry, and tires are no different. Tire manufacturers realistically will not be able to reach peak production in 2022, and distributors will be operating with limited stock.

In this eBook, we're going to look at what happened to the global supply chain, why it's in the state that it is, and what we can expect going forward. Then, we'll learn about what tire manufacturers can do right now to get by in a shaky economy with a dysfunctional supply chain.





WHAT'S GOING ON WITH THE SUPPLY CHAIN?

Supply chain disruptions throughout the Coronavirus pandemic have been unprecedented. The global economy came to a screeching halt in early 2020 due to COVID-19. Lockdowns and widespread job losses led to a dramatic downturn in consumer spending. With people staying at home, the demand for cars—and, by extension, tires—hit an all time low.

THE BEGINNING OF THE BACKLOG

The ripple effects of the pandemic and its economic impact were significant. Due to decreased volume because of limited consumer spending, shipping companies scaled back, reducing the number of shipments they scheduled. Unexpectedly, however, in June of 2020, factory production resumed and there was a sharp uptick in order volume for products of all kinds, but freight shippers no longer had the capacity to ship everything that needed to be shipped—not only due to a limited schedule but also because of fewer available laborers and a shortage of freight containers.

Following their deliveries in places like the USA and Europe, many shipping companies had stopped accepting empty freight containers on their return trips to manufacturing and shipping hubs in East Asia, exacerbating issues. American and European ports had a backlog of empty containers taking up space, and Asian ports didn't have enough containers for all of the shipments they needed to send out.



THE SNOWBALL EFFECT

Freight containers began building up at receiving ports, the empty ones taking up space, and the full ones awaiting their turn to be unloaded for increasingly lengthy periods of time.

Sailing schedules became impossible to maintain. In order to try to stay on schedule, ships would skip certain ports along their routes, causing further backlog in those locations. Companies attempted to mitigate backlog by diversifying the ports they delivered to, but this only succeeded in relocating the build-up.

THE FINANCIAL IMPACT

Because of this backlog of shipments, the price of ocean freight has skyrocketed. This has created a situation in which those who are willing and able to pay hefty shipping prices, such as large technology companies, can receive priority over companies with less spending power.

And shipping isn't the only thing that's become scarce and expensive. Raw materials are experiencing shortages and price spikes that complicate production because the factories that produce them can't achieve peak production and demand is high. There's no piece of the supply chain that's unaffected.¹

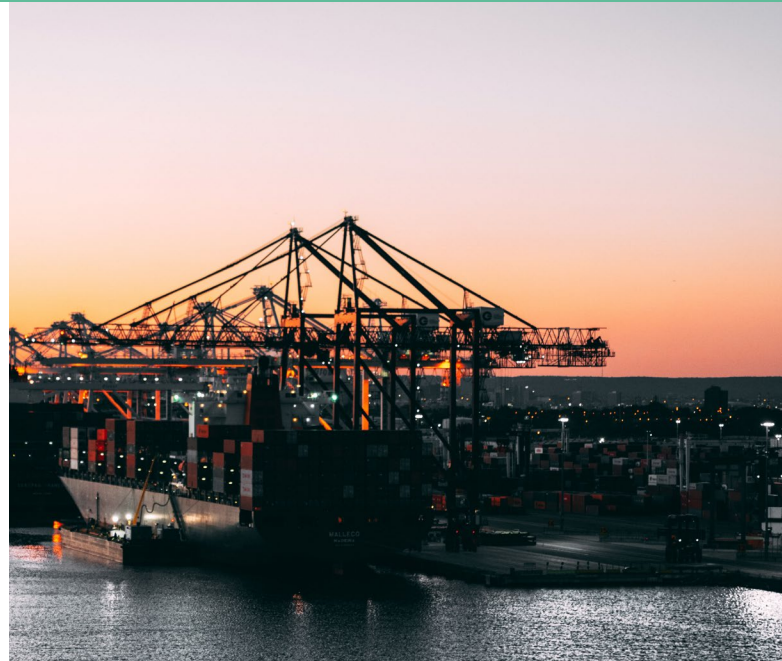
For tire manufacturers and suppliers, these issues are only compounded by the shortage of natural rubber that threatens to evolve into a crisis if tire companies don't get creative with their materials. 90% of the world's natural rubber supply comes from Asia, but Asia's rubber trees have been afflicted with a fungus that inhibits their rubber production, and with high demand and shipping delays, the amount of natural rubber that is produced is increasingly hard to come by.²



WHEN WILL THINGS RETURN TO NORMAL?

It's difficult to say when these supply chain disruptions will be ameliorated. Experts have repeatedly predicted that this bottleneck in the supply chain would soon be resolved, but the issues have persisted.³ Many people within the shipping and manufacturing industries are speculating that the global supply chain will never return to its pre-Covid standards of functioning.⁴

We've begun to see small improvements that offer some hope for 2022. However, we should expect to see some permanent changes to the global supply chain and the ways in which shipping and manufacturing function.



WHAT INDUSTRY CHANGES SHOULD WE EXPECT?



It's impossible to predict in exactly what ways the supply chain will shift or how the tire manufacturing industry will have to adapt, but industry experts have some educated guesses.

SMALLER, MORE FREQUENT DELIVERIES

Tires are large. They're cumbersome to ship and they take up a lot of room in shipping containers. With market uncertainty and limited freight containers available, we may see tire manufacturers move toward making smaller and more frequent deliveries in order to capitalize on whatever opportunities to ship they may have.

THE REGIONALIZATION OF SUPPLY CHAINS

In order to minimize shipping lead times, many industries are liable to look at regionalizing their supply chains. Currently, the vast majority of tires are manufactured in East Asia.⁵ Several of the world's most major ports are in Asia as well, such as Shanghai and Hong Kong. For the sake of efficiency, we may see American tire companies moving their manufacturing closer to home.

DIGITIZATION

With fewer workers at all levels and less room for error than ever, technology will likely be critical to the future of the global supply chain. Companies are being encouraged to digitize their inventory and its management, as well as to take advantage of all the data analytics available to them.⁶



WHAT ARE THE BEST BUSINESS PRACTICES FOR TIRE MANUFACTURERS TO ADOPT?

Tire manufacturers looking to not only survive but thrive in the current economic climate need to adapt to the state of the supply chain.⁷ Here are some tips on how:



ALLOCATE STOCK FAIRLY

Employing a model of fair share allocation of resources will be beneficial to your relationships across distribution channels. More than ever, it's important for businesses to be fair and easy to deal with. This practice will help you protect and build trust with small and medium-sized dealers.



ACCEPT BACKORDERS

If someone is looking for a tire that you don't have at that moment, don't turn them away. Take backorders and hold their place in line.



PRIORITIZE CUSTOMER SERVICE

Focus on providing the best customer service you can. Any party you have business dealings with should come away happy and feeling like they've had a personalized experience.



EXPEDITE SHIPPING

Look for creative ways you can expedite shipping. It may be that there's nothing you can do about delayed shipping





timelines, but make sure you've considered your options before you accept defeat. Is there a way for you to get your stock unloaded faster once it reaches its destination port? Are there alternative shipping channels available? Investigate the possibilities that are open to you.



VALUE YOUR WORKERS

The grisly truth is that the COVID-19 pandemic has killed a significant portion of the workforce and left many people disabled. There are more jobs than there are workers, and no company can afford to lose staff right now. Ensure that you're keeping your employees happy and incentivizing them to stay with your company rather than looking into



BE FLEXIBLE

The economic landscape right now is changing rapidly and unpredictably. Be prepared. Adapt as needed. The supply chain is different, and adjustments are (and will continue to be) necessary.



DIVERSIFY

Diversify your company's offerings and introduce more value-add services to the greatest degree possible. A wider catalog of products or new business partners to collaborate with can introduce valuable new revenue streams.

For example, LINTEC Automotive's Wheel Protection Films can be a great option for tire suppliers looking to offer an extra benefit to their customers.⁸ Wheel protection films are circular plastic films that utilize a residue-free adhesive to bond to the rim of the wheel and protect it from moisture, dirt, and contaminants. You may not have the power to prevent bottlenecks in the global supply chain, but you can offer end-users peace of mind in a time when peace of mind is a commodity.





CONCLUSION

The Coronavirus pandemic has dramatically (and, in some ways, irrevocably) changed the global supply chain and all involved industries. Its continued economic impacts are unpredictable and unknowable. Companies must be willing to be flexible, adapt, and constantly seek out new best practices to protect their business and best serve their customers.



LINTEC OF AMERICA, INC.

ABOUT LINTEC AUTO

Based on our philosophy of “customer first” and innovative new ideas, we will continue to work on developing high-value-added products we can offer to customers to meet their diverse range of needs.

We offer an extremely diverse range of products that include adhesive papers and films for seals and labels, automobile-use products, window films, semiconductor-related tapes and equipment, LCD-related products, color papers for envelopes and release papers and films.

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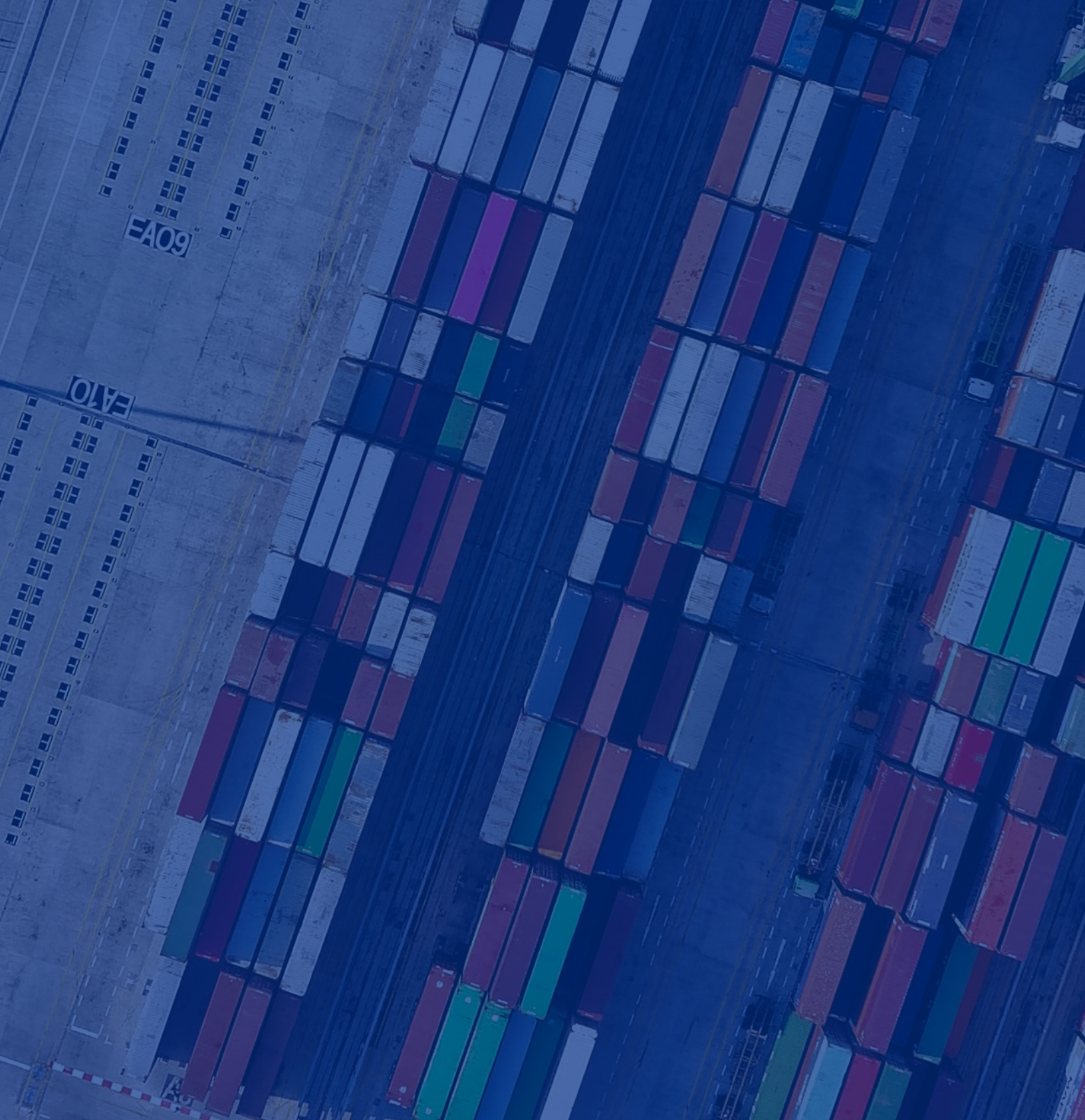
**Variety
of Uses**



**Exceeding
Expectations**

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