



SUPPLY CHAIN INSIGHTS

ROLLING WITH THE CHANGES IN THE APAC TIRE SECTOR

Interview: Vince Millar, Auto-mobility sector lead,
DHL Supply Chain

DHL Supply Chain – Excellence. Simply delivered.



Due to its symbiotic relationship with the automotive sector, the global tires industry was impacted in 2020 by COVID-19 and the resulting drop in vehicle production.

But in Asia Pacific, the tire market has grown by nine per cent over the past five years, and despite COVID, there is strong optimism it will regain this growth momentum.

We asked **Vince Millar, APAC Auto-Mobility Business Development Lead at DHL Supply Chain** for his perspective on the market and how – with its expertise, end-to-end solutions and digital agenda – DHL delivers best-in-class services to the region's tire manufacturers.

Vince, how are supply chain requirements for the tire industry changing and what forces are driving those changes?

Here in the Asia Pacific region there are two complementary factors – some recent changes, and some pre-existing shifts that have gathered pace.

Market share has shifted from the traditional global players with new entrants already not only gaining market share in APAC, but also becoming significant global players.

That shift in market share isn't just based on production origin – it's growth in APAC that's driving this and the increasing motorization rates across the region. It means that traditional supply chains are shifting in some countries from a low volume distributor model to a presence in country to meet this growing demand. In other countries, we are seeing that consumers are shifting to marketplaces and e-commerce channels.

Another force that's driving change is the imperative that the whole industry has to minimize environmental impacts, whether in manufacturing or logistics.

The global economic slowdown caused by COVID-19 has resulted in a steep plunge in tire demand, so players in the sector will be looking even more closely at cost-saving measures and inventory reductions. How have you adapted your solution offering along the value chain?

These challenging times have impacted the automotive industry particularly hard. With the diminished vehicle production, we have also seen a similar effect on the demand for replacement tires.

But the industry can't simply turn off production, and so we've had to adapt our logistics offer.

One example, is the flexible, scalable space we now offer for excess inventory. It's been designed with high density storage to ensure manufacturing continues and customers can respond to gradually increasing demand.

Another is collaborative distribution platforms. Small order sizes increase logistics costs, but smart collaboration can offset this.

In Asia Pacific, there's a high demand for premium tires due to increasing levels of disposable income and urbanization. What footprint does DHL Supply Chain have there and what's your value proposition for this segment?

You have to recognise the different characteristics and needs in each APAC market. At DHL Supply Chain we build solutions depending on the end customer's need, working back from the goal to build the solution. Traditionally, logistics solutions are based on frameworks such as supply chain "efficiency", measured at a holistic level of overall service level and cost per unit. However, the end user's satisfaction needs to be measured in multiple ways.

We support the premium tire segment over the whole of APAC. The value we bring is being able to locate stocks strategically near demand points, and deliver to the point of fit. Also, our systems can dynamically link to e-commerce and dealer platforms, ensuring seamless integration and enabling the visibility to deliver reliably.

Typically, premium tire order sizes are small and there's a short lead time so we leverage multi-modal capabilities such as Air and Road.

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With our expertise and investment in the sector we can enable rapid sortation and cosmetic protection through using specialist packaging. We can also provide graphically enhanced packaging to communicate the tire brand.

We offer full track and trace, giving customers access to the information that shows their premium tires are in the right place at the right time.

What innovative solutions have you rolled out to improve visibility and last mile delivery?

In MySupplyChain, DHL has the best visibility tool on the market, not just in final mile, but across the end-to-end supply chain. It's a one-stop-shop for integrated warehouse and transportation insights, accessible anytime and anywhere, that can be integrated with customer systems.

Within the warehouse we use RFID scanning and smart gloves for fast recognition. Where RFID isn't available we can auto apply labels and/or use OCT technology to error-proof the process, and provide visibility.

Our commitment to digitalization means we can track events through warehouse and transport milestones, making data available to customers, and their end-customers, in near real-time.

With drivers using hand-held apps, we can capture E-POD, product and location photos, co-ordinates, product returns, and most importantly, record customer satisfaction at point of delivery.

All data is integrated with PowerBI reporting within MySupplyChain and we can customize this to meet the customers' specific requirements.

Beyond that, we are also innovating the last mile. For example, in the use of shared customer networked transport solutions, reducing carbon emissions and improving cost-effectiveness, since larger vehicles and shared loads mean lower cost per unit.

Our network hubs enable breakbulk activities and provide flexibility for customer volumes including returns, with order staging/pooling closer to customer delivery points.

We also use telematics and in-cab cameras that monitor driver behavior and vehicle performance, enhancing safety and reducing fuel consumption. In some markets, we are trialling the use of hybrid and electric vehicles.

Finally Vince, DHL Supply Chain is part of the ecosystem that can help build a sustainable business model. Which DHL solutions can facilitate the circular economy and reduce CO₂ emissions?

We focus on three factors: processes, people, and assets.

Those **processes** include route optimization systems which identify the optimal vehicle specification and route for customers, ensuring service levels are met with minimal fuel or vehicle capacity wastage.

We also synergize reverse logistics with Outbound, picking up end-of-life tires at the same time as deliveries, thereby lowering environmental impact.

With our **people**, we employ driver monitoring and training to help ensure they use vehicles efficiently.

Finally, our **assets** also play a part. We use the latest trucks available, investing in those with high specifications. We also fit TRAILAR solar panels which reduce fuel usage by three to five per cent.

Vince Millar, APAC Auto-Mobility Business Development Lead at DHL Supply Chain

With more than 20 years of automotive supply chain experience, Vince has supported in delivering value to many global automotive and tire companies.

FOR FURTHER INFORMATION

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