



SHARED LOGISTICS NETWORK

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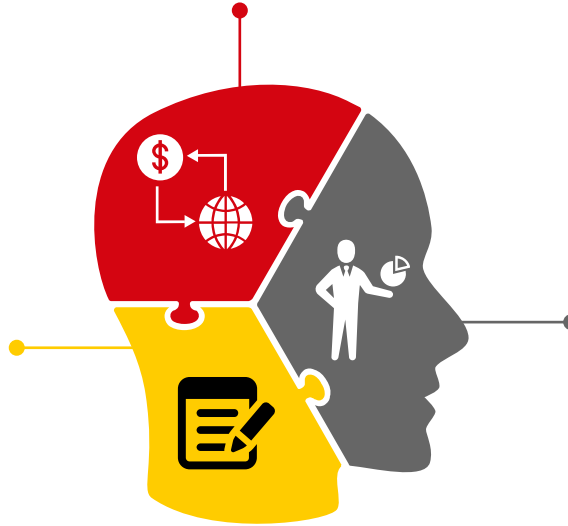
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Is it time to rethink logistics?

The sharing economy provides new and creative ways to do business and to realize **efficiency** gains **without exclusivity and ownership**

Lessons learned from stellar models of **peer-to-peer** sharing – including **Uber and Grab** shared taxi services, **Airbnb** shared accommodation, and **fleet cars** in the auto-mobility sector – change attitudes about a sharing model for logistics



What do we really need
ownership or access?

Key Asia Pacific tire market trends

**High potential growth
and sales in Asia with
8.75% CAGR (2018-
2023)**

**High market
share of local
players**

**Complex &
increasingly
demanding
aftersales
services**

**A large part of the
cost of goods sold
(COGS) is logistics
(likely to be
4-8%)**



Value proposition of a shared logistic network

Potential of sharing economy - Concept for tires

Sales

Logistics play a crucial role in sales growth.

Cash

Structured free cash flow is required to withstand market volatility.

Cost

Distribution is a significant cost component in the APAC tire industry and has always been tightly controlled.

Technology adoption

Digitalization enables an agile, lean and responsive supply chain.

Direct sales channel

E-commerce platforms bring tire companies closer to their end customers.

Smaller shipments

Mature markets provide customers with a variety of shopping choices; this leads to demand for smaller shipments and faster lead times.

On-demand flexibility

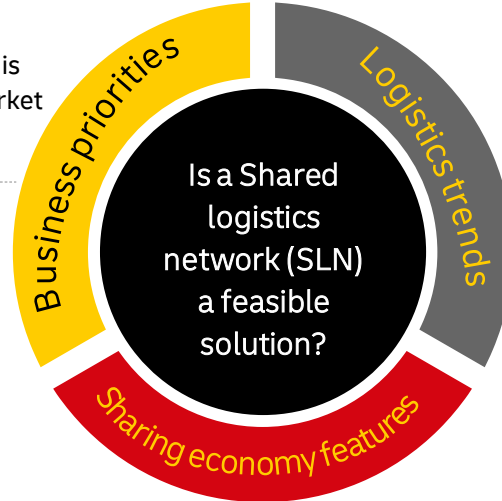
Gain the ability to create a route or storage point even when this is not justified by own volume.

Enable more capital investment

Leverage bigger market volumes to allow capital investment in better logistics assets and technology to further drive down unit cost.

Economies of scale

Achieve higher fixed asset utilization via larger market volumes to drive down unit cost.



Drivers for deploying a shared logistics network

Key drivers for the deployment of a **shared logistics network** are:

Transport frequency

The most apparent synergy is in the replacement sector's secondary transportation to dealers, and the **current FTL mode** can be reviewed as well (e.g. OE, primary transportation, inter-DC and wholesaler delivery). The shared network may convert less frequent FTL mode transportation to **more frequent milk runs**.

Flexibility to customize services

Tire players will have **different market segments** (mass vs. premium, wholesaler vs. retail vs. e-commerce) and will need the **flexibility to customize** logistics services to service various needs. Lead-time target, order management process, labeling, and handover processes should not be one-size-fits-all.

Ensure confidentiality

It is essential to ensure the **confidentiality of sensitive data** including prices, volumes and terms. Processes should inhibit invoice visibility (sale prices) during warehouse and delivery operations.

Substantial cost efficiency

Attractive cost reductions (**indicatively >20% below current costs**) are needed to favorably consider a shared logistics network.

Peak season

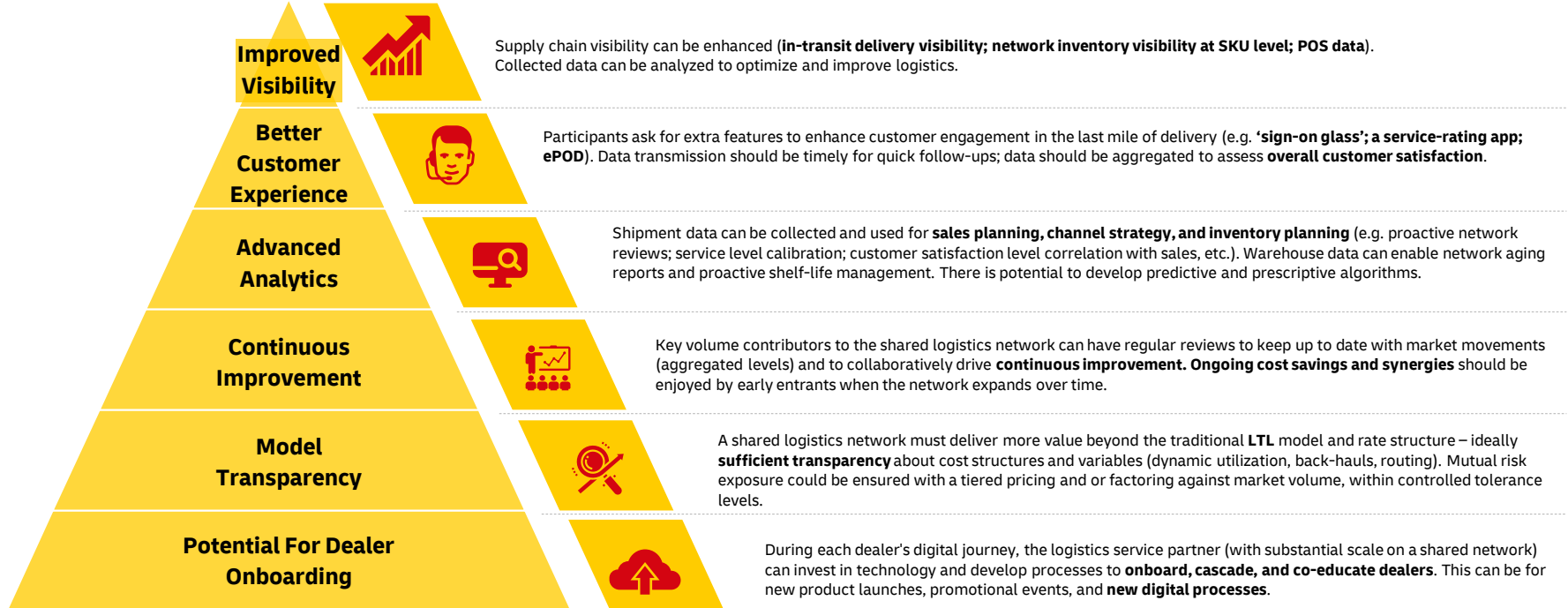
The market is characterized by peak seasons (e.g. season change). The shared logistics network should be prepared for **volume surges**, together across the market, with **flexible and ample resources** (warehouse and transport) to maintain fulfillment standards across all customers.

Synergy "among same league"

Companies prefer to work with **tire players of equivalent level** to mutually and evenly enjoy the benefits of a shared logistics network. Preferred not to end up fostering smaller players in cost, quality and distribution efficiency.



Additional benefits from a shared logistics network



THANK YOU

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