



SUPPLY CHAIN INSIGHTS

BUSINESS BOUNCE BACK WILL FUEL DEMAND FOR PREMIUM TIRES IN THE PHILIPPINES

A Conversation with Emmanuel Mozo, Head of Business Development, Philippines, DHL Supply Chain

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“I’m a car enthusiast and I would definitely go for a premium tire brand for the safety and durability. It’s like the shoes I wear,” says Emmanuel Mozo, Head of Business Development in the Philippines for DHL Supply Chain. He sees the timing of DHL’s entry into the Philippine tire market coupled with the government’s increased Covid vaccination drive and improving consumer confidence as key factors driving demand for premium tires.

The key to success lies in working with tire-makers and major distributors to reconfigure their supply chains allowing them to focus on growing their margins.

He believes that currently the Philippine market is too focused on moving whatever product is available and that limits consumer choice.

Government initiatives are also critical to boosting demand. The Public Utility Vehicle (PUV) Modernization program aimed at upgrading the 180,000 iconic jeepney’s more than 15 years old with environmentally friendly alternatives creates additional opportunities for the tire sector.

This shift in market dynamics showcases DHL’s expertise in tailoring supply chain solutions. A wider variety of brands and products will enter the Philippines and be efficiently distributed. This will create different price-points leading to more choices and ultimately boost driver demand for premium tires.

He notes the Philippine government’s ‘Build Build Build’ program expanding road construction coupled with improved consumer spending are key economic drivers. Emmanuel Mozo shares his insights in this conversation:

“**The key to success lies in working with tire-makers and major distributors to reconfigure their supply chains allowing them to focus on growing their margins.**”

What are the supply chain challenges tire-makers, dealers and large distributors face in the Philippines?

The Philippine tire market is largely a replacement market and it is spread over a massive archipelago of 7,000 islands with poor distribution networks. The other big challenge within these poor distribution networks is addressing the need for secure tire storage facilities.

Within this context, for tire-makers the biggest challenge is retaining control over pricing and their brand. Under the current sales model tire distributors bargain down prices, buy up the stock and then deliver the tires to dealers. These distributors do not have logistics backgrounds and that is where we see the opportunity for DHL Supply Chain.

Under this sales model tire-makers have no control over their brand growth or their margins because at the end of this supply chain, the customer buys whatever is available at the dealership at the time they need a replacement.

What role do you see for DHL in managing these challenges?

The first priority is introducing the right technologies and expertise to reduce costs. Helping tire-makers re-configure their supply chains to achieve greater penetration through reduced service time and direct

shipping will grow consumer demand for premium tires and increase customer satisfaction.

This will pave the way for tire-makers to have a greater sales presence in the country and we can then support their marketing efforts.

The big distributors have a foothold in the market so what is the value of partnering with DHL?

Through tailored solutions we can help them boost demand for premium tires. The market is definitely out there.

Yes, the big distributors have buying power and dealership relationships but they do not have logistics backgrounds. We can help them consolidate their warehousing and support their inventory management which improves their operating efficiency.

This current distributor model is unsustainable given the current growth of the tire market in the Philippines which according to one report was set to be worth USD\$900 million in 2021 prior to Covid.

We have the warehouse management experience and specialized storage capability which reduces delivery time to customers. Our MySupplyChain platform leverages technology to offer effective visibility on tracking orders. Customers and consumers are able to plan their purchases and inventory more strategically because the app tracks processing, departure of product, travel-time and ultimately arrival and delivery. No more anxious waiting or wondering when your orders will arrive. We recognize that it is a cost driven market. But if their distribution and storage cost per unit or CPU goes down, they will expand their business in collaboration with us. Growing their share of market will be based on getting the right tire to the right place and in a timely manner.

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What role will sustainability play in providing a competitive advantage for DHL and its customers?

It is highly important to us and it is on our customers' strategic agendas. For example, the disposal of used tires is a global concern. We have the ability to do reverse logistics and take them to a trusted partner for disposal, recycling or upcycling.

DHL's expertise and heritage in building scale means we have a shared logistics network that allows tire makers and big distributors partnering with us to process small or specialized orders. We can save on fuel costs by ensuring vehicles along the network are loaded and routes are planned for maximum efficiency and of course safety.

All of these strategies which reduce travel time and safely dispose of used tires also reduce carbon emissions and offer strategies for creating greater customer satisfaction.

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