

MIDDLE EASTERN TIRES

Poised for growth with increasing population
and high GDP per capita





Already a flourishing market, tire sales in the Middle East are poised for growth, driven by the high GDP of Middle Eastern countries, rising population and government investments in road infrastructure.

“Although volumes are much higher in the personal use segment, commercial tires are a high-value market because the average selling price is three times that of personal use tires”

Prachi Satoskar,
Head of Automotive at GfK in United Arab Emirates

In a recent GfK study, we looked at the UAE and the Kingdom of Saudi Arabia (KSA), which both have a particularly high GDP with high disposable incomes. Add a dependency on the automobile in the Middle East due to a lack of public transport outside of Dubai, as well as low fuel costs compared to the West, and you have a favorable market for car tire makers. What’s more, the region’s heat means that vehicle owners must replace their tires more often than in cooler regions.

Car tire sales in the UAE were up 11% in Q1 2015, compared to the same quarter the year before. In KSA, they grew by 7% compared to the same period the previous year.

At the same time, sales of commercial tires grew faster than passenger and 4x4 tires. [See our presentation [Which tires sell in the Middle East](#)]

A point to note here is that light and heavy commercial vehicles are also being used personally in some areas of Saudi Arabia, since they are less costly and have high seating capacity.

This context and data about Middle Eastern tire markets comes from our monthly GfK Point of Sales Tracking study, which tracks sales to the end consumer, either through the manufacturer directly, the importer, the wholesaler or retailers.



Brands – who is gaining and why?

What do we know about shifting market share between the brands that sell tires in the Middle East? Interestingly, tier one brands are losing share to tier two and tier three, but they are gaining share during the peak seasons by using promotions.

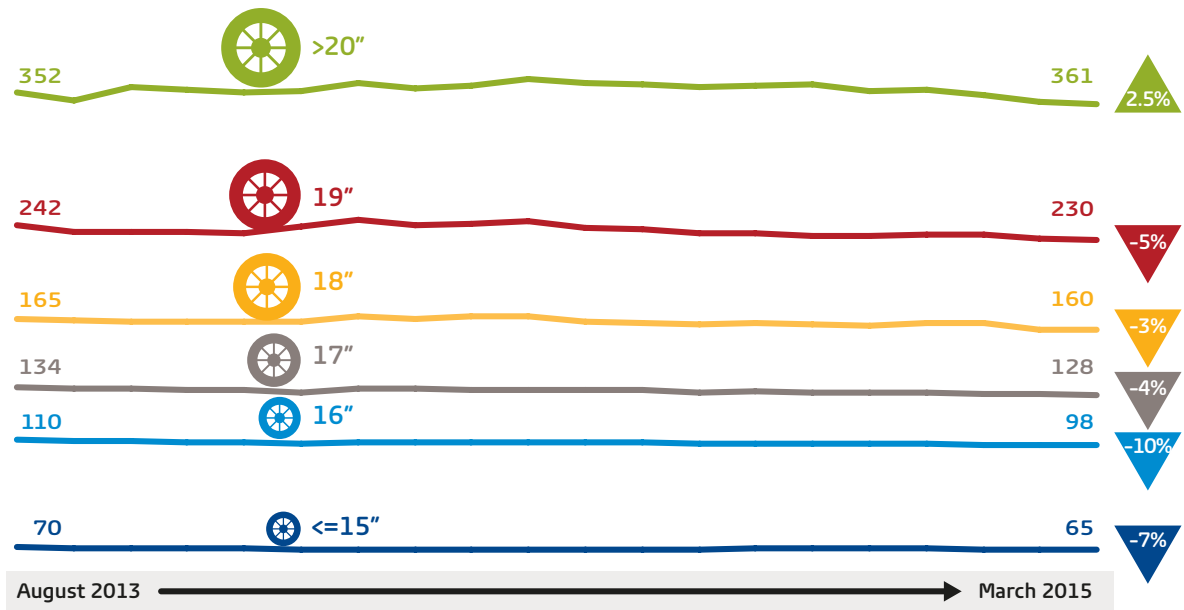
Is this an indication that buyers in the Middle East are becoming price sensitive and only react to promotions, or are more tier three and other brands entering into the smaller-inch segments, compared to the bigger inches?

“It’s promotions that are driving the market – particularly during the first quarter of 2015. Manufacturers are using promotions to attract the wholesalers and retailers and thus gain share and increase their distribution. This, of course, leads to a price war in the market.”

Prachi Satoskar,
Head of Automotive at GfK in United Arab Emirates

Prices – what buyers are paying

Average selling prices of tire diameters in UAE and KSA (combined)



Source: GfK Point of Sales Tracking, tire sales UAE and KSA (combined), August 2013–March 2015

We observed in the past 10 months that the average selling price for all diameters has declined (in UAE & KSA combined), except in the greater-than 20-inch bracket. This is happening because more tier three and other brands are entering the market with smaller diameters. Sales of larger tires are mainly dominated by premium brands. In the first quarter of 2015, sales of larger-diameter tires recorded quarter-on-quarter growth of 19% in the UAE and 77% in the KSA.

In the UAE, tires with higher selling prices are gaining share in Dubai and Abu Dhabi Al Ain, while those that sell in lower price brackets are gaining share in Sharjah and Northern Emirates. This is due to quality-conscious shoppers in Dubai and Abu Dhabi Al Ain. In addition, these are the locations that have strong demand for bigger size tires.

Demand for tires that are larger than 20 inches in the UAE is driving volumes in the price bracket of US\$100 and above. But with the drop in the average selling price and entry of various tier 3 and other brands, the US\$40-US\$60 price bracket has gained share, has gained six percentage points in market share, rising from 12% to 18%. Demand for tires that cost more than US\$300 is also increasing, with this bracket's market share also on the rise, moving from 2.7% to 4.9%.

A key point to note here: The number of brands in the US\$40–US\$60 bracket increased from 74 to 117, whereas the number of brands selling tires that cost more than US\$300 declined from 24 to 19.



Tires priced below US\$100 account for nearly 50% of the markets in the UAE (%).

The market share for tires with a selling price above US\$300 has doubled from August 2013 to March 2015.

2013					2014												2015		
Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Aprl	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
2.9	3.0	3.2	3.0	3.5	3.7	3.7	3.6	3.7	3.9	4.4	4.2	5.2	5.0	4.6	5.4	4.9	4.5	4.6	4.5
12.5	13.4	13.8	13.6	13.6	14.6	14.9	15.0	15.0	15.3	13.9	13.9	15.3	16.2	16.2	16.3	16.8	16.3	16.7	17.8
22.2	21.6	21.5	20.8	20.5	19.8	18.7	18.6	18.6	18.4	18.2	18.0	17.7	17.2	17.2	17.0	17.2	17.1	17.0	16.9
17.3	17.3	17.6	17.6	16.1	15.9	16.3	16.8	15.9	15.5	15.3	15.0	14.8	14.7	14.8	14.6	14.9	15.2	14.9	14.2
24.9	25.2	23.5	23.7	24.9	24.9	24.7	24.4	24.8	24.3	24.5	24.8	24.7	24.1	24.1	24.2	24.4	24.5	24.7	24.1
14.9	14.0	14.5	15.5	15.1	14.9	14.7	14.5	15.3	14.7	15.5	15.7	14.2	14.6	14.5	14.2	14.1	13.8	13.1	13.2
2.6	2.5	2.8	2.6	2.8	2.8	2.8	2.8	2.7	3.4	3.3	3.4	3.2	3.0	3.3	3.1	3.1	3.9	4.2	4.4
2.7	2.9	3.2	3.4	3.5	3.4	4.3	4.3	4.1	4.5	4.8	4.9	4.9	5.1	5.3	5.2	4.6	4.7	4.7	4.9
					> US\$240 <= US\$300		> US\$160 <= US\$240		> US\$100 <= US\$160		> US\$80 <= US\$100		> US\$60 <= US\$80		> US\$40 <= US\$60		<= US\$40		

Source: GfK Point of Sales Tracking, tire trade UAE, August 2013 – March 2015

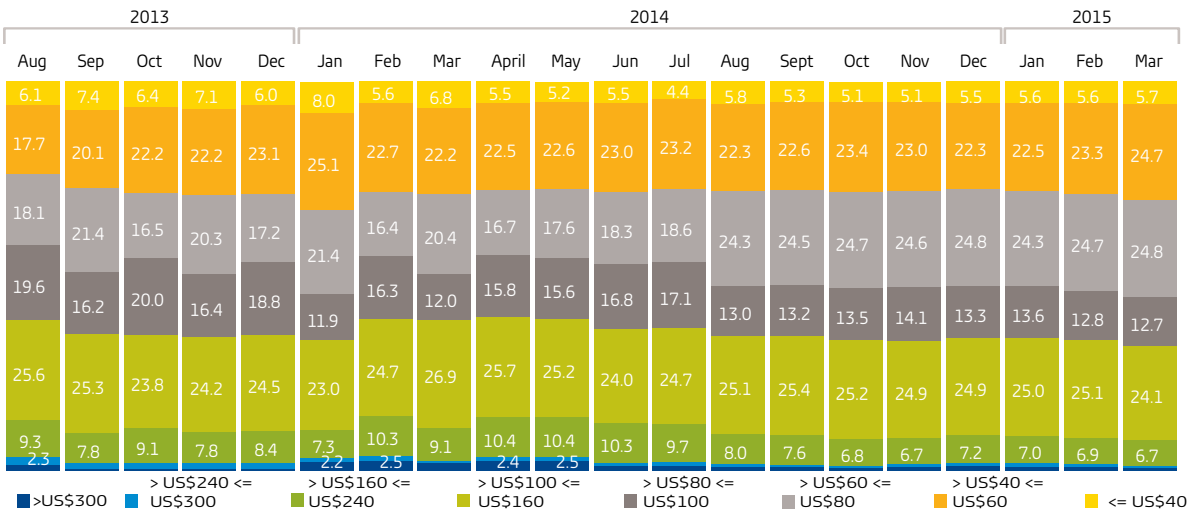
In KSA, however, the market is more price conscious compared to UAE and hence lower price brackets are a bigger contributor and have more brand entrants. The price brackets that contribute to the market are mainly US\$40–US\$80. These have grown from 36% of the market to 49% of the market.

This price bracket has experienced the greatest surge of new market entrants. In fact, the number of brands offering tires in the price bracket US\$40–US\$60 grew from 65 to 90 within the space of a year.

Given these pricing developments, manufacturers should consider the demand for respective tire diameters and launch products in the appropriate price brackets to gain further market share.



Market share of 66% for tires priced at below US\$100 in KSA in March 2015 (%)
Tires in the US\$40-US\$80 price bracket had a market share of 49%, up from 36% in August 2013



Get more insights

Prachi Satoskar is Head of Automotive at GfK in the United Arab Emirates.

For more about our offerings, visit our [Automotive](#) and [Point of Sales Tracking](#) pages.

Questions? Contact us!
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