

One-On-One with BANDAG SOUTHERN AFRICA

10 YEARS ON – WE ARE HERE TO STAY!



Laurent Colrat

John Laskarides

Having celebrated its 10th Anniversary this year as a Proudly South African and fiercely independent company, we caught up with Bandag SA executive directors

John Laskarides and Laurent Colrat at their premises in Alrode, Johannesburg, for a sneak preview of what lies ahead for this dynamic retreading concern.

First, congratulations on achieving the 10-year milestone. Where to from here, and to what do you attribute the success the company has achieved thus far?

Suffice to say that in today's trading environment sole reliance on product is not sufficient. Having arrived at this realisation few years ahead of obtaining the Bandag licence for the southern African region, we decided to adopt a 'Customer-centric' approach to market that would include innovation not only with respect to product quality, but also with respect to the services surrounding it. In short, we began working on a Complete Package Offering that could be suitably adapted and tailor made to the individual needs of our respective customers.

In a bid to push the concept of 'total cost over price' in a price-driven market, we accepted that we would need to drive innovation in the areas of tread rubber design, instruments, management tools and other such initiatives, and this is precisely what we have focused on over the last 10 years. In today's market, quality of product is assumed but specific tools and skills are required to demonstrate value.

With this in mind we developed a number of different product offerings. We also owe much of our success to the loyalty of our franchisees and end user customers. They are accustomed to the quality and innovation we bring to the market and see the benefit in the implementation of these differentials. We thank them for their continued support and look forward to extending our partnerships even further.

Such as?

In line with our 'Customer-centric' approach, we introduced our National Fleet Programme in 1999 as one of our 'SA Solutions to market', an initiative which has been well received. And to support this Programme we further introduced a team of service engineers, sourced and trained in-house, who are now among the most valued employees on our payroll.

Over the last decade we have also developed in-house data and management tools to allow for ease of capturing and reporting and to assist us in managing tyre surveys and scrap analyses, all in the interests of assisting our customers in achieving the lowest possible cpk and continuously demonstrating the value of our package.

And of course, when it comes to product we will not compromise on our motto "Quality is the best Recipe". Over the last 10 years we have continued to evolve our product offering to include the full spectrum line up for every application and operating condition.

Equally exciting is the launch of our new value brand, Axia. Now four years in circulation, Axia makes 21% of our product line with premium products accounting for 42%.

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At the outset, your business consisted of five BTS franchises. What do they currently number?

We have grown to 42 independent BTS franchises in the last 10 years. More important, our factory network is the largest in South Africa.

Are you looking to increase the number of franchises?

Although the interest in joining our network continues unabated, we are conscious not to create internal competition as this would be in violation of our licensing agreement which sets out strict parameters when it comes to trading territory.

Speaking of licensing agreements, when does yours expire and what does this mean for Bandag SA in the long-term, bearing in mind that SA is the only country that is currently exempt from the Bridgestone-Bandag acquisition which was concluded during December 2006?

Our current licence expires in November 2019. Traditionally, we only apply for an extension two years ahead of the expiration date.

And should a renewal not be granted?

Given that we procure our own rubber, via our own plant, dispose of our waste tyres through our own Recycling plant and more important perhaps, that we are not impacted by the current trend in the market to control casings via the retreading process, we are confident that Bandag SA will be an attractive proposition to many. In fact, we have already received offers from interested parties.

Does this mean the company is up for sale?

No, it most definitely does not. Selling the company is not on the table.

We are engaged in a massive investment drive by way of new programmes, coupled with a R75 million injection into our plant. The property is ours, as is the equipment, and collectively Bandag SA's three executive directors boast close on 60 years of retreading experience. What is more, the company has grown exponentially, year on year.

We are therefore in a strong position to tackle whatever the market may throw our way.

What do you believe are some of the challenges facing the retreading sector?

The market is changing. With the world's leading new tyre companies now also owning their own pre-cure rubber, the control over casings is becoming paramount. Add to this the global move on their part towards direct selling to the detriment of the tyre dealer who is being short-circuited, and you are left with a definite market shift. Except in our case. We refuse to cave in to this trend. All our business takes place via our BTS and retreading franchises.

Currently, retreading is still competitive but, the implosion of Asian tyres is placing considerable pressure on the stock retread market in particular. This influx of 'cheapies' is commoditising retreads, which obviously is somewhat disturbing to the retreading community.

Luckily, South Africa maintains a strong retreading legacy, boasting one of the highest retread-to-new tyre ratios in the world.

There also seems to be a definite split within the end user market, with sophisticated fleets that understand total cost of ownership making up the first category, and those that are focused on the initial purchase price in the second.

The challenge for any professional retreader, we believe, is to remain focused on the first group. We need to drive home the concept that total cost over price will deliver the desired cpk.

Our products have never been the cheapest, nor do we wish to be, however, it is important to keep proving our worth to our customers by supplying cost-cutting solutions and innovative product and service offerings. And it is important to mention that these solutions and innovations start with a customer focus. Our customer up approach provides the basis for long term relationships – not purely transactional ones.

Our non-affiliation to any one particular new tyre brand further places us in a unique position in that we are able to independently make recommendations to our customers not only where retreading is concerned but also with respect to new tyre brands.

Speaking of being independent and touching once more on the long term destiny of Bandag SA, how are your franchisees reacting to rumours in the marketplace that the company could, in time, find itself operating under the auspices of Bridgestone?

Domestically, Bridgestone is in the unique position of possessing its own retreading network, which would obviously create a huge challenge in this market in terms of incorporating an opposition player

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into the mix. All we are prepared to say at this point in time is that the current micro economic environment is conducive to the independent dealer and that our network is certainly intent on remaining independent.

What is the forecast for the retreading sector in SA, in your view?

On the positive side, retreading is well accepted in this country but market saturation is unlikely to promote any real growth in this segment. What we are currently seeing is a bigger polarisation taking place with the market largely characterised by premium or budget line products, leaving little room for mid-range product offerings.

And to reiterate, we firmly believe that only professional retreaders who continue to improve on their product quality and service will ultimately survive.

Are you intending to launch any new products this year?

The development of new product lines remains uppermost in our mind. In the third or fourth quarter we will be launching our new premium tread design. Currently, we are conducting over 10 000 tyre inspections per month, a figure which we are looking to increase substantially this year as well.

You mentioned earlier that Bandag SA also operates its own Recycling plant?

Bandag SA has an interest in a rubber recycling plant. This diversification came as a result of our support for REDISA and its environmental initiatives. Coupled to this, we envisioned the need our customers will have for an effective solution for tyre disposal. What's more, we support this recycling plant by purchasing rubber crumb which meets our quality standards. You will notice here the emphasis mentioned earlier – self-sufficiency with the intention of benefitting the entire supply chain.

Any final thoughts?

As mentioned earlier Bandag SA is a fully independent and self-sufficient organisation. Proudly South African, we have reached multiple important milestones over the last decade, all of which have cemented our presence in the market. Our passion for innovation has reaped dividends and we will continue along this path in the years to come.

We're just getting started! Watch this space...