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QINA輪胎服務公司

**Master's Business Plan for Qina Wheels and Tyres Services
Company**

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Advisor: Professor George Kuo

中華民國一〇七年七月

July 2018

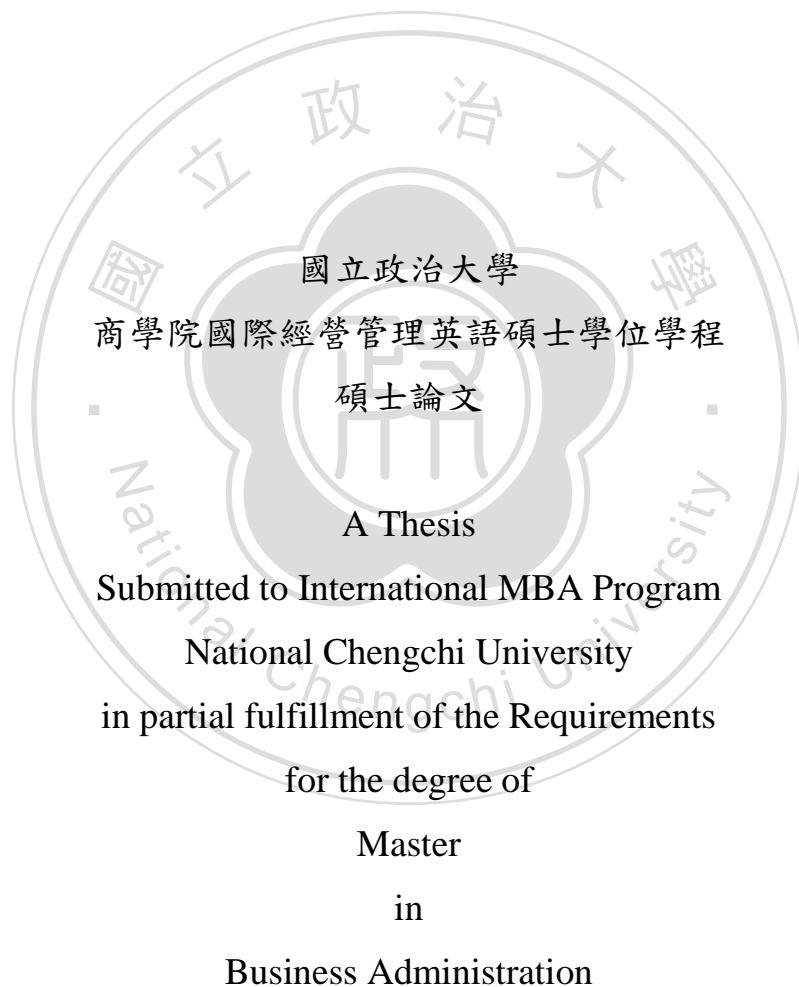
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Abstract

Qina Wheels and Tyres Services Company

By

Gcina Sibusiso Ndlangamandla

The future prospects for growth in the global tire market is robust, according to the latest in-depth analysis from Smithers Rapra. Exclusive provisional data from its forthcoming report, “The Future of Global Tires to 2022,” shows that the market will experience a steady annual growth rate of 3.4% over the next five years, pushing a total of 2.24 billion units by 2017 to a total of 2.65 billion units in 2022. In Swaziland, the industry is still at its growing stage since few companies who have been dominated by a monopolistic company seem to have paddled behind in terms of competitiveness. Whilst consumers are buying into the idea of “safe driving”, concept, there seems to be great opportunity for companies to exploit more and more places in an endeavor to gain market share and creating a competitive market that will help fight road accidents through eradication of unroadworthy vehicles in the Kingdom of Eswatini.

Whilst the demand and supply for tyres, wheel alignment and balancing services is fueled by the growing number of vehicles worldwide, this document provides information on the tyre industry, globally and in the Kingdom of Eswatini and through a feasibility study, it also analyses the future prospects of a company venturing into the industry. The study introduces Qina Wheels and Tyres Services Company’s business model which emanates from its business strategy and marketing strategy. Both strategies are developed in order eliminate possible threats and alleviate weaknesses by focusing more on the company’s strengths and opportunities. Key market penetration strategies and key success factors of the company are

presented through the marketing strategy and business model of Qina Wheels and Tyres Company respectively.

Keywords: Wheels and Tyres, Wheel Alignment and Balancing, Safe Driving.



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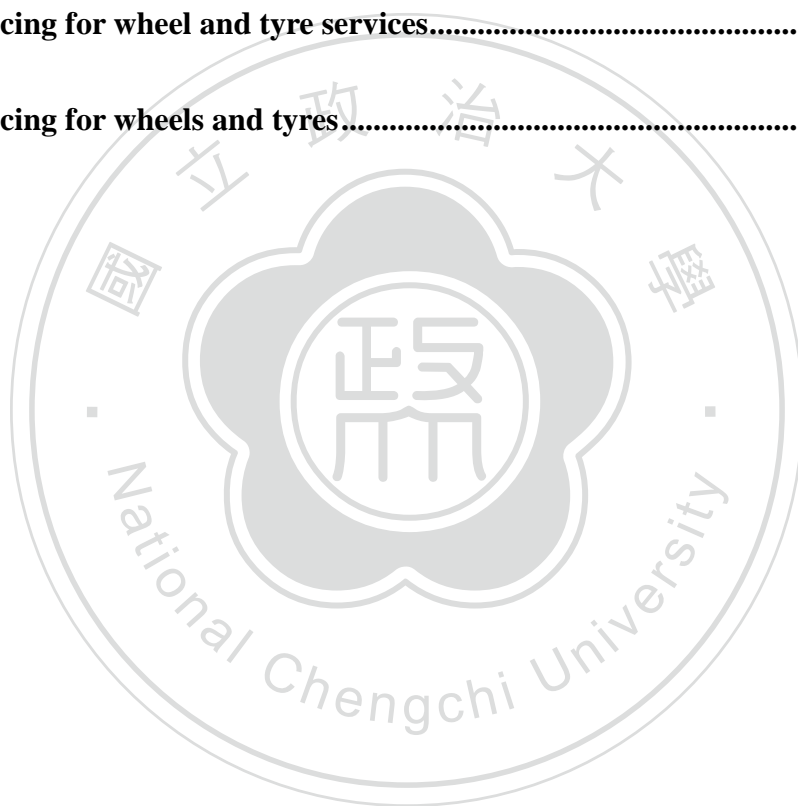
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1. Introduction

The wheel alignment and balancing, tyre sales and repairs industry in the world has become an option for many business people willing to venture into servicing the ever-growing motorist customer base. By so doing, they are able to increase their income and wealth since they are able to charge motorists for their day to day tyre needs and demands experienced on the roads. Motorists on the other hand, understand that wheel balancing and alignment is unavoidable if they are to keep their cars running smoothly and safely on the roads, and meanwhile keeping their tyres on the roads for a long time before they are replaced with new ones.

Swaziland, being a middle-income country has in recent times been able to import cars from as far as the Asian region, mostly Japan, and as such, the automobile industry at large has been growing in recent years. This has given rise to business opportunities for the car dealers, the tyre sales and repairs companies as well as the wheel balancing and alignment ventures. It is fortunate that both the motorists and wheel and tyre service providers are well versed of the benefits of having smooth running cars on the roads. This therefore allows the tyre and wheel businesses to take advantage of the motorists needs in terms of tyre and wheel servicing, which a few have already set up businesses to service those motorists. But there are still more opportunities in opening up more and more businesses to make the tyre and wheel industry more competitive and vibrant.

Qina Wheels and Tyres Services Company aims to target both the low and high-income populations of Swaziland by making pricing strategies that will be affordable to all citizens. The set of business and marketing strategies to be introduced by the company will increase awareness on those who already know about the benefits of the business concept and increase customer base by providing distinct quality services at competitive prices. This business plan

presents those strategies as well as the business model for Qina Wheels and Tyres Service Company.



2. Overview of Wheel and Tyre Services Market in Swaziland

Swaziland, a land locked country is a middle-income monarch recently renounced officially as the Kingdom of Eswatini. It is located in the southern part of Africa and surrounded mostly by South Africa and partially by Mozambique. By year 2018, the population of the country had reached about 1,3 million. The Gross Domestic Product per capita in Swaziland was last recorded at 7733.80 US dollars in 2016, when adjusted by purchasing power parity (PPP). The GDP per Capita, in Swaziland, when adjusted by Purchasing Power Parity is equivalent to 44 percent of the world's average. GDP per capita PPP in Swaziland averaged 6493.16 USD from 1990 until 2016, reaching an all-time high of 8084.10 USD in 2014 and a record low of 5323 USD in 1991.

Figure 1 below depicts sources of income for the country that involve mainly agriculture which accounts for 6.5% of GDP and employ about 14% of the country's population. Industry and services on the other hand employs about 85% of the population and accounts for 45% and 48.5% of GDP respectively. Agriculture includes farming, fishing and forestry whilst industry involve mining, manufacturing, energy production and construction. All government activities, communication, transportations and finance fall under services. (The Central Bank of Eswatini, 2017).

Distribution of Employed Persons by Broad Industry and Citizenship			
Broad Industry	Swazi	Non Swazi	All Persons
Agriculture	14,1	7,8	14
Industry	18,6	19	18,6
Services	66,9	72,8	67
Not Stated	0,4	0,4	0,5
All Industries	100	100	100
	272 557	3 198	275 755
	99%	1%	100%

Source: 2018 Labour Force Survey, Central Statistics Office Ministry of Labour & Social Security

Figure 1: Employed persons population by each industry category in Swaziland

Source: 2018 Labour Force Survey, Central Statistics Office, Ministry of Labor & Social Security

Job creations as highlighted on figure 1 above impact on the income per capita of the country fueling up the ownership of cars by many Swazis. Moving from one point to the other requires transport and affordability by Swazis means more and more cars needed to meet the demand in the market. Mobility is key in all spheres and this presents growth to the transport industry, car sales industry and the wheels and tyres services industry at large. The two largest and major cities of Swaziland Manzini and Mbabane on the other hand are employers of about 20% of the country's population and form 40% of the countries employed population. The civil servants and private sector employed staff contribute greatly to this number and presents an opportunity for the wheel and tyre services market. (Central Statistics Office, 2018)

Many companies dealing with car sales and distribution have been doing well in recent years and their businesses have been growing and is projected to grow considering that the nature of the economy does not attract substitute mode of transport besides road transportation. Of late is the introduction of somehow cheaper imported cars mainly from Japan and Swazis have been flocking down to Manzini to own a car or two. As a result of every Swazi owning a car, the

roads are being narrowed, unusual traffic jams are becoming famous and the ever-anticipating government is improving the road infrastructure with endless highway roads constructions and roads expansions that declares growth in all spheres of the automotive and transport industry.

2.1. Demand of Wheels and Tyres in Swaziland

The wheels and tyres industry in Swaziland looks prominent. Cars, bakkies, buses, trucks and lorries have been flooding the Swazi roads and narrowing them as if to incite government to do something about the road infrastructure. The Swazi government on the other hand rose to the occasion and have not disappointed. During the year of 1998, the highway from Mbabane to Manzini was constructed and its completion came at the time where most Swazis felt the country had wasted resources. This came after the realization that most Swazis felt the highway was under-utilized looking at the number of motorist that used the road and when one did an impact study and looking closely at the benefits that came with the highway. In a few years' time to the year 2005, things started changing. The country gradually started to gear up towards the right direction in terms of development transition and in economy growth.

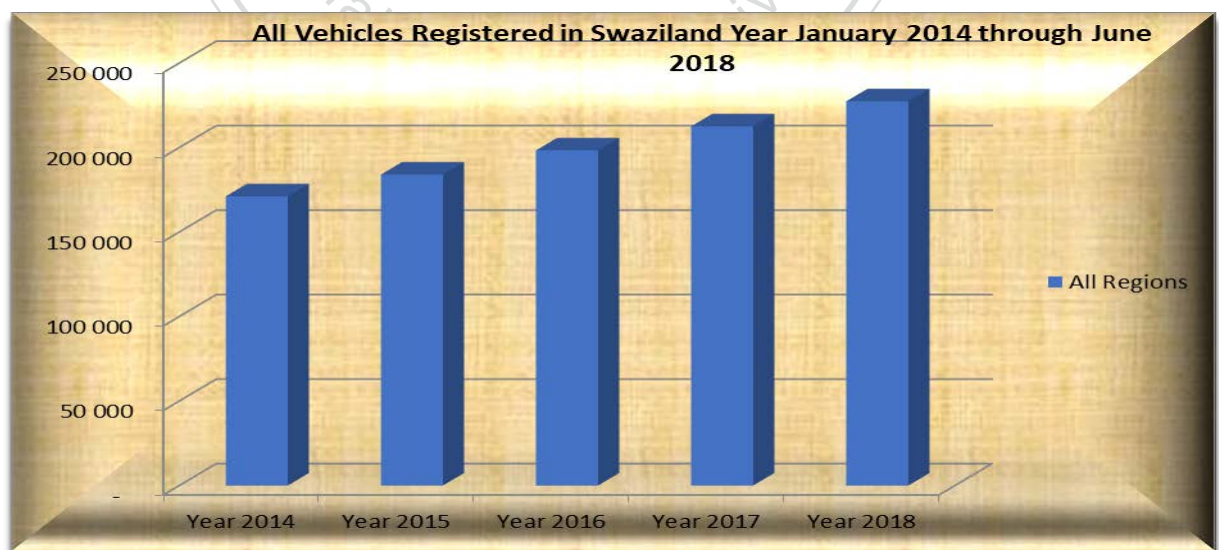


Figure 2: All registered vehicles around Swaziland from year 2014 to 2018

Source: Motor Registry, All Motor Vehicle Report, 2018

Figure 2 above depicts a steady growth in the number of vehicles that were registered with the Swaziland Motor Registry Department. According to the motor vehicle report of 2018, Swaziland had a total of 184,009 units of vehicles by year 2014, recorded 212,554 by year 2016 and 234,215 total vehicles in Swaziland by June 2018. The report shows an average growth of about 8% annually on the number of vehicles that are registered in the country. The sudden growth in the automotive industry and car sales came after having many Asians settling in the country and bringing business from abroad. They started by operating supermarkets, wholesale shops, electronic shops, restaurants and groceries. As years passed by, importing cars from Japan became the order of the day. As more and more Japanese imported cars hit the country, car dealership businesses were established along the Mbabane - Manzini corridor.

As a result, Swazis flocked the Matsapha industrial site to own one or two cars from Japan at competitive prices that beat the local industry prices. Competition became stiff for the local companies that were dealing in international cars as people preferred the Japanese cars to the local ones. The Japan imported cars industry grew so fast such that not even Swaziland Revenue Authority (SRA) introduction of heavy import and customs taxes on the cars could deter the growth of the industry. By year 2016, the very same highway was narrowed, traffic jams leading to frequent and undesirable accidents started making statistics on the highway and by year 2018, the highway had witnessed about 150 fatal accidents that claimed about 170 people's lives. (Ministry of Public Works, 2018).

Almost every Swazi citizen on the middle to high income earners group has become an owner of a car. Unlike in Taiwan and most Asian countries where the use of bikes and railway transportation is ideal to move from one place to the other, Swazis prefer driving cars as means of transportation. There are no public trains and no train stations. Bikes on the other hand are

regarded as luxurious and are for a certain group of people with a taste for loud sounds, racing and high-speed driving. Having highlighted the growth in the demand for cars in the country, one should note that a systematic growth in the car industry equates to a proportional growth to the wheel and tyre services industry. Safe driving and accident free roads emanate from the availability of good wheels and tyres, quality tyre repairs services, wheel alignment and balancing services.

The prospects of the continuity in the industry is good considering that the construction of roads in anticipation of further growth in the car industry still continues. The construction of the King Mswati III International Airport by year 2016 on the other hand has opened up many opportunities and favorable demand for cars in the country. As a result of the airport, a freeway from Manzini town to the airport about 60km away is under heavy construction and projected to be fully operational by year 2020. The industry's future therefore looks bright considering the new vehicle registrations made through the years 2014 to 2018. Table 1 and Figure 3 below respectively depict that more than 12,000 new vehicles are registered every year across Swaziland. By June 2018, about 63,062 new vehicle registrations were recorded since year 2014. Qina Wheels and Tyres being strategically located under Hhohho district will be targeting Both Manzini and Hhohho motorist that account for about 70% of the new vehicle registrations around the Kingdom of Eswatini.

New Registrations of all vehicles by District for the years January 2014 through June 2018							
District	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Grand Total	Distribution
Hhohho	2 886	3 669	3 141	4 393	1 722	15 811	25%
Manzini	4 603	6 389	8 233	6 105	3 016	28 346	45%
Shiselweni	3 222	2 462	1 770	2 216	1 020	10 690	17%
Lubombo	2 145	1 844	1 037	2 106	1 083	8 215	13%
Total	12 856	14 364	14 181	14 820	6 841	63 062	100%

Table 1: New Registrations of all new vehicles by District for the years 2014 through 2018

Source: Ministry of Public Works report automobile survey, 2018

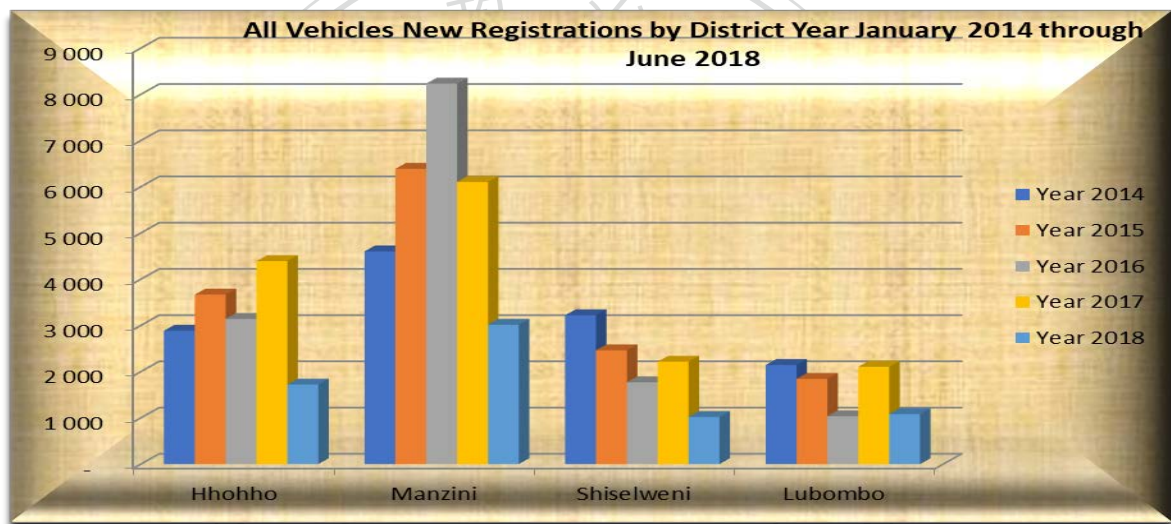


Figure 3 New vehicle registration by district in Swaziland (2014-2018)

Source: Ministry of Public Works report automobile survey, 2018

The company's future can never be brighter without the ability of the players to educate motorist through vigorous marketing campaigns about the benefits of having safe driving wheels and accident free roads for all in the country. The ability to provide distinctive quality wheels and tyre services for customers in an industry that is still on its growth stages as shown below will enable the business to have a competitive position in the market. Through branding and image building, the company will have the opportunity to establish and retain customers that are loyal to the company

2.2. Supply of Wheel and Tyre Services in Swaziland

The ‘Business For Today’ magazine, a reliable and an up to date day to day report on the business activities taking place in the country states that there are about four (4) official wheel and tyre companies along the Lubombo Plateau termed the ‘Gold of Swaziland’ where most of the sugarcane farming is conducted. Both Manzini and Hhohho regions consisting of the two major cities, Manzini town and Mbabane city have ten (10) companies dealing in the sales of wheels and tyres and wheel and tyre services. Interesting enough is the fact that out of the ten companies, Mbabane as mentioned earlier on has only just two companies who are located next to one another in the city centre. The Shiselweni region on the other hand dominated by the forestry industry has only about two (2) informal companies across the Nhlanguano town selling both new and second hand tyres and offering tyre repairs services on the side. Wheel balancing and alignment services on the other hand is yet to be exploited in the Nhlanguano town.

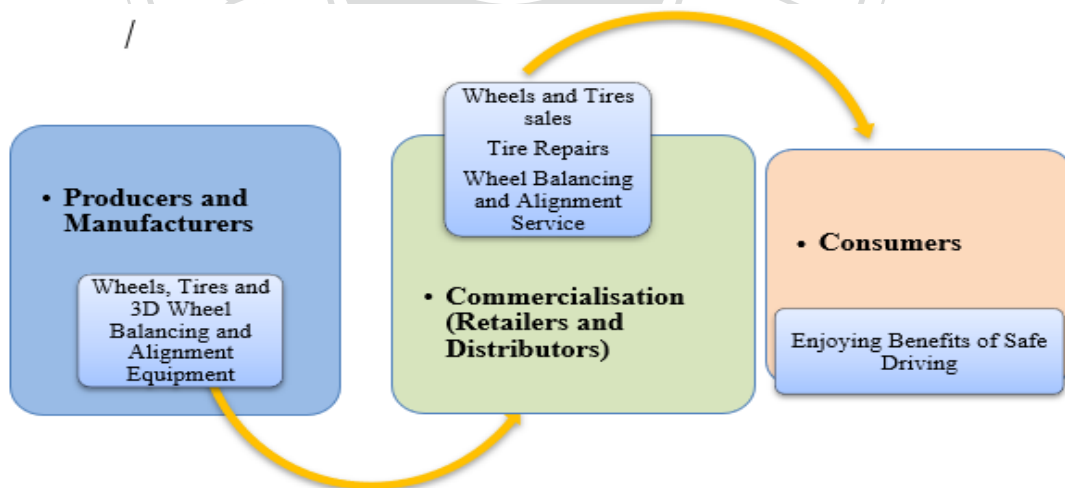


Figure 4: Process Flow Diagram for the Tyre Industry Players

Source: The Swaziland Business for Today Magazine, 2018

The wheel and tyre services players in Swaziland are concentrated on the second part of figure 4 above. The process flow depicts that most of the players are involved in buying finished and processed goods from other countries like South Africa, Mozambique and imports from abroad and selling to consumers at a premium price. The offering of the wheel and tyre services on the other hand require machinery which to date Swaziland has not yet attracted Foreign Direct Investments in that field such that the machinery was locally assembled and produced. The players rely heavily on imports, buying the wheel alignment and balancing equipment from China, Europe and South Africa.

2.2.1. Registration and Certifying Agencies

For a company to be fully operational, it needs to undergo the registration and certification process whereby the Registrar of Companies office under the Ministry of Commerce & Industry and the Ministry of Justice & Constitutional Affairs come into play. The company needs to be registered under the rules and regulations of the Kingdom of Swaziland's Company Act of Swaziland before it can start operations.

2.2.2. Wheel and Tyre Producers

Swaziland, as mentioned on the above section has not yet ventured into the production and manufacturing of wheels and tyres, or rather 3D wheel alignment and balancing machines for that matter. Players in the industry rely heavily on the importation of finished products (tyres and wheels) and then reselling them at a premium price to the customers. Nonetheless, a few companies like Bandag Tyres have in recent years been engaging in partial production and manufacturing of tyres which involves "re-treading" whereby smooth worn out tyres are re-treaded through an intensive machinery process. The idea is common with heavy duty tyres for big trucks, lorries and buses. Big companies like the sugarcane growing companies (Royal

Swaziland Sugar Cooperation, ILLOVO) along the Lubombo Plateau and the forestry plantation companies operating mostly in bakkies, trucks and buses on the other hand have bought into the idea of the re-treading technology and as such, are a big market.

Bandag Tyres: is a company originating from South Africa operating about five (5) branches in the country, three along the Lubombo Plateau, one in the busiest Manzini town and one in Mbabane city centre. It's a long-established company that has been in the market for some time now and has enjoyed much of the market share since its arrival. Bandag tyres offers wheel alignment and balancing, tyre repairs and the selling of only brand new tyres. Recently in trying to diversify and meet the latest trends in technology, the company as depicted in Figure 5 below has ventured into tyre re-treading and has in the process attracted contracts mostly from the big companies operating heavy duty cars. Re-treading is a new concept and so far, Bandag Tyres has been the only company engaged in it in the country.



Figure 5: Bandag Tyres Staff in the re-treading process

Source: South Africa Bandag Tyres website

2.3. SWOT Analysis of Wheel and Tyre Industry in Swaziland

2.3.1. Internal Factors – Strengths and Weaknesses


Strengths:

1. Tyre and wheel maintenance is not an option for motorist but a matter of safety and healthy road driving experience and all motorist are aware of the benefits of wheel alignment and balancing in a vehicle.
2. Entry Requirments: The laws and regulations under Commerce Registra of Companies department has in recent years streghened the registration and operation of such companies such that no one company can operate without a proper licence certified by the Minister for Commerce Industry and Trade.
3. Demand vs Supply of Human Resources: Unemployment rate in the country allows a business to employ staff at somehow cheaper rates (Gazetted by Government)
4. Few Competitors in the market: In Mbabane there are only about three tyre and wheel companies and all congested in the city centre, which then allows a business model just outside town to benefit more and obtaining a high market share.

Weaknesses:

1. High cost of obtaining a registration certificate from the Registra of Companies in order to operate fully and legally
2. The process of obtaing registration and licence from the Ministry of Commerce is tedious and cumbersome
3. High Prices: Due to high costs in buying quality machines and maintenance costs of the machines thereafter.
4. High overhead costs: Electriccity costs has been escalating in recent years due to lack of locally produced power. 70% of Swaziland's electricity is imported from South Africa.
5. Insufficient supply of skilled labor: There is only a few skilled and experienced individuals that can be lured from the market which makes them to be a bit expensive.

2.3.2. External Factors – Opportunities and Threats



Opportunities:

1. Improved Technology: Business opportunity in terms of supplier and buyer relationship. Marketing of products and services as well as communication between customers and service providers will be efficient.
2. Neighbouring country, South Africa being the power house of Southern Africa: Acquisition of equipment from overseas and maintenance thereof will be easy.
3. The relative small volume of tyre and wheel services competitors in Swaziland and Mbabane City at large presents an opportunity to exploit even more and more places.
4. The continuous development of the area presents an opportunity to bring the tyre and wheel business customers closer to the site thus growing the business.
5. The Laws and Regulations governing the importation of Japanese cars present a continuous opportunity for the success of a tyre and wheel industry and increases customer base.
6. Accessing Financial Aid from micro lenders becomes feasible with a business proposition of this calibre considering the fact that the industry's future and prospects looks good.



Threats:

1. Financial Instability of the country: The economic and political situation giving rise to inflation and interest rates could make consumers avoid tyre and wheel services and rendering them luxury in the process.
2. Our own customers i.e the private companies and government becoming competitors in the future and opting to provide the wheel and tyre services themselves.

2.3.3. Competitive Forces

Porter's five competitive forces in the figure 6 below analyze the competition in this industry and on each of the levels, it determines possible opportunities or threats depending on the strength of the competitive force.

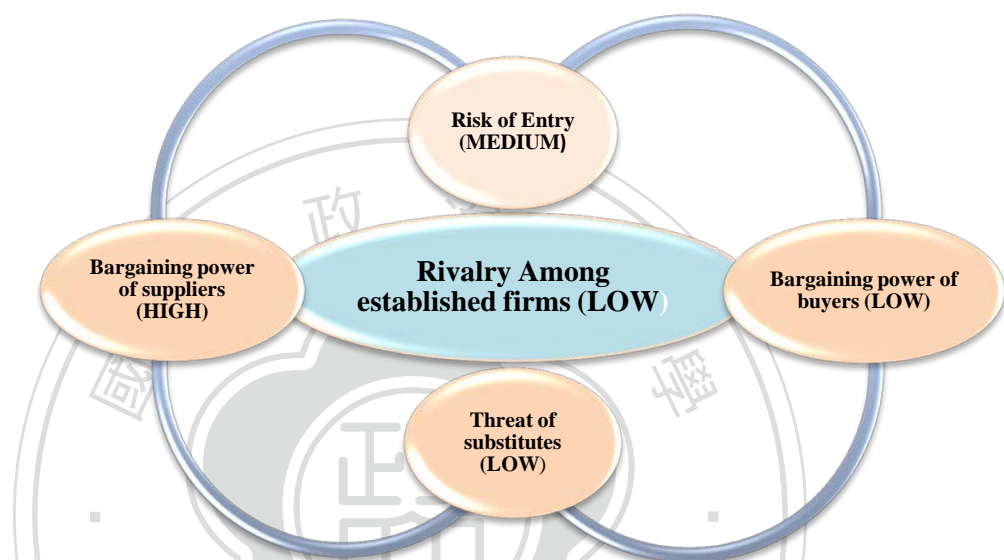


Figure 6: The Five Forces Model applied to the wheel and tyre services industry in Swaziland

Risk of Entry of potential competitors – since there is a small volume of companies in this industry and relatively huge financial capital involved in venturing into it, the risk of entry is considered medium in this industry. Having said that, the possibility of new entrants is not ruled out and it is important that the established companies in trying to lower the risk of competitor's entry put emphasis on branding and loyalty amongst its customers.

Rivalry among established firms – Tyres and wheel services industry rivalry is very low in Swaziland and Mbabane market at large, since companies competitive advantage depends mainly on branding and loyalty and location of the tyre and wheel businesses. The fact that there are few companies also engaged in tyre and wheel services, they have the opportunity to

increase or decrease prices without causing price wars. This however does not mean that the industry is not subject to threats of new companies taking risks to provide the tyre and wheel services leading to increased rivalry and price wars. Price wars could lead to reduced profits, laying off staff and to certain extent closure of already established businesses and only well-known brands with loyal customers could survive.

Bargaining Power of Buyers – The type of industry renders the bargaining power of buyers low since they have a minimum power over the price. However, their only influence on the price could only depend on the choices of suppliers they choose due to how much they charge for their services and pricing by suppliers could either keep or chase customers.

Bargaining power of suppliers – The tyre and wheel industry services industry renders the power of the suppliers high since there are few companies that exist in Swaziland, mainly Mbabane market. In essence, the existing companies have the opportunity to either raise or reduce prices leaving the customers with no option but to buy in.

Threat of Substitutes – The tyre and wheel services industry is exclusive and can never be substituted for anything. So far, there has been no better product to replace tyres and wheels in the motorists' world and this allows the companies to charge moderate prices and obtain additional profits. On another note, the introduction of other modes of transport systems besides road transport seems impossible in the country. Unlike in Taiwan where rail transport is an extremely important form of transportation due to high population density, Swaziland's population does not attract train transport and this presents an opportunity for further growth in the tyre and wheel industry.

3. Global Overview on the Wheel and Tyre Industry

Whilst the demand and supply of the wheels and tyre industry is driven by growth in the number of vehicles in use across the globe, demand for wheel alignment machines on the other hand is on rise owing to increasing awareness towards the necessity and benefits of accurately aligned vehicles. Also, wheel balancing and alignment is fueled by cars mileage coverage and roads' conditions of the countries. The wheels and tyres industry includes companies that produce, manufacture and sell automobiles or any motor vehicle wheels and tyres to the consumers, dealers, retailers or industries whose main business is related to wheels and tyres. This industry put emphases on either new or re-treaded tyres, for trucks and lorries, buses, vans, SUVs, motorcycles, trailers or any transportation vehicles involved in carrying out repairs and fixes on tyres. Tyres industry is a mature industry after having evolved rather than revolved over many cycles and stages in the last century. And as such, the industry has developed to stages whereby it has been able to effectively maintain the demand and supply chain at its optimal level. (Market Research Reports, Inc, 2018)

The tyre industry is considered one of the biggest contributors to the global economy and have been performing excellently after having gone through rough patches and unfavorable economic situations. The wheel and tyre industry is a structured industry and is projected to underperform and contrast against the economy until the end of 2019 due to several global factors that include consumer spending patterns, drops in government economies and increases in manufacturing inputs. The revenue is also estimated to decrease over the next five owing to all the above and will affect negatively the profit margins for all players in the industry. Investment in heavy research and development though is expected to improve the operations of

manufacturers in the industry in such a way that, they will find cheaper and economical means to scale production thus becoming professional in their operations. Eventually the industry's revenue is expected to grow by 2.2% annually until 2024 to reach the value of \$5 billion. (Freedonia Group, 2018)

The tyres industry and retailers at large is said to have performed well over the last five years when compared with other industries in the automotive sector. The consumers income, buying power and the global trends in latest technological advances in automobiles have increased the demand for tyres across the globe. One should mention that there are certain factors that have been affecting the tyre industry and lessening tyre demand. This include hikes in rubber prices for the manufacturers involved in producing tyres whom in return have transferred those costs to the final consumers. Increases in fuel prices and oil on the other hand have also been detrimental factors to the industry considering the fact that mileage coverage depends on fueling ability by motorist. The less distance travelled by each consumer vehicle results in more years taken for tyres to worn out and get replaced, thus lessening demand for new tyres.

Economic recovery and emerging markets such as Korea, India and China over the next years is expected to give rise to profit margins in the overall tyre market. These countries are expected to come with benefits in the industry considering the fact that they are coming up with latest technologies in mass production and developing economies and as such, the opportunities brought about by the new entrants in those markets are tremendous. According to Freedonia Group (2018), the global tyre industry is estimated and calculated to record an approximate of 5% yearly growth in volume demand until 2015 and reaching almost 3.5 billion units in sales. The industry is expected to record 7% year on year growth to reach the revenue of \$220 billion by the end of 2015.

3.1. Wheels and Tyres Services and Safe Driving Concept

Road Safety authorities and governments in different countries across the globe have given much focus to vehicle maintenance and aspects such as tyre safety and wheel steering stability. Vehicle factors have proved to be attributable to road crashes such that motorists and drivers at large have been advised most often than not to carefully inspect their vehicles and vehicle components making sure that they are proper. Doing so allows them the best possible chance that they arrive safely at their final destinations!

Wheel balancing and alignment according to the arrive alive South African website are aspects that are often neglected by vehicle owners. Most often, these aspects are considered least important and little attention is given to their importance. Whilst tyre life is important to driver's safety, these aspects should also be considered as prevention measures towards road accidents and as important as tyres. Considering that wheel balance refers to the even distribution of weight around a wheel and tyre in motion, an out of balance wheel will cause the vehicle to vibrate as it accelerates to reach certain speeds. The uncomfortable bounces caused by the wheels are so disturbing that the driver might lose control of the vehicle in the process. Below are dangers of unbalanced vehicle:

- Wheels that are not balanced or are out of balance generally produce a vibration that is uncomfortable to drive in and compromises the handling of the vehicle.
- Unbalanced wheels put unnecessary stresses and strains on the wheel bearings and suspension components.
- Steering components including tyre rod ends and ball joints can also be damaged and all the parts may fail unexpectedly in life-threatening cases.
- Unbalanced wheels result in early wearing of suspension and steering components,

rotating parts and tyres.

- Unbalanced wheels also increase fuel consumption. Ignoring the symptoms can be dangerous and expensive as illustrated in figure 7 below whereby the figure depicts a tyre burst due to unbalance wheels.



Figure 7: Tyre burst due to lack of wheel alignment and balancing

Source: Arrive Alive Website, South Africa, 2018

Wheel alignment on the other hand is the process whereby the wheels are rotating proportionally and in line with the ground. This is done to ensure that the tyres are adjusted straight with the road such that the car would move straight over a certain distance without the driver touching the steering wheel. There are more significant reasons why wheel alignment is so important to safety other than just referring to it as tyre wear and wear patterns.

Whilst a vehicle that is knocked out of alignment compromises the safety of motorists and drivers through noticeable effects on your ability to steer the vehicle, the degree of misalignment is not obvious to the human eye. Unless the driver knows to have hit potholes and rough roads more often, alignment should be checked every 10,000 km or 6 months, whichever occurs first as a precaution to wheel alignment, otherwise motorist should stay alert to the warning signs that the wheels might be out of alignment. Uneven tread wear as in figure

3 above is a sign that the car was driven quite a while with improper wheel alignment. Often, as seen on the figure above, the inner tyre tread will wear down smooth while there is still plenty of outer tread left, or visa-versa. The result is that tyres have to be replaced sooner than expected otherwise road accidents are inevitable. (South Africa Online Road Safety Awareness , 2018)

3.2. Wheels and Tyres Demand

Demand for wheels and tyres in the developing regions will be fueled by growth in the number of vehicles in use, whilst increases in average annual vehicle mileage worldwide will be boosting tyre replacements, wheel alignment and balancing services. The development of newer and more classy vehicle designs comes with a need for technically advanced automotive wheel alignment and balancing components. A world study by Freedonia Group states that the world demand for tyres is projected to rise 4.1 percent per year to 3.0 billion units in 2019. The study assures that sales of tyres are projected to increase by 7.0 percent per annum to \$258 billion. Improved incomes in developing regions on the other hand will trigger growth in vehicle demand, fueling demand for wheels, tyres and wheel balancing and alignment services at large. Higher income levels and expanding economic activity will also contribute to increases in average annual vehicle mileage, boosting replacement and wheel and tyre service rates. However, tyre quality and quality wheel alignment and balancing services will exert marginal downward pressure on replacement rates and demand for tyres and the services. Accurately aligned vehicles through quality alignment components would result in longer suspension life and would reduce the repair expenses.

The Asia/Pacific region accounts for half of all tyres sold around the globe and the region is forecasted to post the fastest growth and demand through 2019. According to the Freedonia group study, China which accounted for almost one-fourth of global tyre demand in 2014, will

remain one of the fastest growing national markets for tyres. Other countries including India, Indonesia, and Thailand are expected to spur rapid tyre demands with Japan having been the fourth largest market for tyres forecasted to experience a downturn and disappointing sales over the period. The developing Africa/Mideast region and Central and South America are expected to remain below six percent of the global total tyre sales in 2019 after having maintained just above average in tyre performance sales. Growth in demand for tyres is expected rise about 1% annually through 2019 for the North America and Western Europe whilst replacement tyre markets in these regions are mature, considering the fact that vehicle ownership rates are already at optimal levels.

Figure 8 below depicts global tyre sales by global demand for car and light commercial vehicles across the globe. The trend looks positive over the years and tyre demand have grown from 1335 units in 2012 to 1624 units by 2018. The growth depicts a 21.64% increase over the years to 2018 and an incremental average annual increase of about 8% through the years 2012 to 2018.

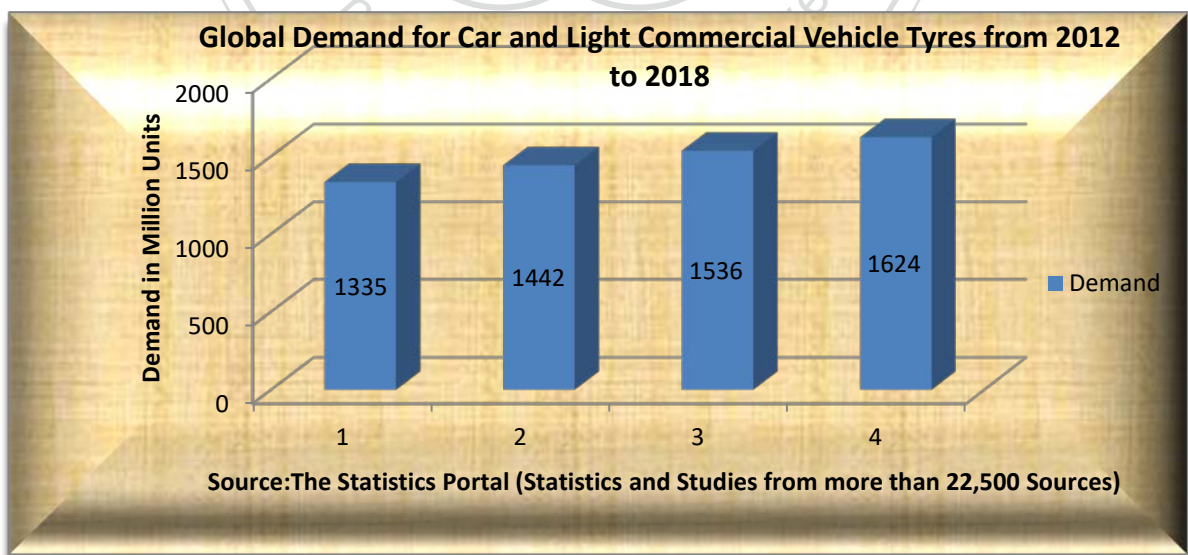


Figure 8: Global Trend in Tyre Demand by unit sales

Source: The Statistics Portal (statistics and studies from more than 22,500 sources)

3.3. Wheels and Tyres Supply

According to the Daily Records 2017-2018, the “Top 10 Largest Tyre Manufacturing Companies in The World in 2018”, the largest tyre manufacturers by far have been Europe and Asia. Considering that Asian manufacturers boast with cheap labor costs, Japan’s Bridgestone continued to dominate the industry by pushing revenues of about 26.2 billion during the year 2017 as depicted in Figure 9 below. Second-ranked Michelin of the United States boast with 23.4 billion in revenues whilst third-ranked Goodyear Tyre Company with its headquarters in the United States as well have pumped in 14.6 billion in revenue over the same year. While Continental’s closest competitor, Bridgestone of Japan, generated about 83 percent of its revenue from the tyre production and sales in the 2016 fiscal year, Germany's Continental in fourth position is the major player based on tyre sales overall revenue and have been active in various production lines including brake systems manufacturing and automotive safety. Founded in 1871, Continental generated a total of about 40.55 billion euros in revenue over plants that employed around 216,000 employees worldwide during the fiscal year of 2016. (The Daily Records, 2018)

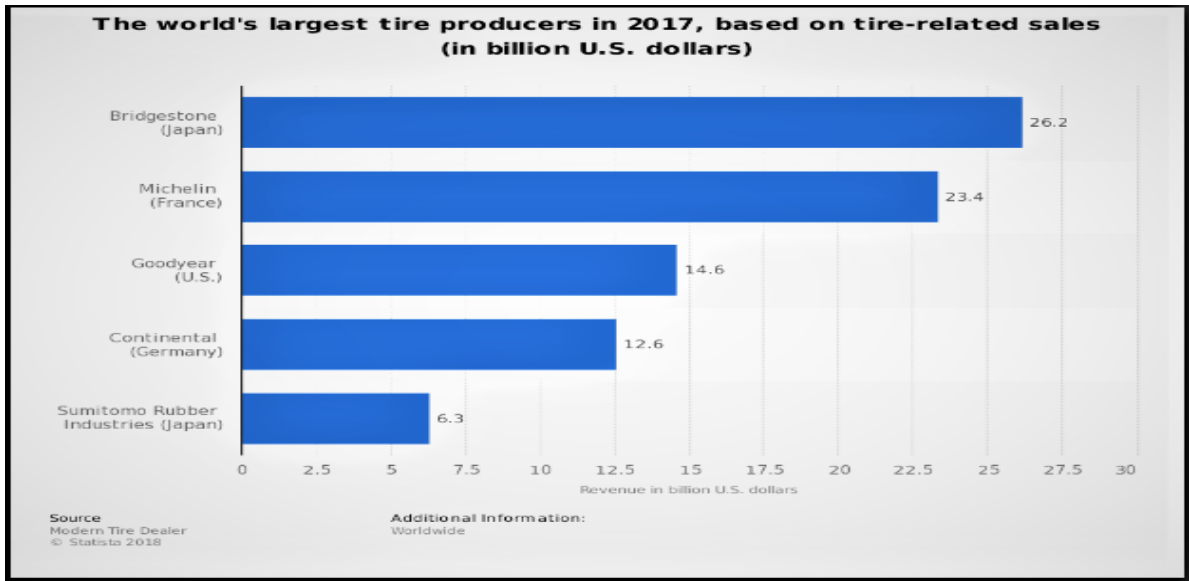


Figure 9: Tyre related sales Global Distribution of Producers and Manufacturers

Source: The Statistics Portal, Largest Tire Manufacturers by revenue, 2017

Having highlighted the trend in the tyre market around the globe, the Asia Pacific region on the other hand is projected to dominate the global wheel alignment market over the forecast period year 2017 - 2025. The region including China and India is said to account for a larger share attributable to the high demand for automotive industry as highlighted in the above sections. While Latin America and Middle East is forecasted to depict a sluggish growth over the forecast period, Europe and North America will account for a significant market share owing to developed manufacturing sector and demand for precision equipment. (Research, Persistence Market, 2018)

4. Business Strategy

4.1. Competitor's Analysis

4.1.1. Swaziland Bandag Tyres



Bandag Tyres: highlighted above is a company originating from South Africa, operating about five (5) branches in the country, three along the Lubombo region, one in Manzini which is the country's busiest town and one in Mbabane, city centre. Even though it is a long-established company that has enjoyed a lions' share of the market since its arrival, the company does not have a website or social media platform such as a Facebook page or WhatsApp account, for interaction with customers.

Mr. Dlamini, Bandag Tyres Sales Manager stated that the company has not been involved in any marketing or publicity campaigns. These could be in the form of road safety campaigns, sponsorships for social activities such as soccer tournaments, corporate social responsibility in the form of support for the poor the vulnerable and disabled persons. These are all activities that can have a positive impact to the Swazi citizens. In a nutshell, the company has been operating conservatively and relied heavily on its brand and image as it enjoyed a monopoly over the years. The loopholes and gaps highlighted above present an opportunity for Qina Wheels and Tyres Company to explore available opportunities for gaining popularity and taking over a share of the market.

Bandag Tyres offers tyre repairs, wheel alignment and balancing services on cash on delivery basis to all customers and sometimes provides three months lay byes on tyre sales. It has however enjoyed long standing contracts with big private companies like the Royal Swaziland Sugar Company (RSSC), Swaziland Electricity Company (SEC), Swaziland Water Services Cooperation (SWSC) and Parastatals and as such, the heavy revenues from the contracts have resulted in the company being complacent and neglecting marketing drives. It boasts of establishing “re-treading contracts” with RSSC down the Lubombo region and as such, 90% of its re-treaded tyre sales come from contracts. Bandag Tyres’ long term plan is to open more and more branches across the country. (Bandag Tyres, 2017)

According to the “Business for Today”, (2018) magazine and as depicted by figure 10 below, Bandag Tyres have enjoyed at least 65% of the overall market share and the rest of the companies sharing the remaining 35% in all spheres of the industry that includes, tyre sales, wheel alignment and balancing, re-treading and tyre repairs services. And as such, being the only company involved in re-treading, the company have enjoyed a 100% monopoly market share on contracts and tenders with the big companies under its re-treading revenue stream. Figure 10 below shows a distribution of the market share by tyre related sales over a five-year period to year 2018. While Bandag Tyres enjoys 70% of the market share, second ranked MaxiPrest Tyres accounts for 15%, followed by Online Tyres at 10% and other companies at 5%. This presents an opportunity for Qina Wheel & Tyres Services Company to gain and increase market share through its well-designed marketing strategies, business model, innovativeness, strengthened customer relationships and smart hiring practices that will be detailed under key performance areas of the company in the next sections.

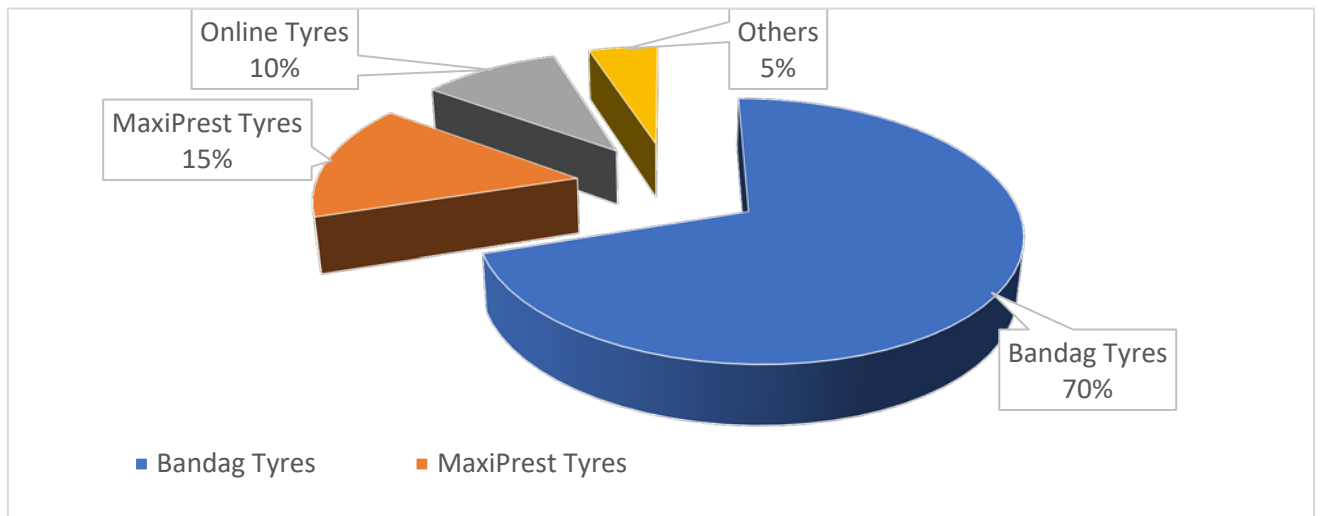


Figure 10; A pie chart depicting market share distribution by tyre related sales

Source: Business for Today Magazine, 2018

4.2. Qina Wheels and Tyres Services Company Description



Qina Wheels and Tyre Services Company will be registered in Swaziland and governed by the rules and regulations of the Kingdom of Swaziland's Company Act of year 2000.

Once the company is fully registered, machinery acquisition and site enactment

will be the next stages that will run concurrently but not before the required capital and finances are secured through micro lenders and shareholders' equity.

The business will be based at Mbangweni, a small township just adjacent to the busiest Sidvwashini Industrial site and the Mbabane-Oshoek Boarder Gate highway and will be targeting thousands of motorists, kombis', buses, trucks and tractors using the high way road to Oshoek Boarder Gate. The boarder gate is the busiest amongst about five boarder gates that connects Swaziland and South Africa. The Mbangweni area is developing at a fast pace and

next to it is also a fast-developing area called Woodlands which is under heavy construction as it is being turned into a suburban area. The development of the suburb has seen the construction and full functionality of a moderately big shopping mall where the company will be based.

The wheels and tyre service will be done under a spotless and safe environment, fully equipped with quality wheel alignment and balancing machines of latest and best technology imported from China. To create credibility for the company, the machines will be operated and serviced by fully equipped and skilled personnel who are professionally trained and experienced on the job. As mentioned earlier, the location is strategic and next to the shopping mall of Mbangweni-Woodlands area and trying as much as possible to bring business closer to our target market. It is a first stop for tourist from South Africa and the only place you can find just before you can reach the city centre. Worthy of note is the fact that, this place also attracts all customers who are trying to avoid traffic jams in the city centre, preferring to do shopping outside of town.

In trying to reach out to its customers and suppliers, the company will have its own Website, Facebook Page and WhatsApp interfaces that will enable ease of communication. It is going to be through the website that customers will arrange and slot in appointments for their service needs, pay for deposits and commitment fees online as well as settling of bills and invoices. The wheel and tyre service company will benefit from the increase in economic activity in this area, and whilst customers cars will be attended to, customers will have the opportunity to enjoy free Wi-Fi services at the company premises or pass time by either doing shopping or grabbing refreshment (coffee and tea) on any of the available coffee shops around the mall.

The company will be easily recognized and differentiated from others through its well-designed company logo depicted in figure 10 below and will be displayed on all our business cards, company uniforms, website, Facebook page, WhatsApp account and through all our



promotional items.

Figure 11: Qina Wheels and Tyres Services Company Logo in display

4.2.1. Company Vision

Provider of the best wheel and tyre services to the safety-conscious motorists in Swaziland.

4.2.2. Company Mission

To create a safe and sound motorist-oriented driving experience awareness in our customers by providing high quality wheel and tyre services in the most appropriate way.

4.3. Company Goals

Following the massive 70% market share enjoyed by Bandag Tyres as highlighted on the above section, in the medium term, the company intends gaining at least 20% of the overall market share by year 2023 through the following short-term goals;

- Provide high quality wheel and tyre services
- Increase customer base by attracting enough customers to make a sustainable profit
- Create sound and strong relationship with the suppliers and customers

- Create a good working environment for our employees
- Create credibility for the company by adhering to laws and regulations

In the long term, over a 5-year strategic plan interval outlay, the company aims to have rampaged at least 30% of the overall market share by year 2028 through the following goals achievement:

- Inclusion of the Swaziland Government, Parastatals and Private Companies into the revenue stream of the company through the establishments of long term contracts.
- Product branding culminating to a stable and strong community of wheel and tyre customers that are loyal to the company.
- Raising awareness to customers about benefits of safe and sound driving experiences through having the best wheel and tyre services.
- Strive to partner with Motor Vehicle Accident Funds in order to collectively aid in raising awareness in road safety and thus be involved in social activities.
- Extend business to small towns around the four regions of Swaziland where wheels and tyres services businesses have not been exploited.

4.4. Strategy and Key Performance Areas

Swaziland is a small country with only 1,3 million in population across just four regions and has only 8 official towns. About three of those towns have not been exploited and this means that the wheel and tyre industry is still at its emergent stages and not yet reached its full capacity where companies would enjoy a great deal of economies of scale. Considering that two competitive wheel and tyre companies are already in the market and well known, the best Porter's strategy for Qina Wheel and Tyre Services Company to pursue, is a focus

differentiation strategy. The strategic location of the business in this case will enable the company to focus in building good relationship with its target customers through branding, offering quality and distinctive product and service line to one or two market segments. And this will allow for up and down movements in premium price charging.

To create value and accomplish the desired goals, several initiatives need to be in place:

Suppliers: South Africa is the powerhouse for establishing strong ties with the wheel and tyre producers and suppliers and it is imperative that the company guarantees an endless chain of supply. It is fortunate that South Africa and Swaziland has free trade agreements and no visas are needed between the two countries. In addition, both countries use the same currencies even despite the differences in terms of Rands for South Africa and Lilangeni for Swaziland, the value is the same which makes business transactions very easy and efficient. Amongst the harbors of South Africa is Cape Town and Durban, with Durban being the closest to the country, it becomes ideal for good business. Also next to Swaziland is Mozambique mainly Maputo City where also good suppliers could be sourced from there.

Talent Management: The company intends hiring professionals and experienced personnel that will add credibility to the company. The success of the company depends entirely on its ability to lure the best employees in the industry and not only regarding them as human resources but as “talents”. Amongst the already established companies in Mbabane are individuals who are well known and have been in the industry for a long time. The company’s success depends on such kind of talents since customers would want to be associated with reputable staff, who can be trusted to give a long-lasting quality service. Having attracted the best staff would mean that the company derives strategies to retain those individuals by giving

them the best healthy working environment in the short run, through bonuses that will be based on the overall performance of the company.

The compulsory provision of a high benefit Medical Aid to the staff will be our main priority taking into account that a healthy staff is a healthy company and a place which is home away from home. The company also aims to give double pay for a day to each staff celebrating a birthday as well as free lunch. In the long run, the company intends selling shares to the employees in an endeavor to make them feel they are treated like partners and owners of the company. The provision of housing allowances and commission reward system is also in the future plans of the company and in order to gain the employees trust, the company needs to be as transparent as it can possibly be in terms of the reward systems to put in place.

Information Communication Technology: Swaziland has vastly improved in communication technological advances and more and more individuals are owning either one or two gadgets for interaction purposes. As a giant step to setting up the company, it is imperative to go with the latest trends by developing and creating e-commerce platforms for our clients where they will be able to select the products and services they want, view prices, compare and contrast and then make the payment online. This can be done through the creation of the company's website, WhatsApp account, Facebook page integrated on the website and all this should be designed to allow customers to interact with the company for the services and products required in any time of the day.

Almost everyone in the country can now be reached through WhatsApp and many companies have successfully developed strong relationships with their customers through that platform. Facebook on the other hand has been used frequently by people aged between 16 and 40 years.

Having established the platforms, it is necessary that one person is hired to monitor and address all orders, questions, queries and concerns if any in a timeous manner otherwise all the efforts for the platforms will be detrimental to the image of the company. The company will have to choose safe payment options available in the country and through advances in technology, many have been established. To name but a few is online banking, e-Wallet and Mobile Money and all have proved to be reliable.

Market Penetration Strategy: Positive publicity is key in this industry if the company intends generating revenue and making profits thereof. This can be done through huge investments in rigorous marketing, a strategy aimed at educating customers about the benefits of having proper and safe wheels and tyres amongst motorist on the roads. In doing so, there is a need for a marketing campaign, a strategy that is aimed at attracting and retaining as much customers as possible and this requires that the company partners with parastatals, private and public institutions and the Government of Swaziland at large. The sectors that would wish to partner with the company cut across all sectors that exist to serve the nation through the prevention of road accidents and thus putting emphasis on road safety measures. Below is a detailed description of some of the intended partners:

Motor Vehicle Accident Fund (MVA) - One of the parastatals dealing with road safety and processing of claims for road accidents victims. Its head offices are located in the city centre of Mbabane and generates revenue from each litre of petrol filled by every car across all petrol stations around the country. MVA financially reaches to every member of the public, motorist, passengers and pedestrians who have been involved in any kind of road accidents. Their theme has been numerous 'Road Safety Campaigns' intended to raise awareness to the public about the benefits of having roadworthy cars, safe driveways and accident free roads. The company

has the opportunity to publicly declare that safety roads can never be attained unless the public visits the company for new wheels and tyres with much emphasis on safety amongst responsible motorist.

Ministry of Public Works and Transport – A well-known government department boasting of Road Safety Inspectors who are hired to make sure that the roads are safe. They make sure that only roadworthy cars embrace our Swazi roads thus they are mainly known of scrapping off the roads all cars that are not fit to be on the roads. They put emphasis on good wheels and tyres and their first stop during car inspections is the wheels and tyres. The department has conducted numerous studies on the causes of most road accidents and found out that about 90% of road accidents in the country were due to bad wheels and tyres. This is where the company becomes handy in joining forces with the department during those early hours road blocks to target all motorist, to educate them on road safety and thereafter giving them the company brochures advising on the prices, products and services provided by the company at large.

Swaziland Royal Insurance Company (SRIC) – One of the influential companies that has almost all motorist insuring their cars with them to cover for road accidents and car theft. Partnering with SRIC is ideal in the sense that no claim will be processed by the insurance company before a vigorous investigation is conducted to ascertain the causes of each accident. The fact that a claim will never be approved if the accident cause is attributed to bad tyres and wheels is an opportunity enough for the company to partner with SRIC in an endeavor to strategize on how to reach out to the public in raising awareness to safety wheels and tyres. Worth noting is the fact that SRIC has been sponsoring the Ministry of Public Works and Transport on its quest for road safety campaigns presenting a greater opportunity for our company to do the partnership.

Having interrogated the marketing strategy in terms of partners, it is necessary that a marketing strategy designed for the company be developed in the next section. This is a strategy intended to classify the market segment that the company wants to target, description and specification of the services and products offered, the location and place where the company will be operating and where customers can find the products and services, the price and the promotions the company will be rolling out.



5. Qina Wheels and Tyres Business Model

5.1. Value Proposition

Qina Wheels and Tyres Company unlike other companies intends putting emphasis on the benefits of a safe driving experience and road accident free world as a means for value proposition. The company plans to achieve safe driving experience to customers by hiring specialists on wheel alignment and balancing, a service that will extend beyond the premises of the company. The shop assistants as a job requirement need to have acquired at least a certificate in good customer care and customer service so that the customer is always treated in the friendliest manner. Customers will receive calls and or text enquiring about their driving experience after having visited the company premises for either a wheel alignment or balancing service. Invitations for free return jobs at the company expenses will be sent to customers in cases where new tyres have been faulty or the service rendered is unsatisfactory to the customers.

5.2. Key Activities

Qina Wheels and Tyre Services Company's success depends on the following key activities:

- Provide quality wheel alignment and balancing services to customers
- Timeously provide wheel and tyre repairs service
- Selling of brand new tyres and second hand tyres
- Recruitment and retention of the best specialists in wheel alignment and balancing
- Recruiting and training of sales personnel with good customer service & customer care qualities
- Create and maintain good relationship with our suppliers
- Establish a friendly business environment through maintenance of a happy staff and

loyal customers

- Engage in corporate social responsibility activities in a form of reach out programs to the needy, the vulnerable and disabled
- In collaboration with key partners; conduct publicity and marketing campaigns aimed at raising awareness on the benefits of a safety driving experience and free accident roads

5.3. Key Resources

Qina Wheels and Tyres Services Company being in an industry providing homogeneous products and services needs to invest in the following key resources in order to maintain the competitive advantage over its already established rivals:

- **Specialists in wheel alignment and balancing:** The first and foremost is the ‘talents’ needed to execute the services and securing day to day wheel and tyre sales deals. The company can acquire the best machines from the best suppliers in the world but without the right person equipped and skilled to operate it, then the business is as good as a non-starter. One reliable guy alone can do the wheel alignment for both light and heavy-duty cars whilst maybe two will be manning the wheel balancing section to meet the customers’ day to day demands.
- **Wheel alignment and balancing equipment:** China has emerged with the latest but cheapest and reliable wheel balancing and alignment machines. Most of the established companies have opted to buy from China in trying to optimize economies of scale and in trying to maintain the competitive advantage over possible competitors.

- **Website and Social Media:** Communication between the company and the customers is key. The marketing strategies mentioned earlier on would never succeed without the website and social media since this is the most efficient and cheapest way to reach out to the customers be it in terms of promotions, sales, awareness and offers that the company might have in store.
- **The business site:** The kind of services that the company provides are tangible and requires a tangible workshop for the operations. This is the headquarters where the main business is, and will boast of technologically advanced 3D wheel alignment, wheel balancing and tyre repairs machines positioned on a clean safe environment. On the other side of the building will be the warehouse where the tyres will be stored before they are sold or displayed on the sales section.
- **Free Wi-Fi:** To have competitive advantage over our competitors, the small but impactful tokens of appreciation to our customers like the provision of free Wi-Fi at the company premises is vital. Whilst customers will be waiting for their cars in service, there would be pleased to connect with the outside world freely and effectively.
- **Friendly Shop Assistants:** providing a homogeneous service and coping with the demanding customers in this industry requires that the company recruits and retains the most friendlies sales persons who will not only be taken as staff but as ‘partners’ to the business, people who will be ambassadors’ to the brand and image of the company.

5.4. Customer Segments

As a means to raise awareness on road safety and safe driving experience, Qina Wheels and Tyres as highlighted previously intends reaching out to the middle-high income earners of the urban population (Mbabane and Manzini corridor), targeting motorists who are either civil servants and private sector employees to try prevent road accidents and deaths by offering best quality wheels and tyre services at affordable prices. Below are the customer segments:

- Civil Servants and Private Sector employees who are medium-high income earners who will have an option to pay on three-month credit terms on full tyre change
- Private Companies, Parastatals, and Government Departments who understand the benefits of good wheels and tyres on the roads and approached through contracts
- Retirees and or Pensioners who have had the opportunity to own cars and understand the benefits of safe driving wheels and tyres.

The introduction of private companies, parastatals and government departments into the revenue stream of the company through tendering and contracting is a long-term plan and once established, it will ensure continuous and stable profits. A stable revenue stream in the future will guarantee company growth and an opportunity that the company extends business to other towns of the country, soft targets being the ones that have not yet been exploited.

5.5. Customer Relationship

As mentioned earlier that the services and products offered by Qina Wheels and Tyres Company are homogeneous, the company aims to differentiate itself from the rest by offering quality services that extend beyond the company premises and takes care of the customer before and

after the transactions are made. The company will achieve that by providing short term finance through the three-month payment option on full tyre change by civil servants and credible private sector staff and customers at large. In the process, the company also intends providing assistance to either pick or drop customers at their workstations after and before the services are rendered. This will be done to avoid customers walking back to their workstations after dropping their cars at the company premises and walking back to the company to collect their cars after the services. Also, the company plans to celebrate family days with customers through happy birthday wishes, to all, Xmas wishes, and Seasons greetings to every one of them. Loyal customers will be treated to free lunch on the company premises during their birthdays celebrations. One shop assistant will be hired to solely focus on addressing customers' queries, complaints and questions on the website, social media and or by customers who have come to the premises physically.

5.6. Channels

Over and above the physical collection of details for every customer that have had dealings with the company, Qina Wheels and Tyres also intends opening a website that will enable customers to open user accounts that will have all the fields making it easy for the company to reach out to the customers through email and social media (WhatsApp or Facebook). Direct calls to customers will be made in cases where the company needs to make service appointments, confirm appointments and orders and communicating promotions that the company might have. The company intends utilizing suggestion boxes, customer survey pads in an endeavor to getting feedback from customers on the experiences that they have had during their visits to Qina Wheels and Tyre Services Company and as a gesture to customers that the company cares.

5.7. Key Partners

“We promote safe driving and accident free roads” will be our slogan on our banners, bill boards and flags as we join hands with our key partners on the road safety campaigns intended to raise awareness to all customers about the benefits of having proper wheels and tyres on all motorists’ cars. The company therefore aims to collaborate with the following key partners to add credibility to the services and products offered and thus adding value to the company brand and image:

- **Motor Vehicle Accident Fund (MVA):** In order to establish loyal customers through adding value to our brand and image, MVA plays a key role in giving us a platform to easily reach out to our valued customers since it has been gathered that they do sponsor government’s road safety campaigns. Considering the fact that MVA is a well-known government parastatal dealing with processing claims for motorists and passengers who have unfortunately been involved in car accident presents an opportunity for us to market our brand easily through the road safety campaigns. This will incite recognition from our customers and public at large as we will be perceived not only as a profit-making entity but as a socially responsible company that cares about the citizens well-being.
- **The Ministry of Public Works and Transport (MoPWT):** A well-known government department boasting of Road Safety Inspectors who are hired to make sure that the roads are safe by making sure that they are scrapping off the roads all cars that are not roadworthy. All road safety campaigns and transport issues need the involvement of the ministry before they can be authorized. Partnering with MoPWT during the morning drive roadblocks and issuing brochures to all motorist will put emphasis on good wheels and tyres and services, giving motorist the idea that their first stop for such services is

Qina Wheels and Tyres Services Company where the best quality service and treatment is acquired.

- **Swaziland Royal Insurance Company:** A key player and partner in the industry considering that motorist insure most cars with them mostly to cover them against accidents on the roads as well as theft. It is therefore imperative that we establish and maintain a good relationship with SRIC and collaborate with them during road safety shows and road safety campaigns and also to make sure that the company uses SRIC agents in the distribution of the company brand to customers through brochures and leaflets that promote good wheels and tyres for safe driving. SRIC will add credibility to our company brand if they are to refer customers to us for good wheels and tyre services.

5.8. Revenue Stream

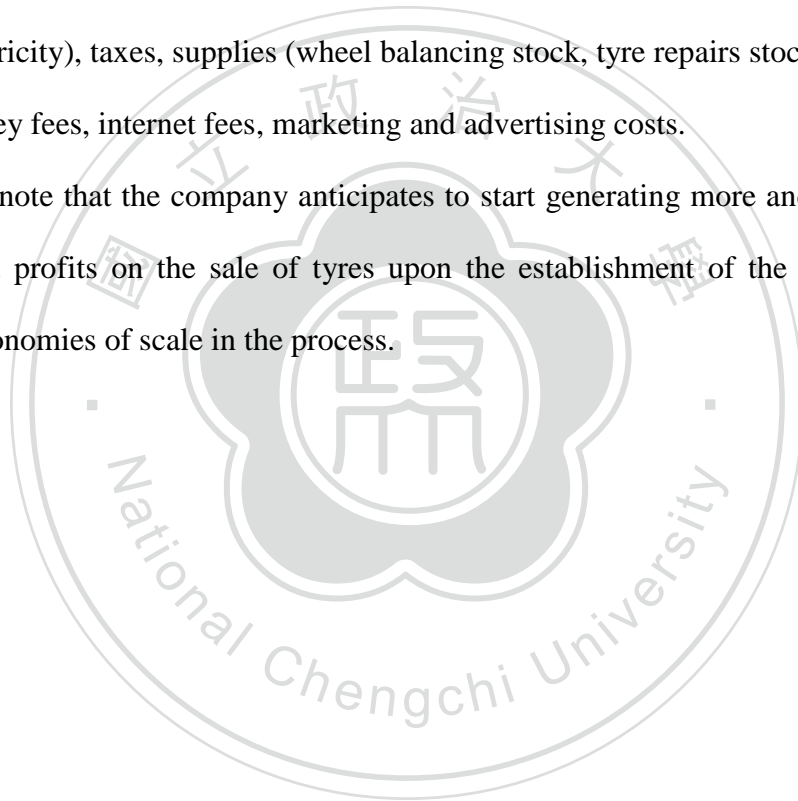
The company intends offering wheel alignment and balancing services that will form the main source of revenue, whilst tyre sales both new and second hand will be secondary in the stream. Tyre repairs on the other hand is an inevitable service that can never be isolated from all the main services offered by the company. The company will accept payment of invoices made by customers using cash, electronic fund transfer, e-Wallet, mobile money wire transfer and in the long run plans to accept credit from credible private and public companies.

5.9. Cost Structure

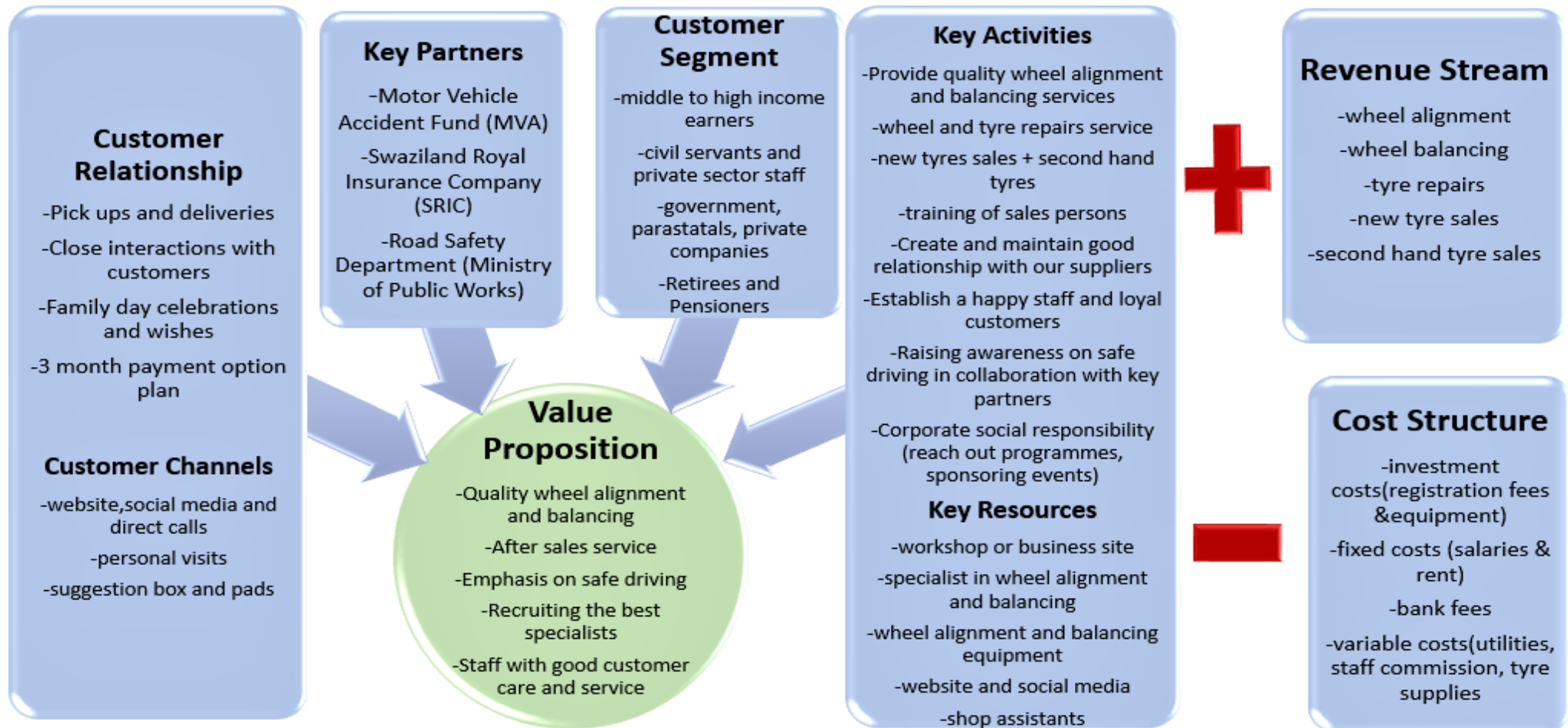
Pursuant the fact that the Qina Wheels and Tyres Services Company offers tangible products and services, it is eminent that the company set up a physical business location, acquire machinery and equipment to execute the quality services at competitive prices. The cost structure therefore will include:

- Investment Costs: company registration fees, wheel alignment machine, wheel balancing machine, tyre repairs machine, hydraulic car lifts, partitioning of office, office furniture & equipment and brand new and second hand tyres.
- Bank Fees: interest on loans, bank charges, bank administration fees.
- Fixed Costs: salaries and wages, rentals,
- Variable Costs: tyre supplies, staff commission fees, petrol costs, utilities (water & electricity), taxes, supplies (wheel balancing stock, tyre repairs stock etc.), mobile money fees, internet fees, marketing and advertising costs.

One should note that the company anticipates to start generating more and more incremental revenue and profits on the sale of tyres upon the establishment of the right suppliers and realizing economies of scale in the process.



5.10. Summary of Qina Tyres Business Model



6. Marketing Strategy

6.1. Market Segmentation

Swaziland, now officially the Kingdom of Eswatini is a sovereign state in Southern Africa bordered by South Africa and Mozambique. Swaziland is one of Africa's smallest countries yet has an estimated 2018 population of 1.39 million (Last UN Estimate July 1, 2018), which ranks 155th in the world. Approximately 21% of the population lives in urban areas along Manzini and Mbabane corridor, two of the largest towns that are 30kms apart. A little less than 20% of the urban residents are employed and belong to the middle to high income earners who pocket more than 5,000 Swazi Emalangenzi (About US\$ 500) monthly and with most having attained under graduate degrees or equivalence. (Statistics Department, 2017).

The population of Swaziland is mostly ethnic Swazis, who speak siSwati, along with a small amount of Zulu and White Africans, who are mostly of British and Afrikaner descent. While the Swazi have traditionally been farmers and herders, many now work in government, the urban economy, and even mines in South Africa. Swaziland faces several health issues, including HIV/AIDS and tuberculosis but amongst many causes of deaths is the road accidents toll. The country has a median age of 20.5 years with a life expectancy of just 31.88 years, the lowest documented life expectancy in the world and less than half the world average. Table 2 below depicts that 914 lives were lost during fatal accidents from year 2014 to year 2018. Serious injuries on the other hand account for 4199 of the total of 19,126 injuries incurred over the years in scrutiny. (Royal Eswatini Police, 2018)

All Accidents from January 2014 to June 2018 by Casualty, Injury or Severity						
Accident Type	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Grand Total
Fatal	210	209	203	180	112	914
Serious	908	1 015	909	917	450	4 199
Minor	2 937	3 197	3 030	3 238	1 611	14 013
Total	4 055	4 421	4 142	4 335	2 173	19 126
%Increase	0,0%	9,0%	-6,3%	4,7%	-49,9%	

Table 2: All Accidents from January 2014 to June 2018 by Casualty, Injury or Severity
Source: The Royal Eswatini Police Road Traffic Accidents Statistics Report, June 2018

Table 3 and Figure 11 below shows an overview of the number of fatal accidents along official roads of the country in year 2014 through 2018 categorized by their broad causes. Driver causes include accidents due to driver losing control of vehicle owing to tyre burst, dysfunctional suspension components and unroadworthy vehicles at large. While driver causes to fatal accidents accounts significantly for almost 70% of all fatal accidents, motorcycle, pedestrian, passenger and any other cause only account for the remaining 30%. As highlighted earlier on, a numerous toll of accidents and deaths along the roads are motorist oriented and could be prevented through the maintenance of good tyres and properly balanced and aligned vehicles. Table 3 below depicts that in a total of 798 fatal accidents incurred over the five-year claiming 914 lives as mentioned in table 2 above, 575 are driver causes, whilst pedestrians causes are second-ranked and constitute about 148 of the total figure.

Fatal Accidents by Broad Causes from January 2014 to June 2018						
Cause	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Grand Total
Driver	123	123	133	132	64	575
Motor/Cycle	6	6	3	-	1	16
Pedestrian	33	33	38	27	17	148
Passenger	8	8	8	3	4	31
Animals	4	4	2	1	-	11
Other	3	3	4	3	4	17
Total	177	177	188	166	90	798
%Increase	0,0%	0,0%	6,2%	-11,7%	-45,8%	

Table 3: Fatal Accidents by Broad cause from January 2014 to June 2018
Source: The Royal Eswatini Police Road Traffic Accidents Statistics Report, June 2018

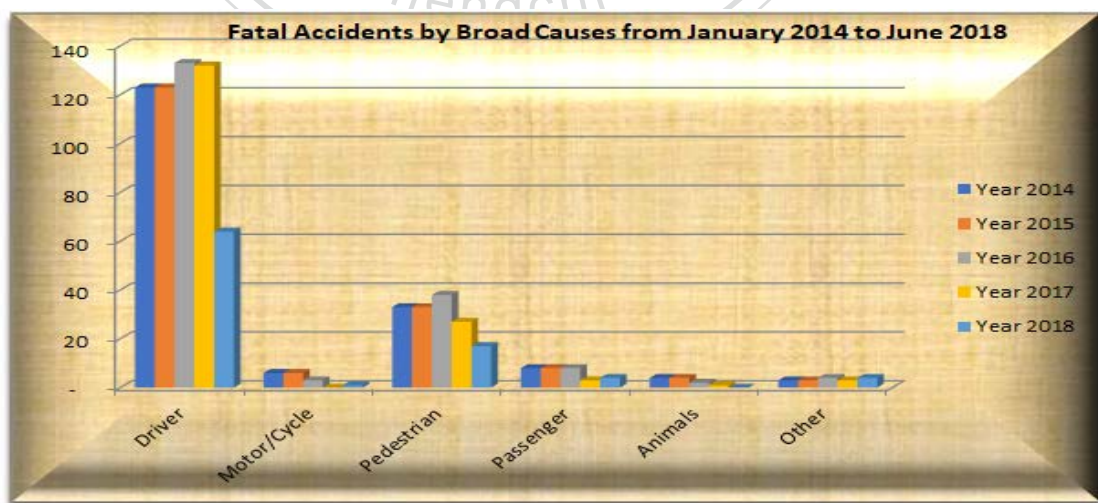


Figure 12: Fatal Road Accidents by broad Cause group in Swaziland
Source: The Royal Eswatini Police Road Traffic Accidents Statistics Report, June 2018

The details of the figure above and the problems faced by the public on the roads can be curbed. Qina Wheels and Tyres intends reaching out to the middle to high income earners of the urban population, targeting motorist who are either civil servants and private sector employees to try prevent road accidents and deaths by offering best quality wheels and tyre services at affordable prices. Tenders and long-standing business contracts with private companies, parastatals and the central transport administration of government is a long-term plan intended to add to the revenue stream of the company.

6.2. Market Targeting

The city of Mbabane and Manzini town as mentioned earlier on are the largest urban areas and targeting the two cities is ideal for Qina Wheels and Tyres Company. A report mentioned above on vehicles registered per district from the Motor Registry Section under Treasury and Stores Department shows that about 63,021 new vehicles were registered from the year 2014 through year 2018. Mbabane city alone boast with a population of 7,720 vehicle registrations out of a total of 15,811 under Hhohho region through the years under scrutiny on both private and public vehicles. Figure 12 below depicts that a significant number of new vehicle registrations is congested along Manzini and Hhohho regions. The figure shows that 28,346 vehicles were registered under Manzini region through the years with about 15,000 of those vehicles belonging to Manzini town residence. Worthy of note is the fact that, the 30kms radius between the two towns accounts for 35% all new vehicle registrations in the country. The Mbabane-Manzini highway on the other hand presents an opportunity that the company services both Manzini and Mbabane residents motorists interchangeably.

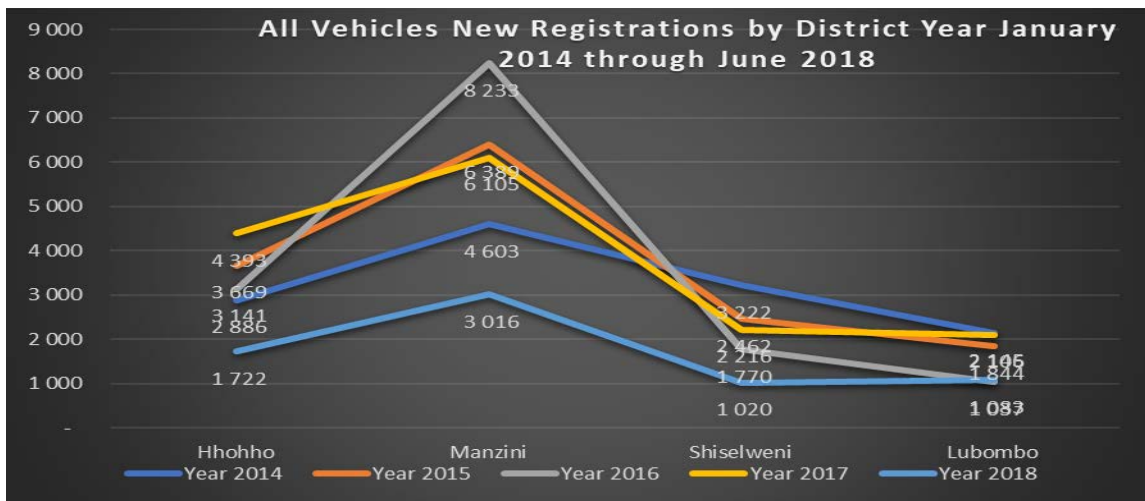


Figure 13: New vehicle registrations across the country (2014-2018)

Source: Motor registry vehicle register, June 2018

The industry's barriers to entry is the reason Mbabane doesn't have so many wheels and tyre services companies. The dominant company so far is the Bandag Tyres located right at the centre of town whereby in many instances, customers are forced to wait in long queues before they can be attended to. Most often than not, you will find customers having to be re-booked due to the demand and influx of Bandag Tyres' customers in dire need of either wheel alignment and balancing services. In most instances, the customers who have been loyal to Bandag Tyres have to leave their cars in the mornings of confirmed bookings, walk to their workstations and walk back again to collect their cars after they been attended to. Qina Wheels and Tyres Company therefore needs to reach out to its target market putting more emphasis on:

- Civil Servants and Private Sector employees who are medium-high income earners.
- Private Companies, Parastatals, and Government Departments who understand the benefit of accidents free roads.
- Retirees and or Pensioners who have had the opportunity to own cars and understands the benefits of safe driving wheels and tyres.

Qina Wheels and Tyres Company understands that the services in the industry are homogeneous in nature and the only way to differentiate its products from the rest is by closing competitors' gaps in service delivery and thus providing a service that will capture the minds of the customers into believing that nothing beats the quality services offered by the company. This will be achieved through establishment of strong friendly long-lasting relationship with customers extending beyond the premises of the company.

6.3. Marketing Mix

6.3.1. Product

Qina Wheels and Tyres Service Company intends to break into the industry by offering wheel alignment and balancing services to its target market. These are the two main services that the company will be specializing upon. The selling of brand new tyres ranging across Continentals, Michelins, Yokohama, Hankook, Pirelli, Bridgestone, Dunlop and second hand tyres will be our first product lines. Tyre repairs on the other hand is another service that is inevitable and our company like any other wheel and trye company will hire specialists who are experienced and efficient on the job. The company website will allow for booking of any kind of service including wheel alignment, wheel balancing and full tyre change. New tyres in stock ranging from light to heavy duty sizes, medium to high quality brands will be made available also on the website for easy reference by customers. Figure 13 below depicts examples of the wheel alignment and balancing services as well as the tyres that will be in stock.



Figure14: Qina Wheels & Tyres Company product and service lines

The second hand tyres on the other hand will be made available to cater for customers who at the time of the service did not anticipate that they needed tyre change. Many motorists in Swaziland due to the economic downturns have opted for second hand tyres that are imported from either Japan or South Africa and as such, this have attracted many in the country to flock into Manzini where one of the already established companies offers good second hand tyres in huge quantities. This is an opportunity for Qina Wheels and Tyres Company to grab making sure that these conservative customers are accommodated and diverted to buy in Mbabane.

6.3.2. Place

The nature of the business requires that the location of Qina Wheels and Tyres Services Company be physical, easily accessible, and convenient for the target customers. As mentioned earlier on, the company will be located at Mbangweni-Woodlands Township just next to the newly built shopping mall intended to attract all motorist who either live nearby or are the residents of the fast-developing suburban area under heavy constructions. The strategic place will conveniently service all target customers working in the city centre, ideal for Manzini-Mbabane commuters, motorists passing by from Oshoek Border Gate to the city of Mbabane and visa-versa. It's a good first and last stop for someone either going out of town or going to town and wants to avoid unnecessary traffic jams considering the fact that it's only a 6kms away from town and just 18kms to Oshoek Boarder Gate.

All business dealings and official trading will be done at Mbangweni-Woodlands shopping complex where Qina Wheel and Tyre Service Company workshop will be. The place will be sub divided into a warehouse where all deliveries will be made and then the work of art service and distribution bay on the other end where customers will be treated to friendly shop assistants and specialist hired to professionally execute the wheel and tyre services. The wheel alignment and balancing specialist will be in a position to advice, address customers' concerns and recommend according to the customer's needs and in line with the quality services offered by the company. Customers on the other hand will also be able to view and select products that they need and even pay online using the company's website before they can physically get to the company premises for service acquisition.

6.3.3. Price

The price of Qina Wheel and Tyre Services Company are dependent upon how much it costs per unit to offer the service taking into account the human resource unit cost factor, variable cost associated and fixed cost per unit of the product or service. Having determined all the costs incurred in offering a certain service or product, a percentage profit markup will be added but guided by the pricing behavior of similar products or services provided by other competitors in the market. Considering the fact that the industry's product and services are homogeneous in nature as highlighted earlier on, the company intends gaining a larger market share in the early stages after starting operations by differentiation through offering the best quality products and services at competitive prices. Through the arrangement of bank stop orders, the company intends offering three-month payment options to all civil servants and credible private sector staff for full tyre change and wheel alignment and balancing services.

Below on Table 4 and Table 5 is a snap shot of the prices of the company's products and services bearing in mind that all are in Swazi Emalangeni (E) currency:

Table 4: Pricing for wheel and tyre services

<u>Service</u>	<u>Per Unit (E)</u>	<u>Total (E)</u>
Wheel Alignment:		
Sedans and private cars	E300.00	E300.00
Pick up vans and Bakkies	E380.00	E380.00
Mini Trucks (4 tonnes Max.)	E450.00	E450.00
Wheel Balancing:		
Sedans and private cars	E45.00.	E180.00
Pick up vans and Bakkies	E60.00	E240.00
Mini Trucks (4 tonnes Max.)	E80.00.	E320.00

Table 5: Pricing for wheels and tyres

<u>Product</u>	<u>New/Unit (E)</u>	<u>2nd Hand/Unit (E)</u>
Michelin, Continental, Yokohama:		
Sedans and private cars	E1,800.00	E1,100.00
Pick up vans and Bakkies	E2,700.00	E1,800.00
Mini Trucks (4 tonnes Max.)	E4,000.00	E2,800.00
Dunlop, Nexus, Durun etc:		
Sedans and private cars	E1,000.00	E700.00
Pick up vans and Bakkies	E1,500.00	E1,000.00
Mini Trucks (4 tonnes Max.)	E2,500.00	E1700.00

6.3.4. Promotion

Qina Wheels and Tyres Service Company will take advantage of the technological developments the country has had in recent years. It intends going with the latest technology trends taking advantage that most Swazis now own gadgets are into the internet and social medias at large. For this reason, the company will engage heavy promotions mostly through the website, social media (WhatsApp and Facebook) to try lure customers into being loyal to the brand and enjoying the benefits of safe driving in the process. The company also plans to be involved in publicity campaigns in the form of road safety campaigns, sponsorships for social activities such as soccer tournaments, corporate social responsibility in the form of support for the poor, the vulnerable and disabled persons. In doing so, the media houses (newspapers and television) will be invited to cover the events.

Promotional items with the company logo on the other hand will be a head start to greater things. The company will be giving away products including umbrellas, key holders and bottle openers, camp chairs, mouse pads and pens. The first hundred customers to visit the company will be treated to lunch within the premises and will be given first class treatment whilst they await their cars during the first days of operation. The company will have a database of all customers who have either purchased or received a wheel and tyre service with Qina Wheel and Tyre Company. The data will consist of the name of the customer, place of residence, date of birth and work place. The intention is to send happy birthday wishes, happy mothers' or fathers' day wishes and Xmas wishes to all our customers through social media (WhatsApp and or text messages). Another platform that will benefit the company will be during marketing campaigns with the partner public or private companies where the use of banners displayed along the roads and brochures distribution will be efficient in improving the company's brand and image.

6.4. Summary for Marketing Strategy

Qina Wheels and Tyres Service Company will be established in Mbangweni-Woodlands suburban area about 6kms away from the Mbabane Capital City centre and 18kms away from the busiest Oshoek Border Gate to South Africa. It aims at targeting motorists who belong to the middle-high income earners group both civil servants and working for the government of Swaziland and private sector companies' employees. Attracting and servicing Parastatals and Government departments through tenders and contracts is in the long-term plans of the company and is inevitable as the company brand and image grows. Being the first company to exploit the area, the fast-developing area under heavy construction and an already completed and functional shopping complex where the company is strategically located presents an opportunity for the company to build strong relationship with its target customers and making huge profits in the process. A database for all customers will be kept as a strategic way of knowing our customers best and reaching out to them not only on business circles but also on social sphere whereby family days are celebrated with them.

Considering that the services offered are homogeneous, the company aims to differentiate itself from the rest by offering quality services that extend beyond the company premises at competitive prices. Giving three months payment plans to full tyre changes by civil servants

and credible customers will give the company a competitive advantage over the other players. The company also intends gaining market share through heavy promotions on the website, social media and partnering with parastatals and government departments through road safety campaigns where the company brand and logo will be exhibited. Involvement in publicity campaigns in the form of sponsorships for social activities such as soccer tournaments and corporate social responsibility in the form of support for the poor the vulnerable and disabled persons will allow the company to invite the media houses (newspaper and television) presenting an opportunity for more publicity, image and brand building.



7. Conclusion

Driving through rough roads is inevitable in Swaziland. Drivers and motorists face the challenges of having to periodically and frequently change suspension components due to damages caused by potholes, stiff curves and off-road driving experiences. Therefore, it is essential that more attention should be given to wheels and tyres as requirements for safe driving in the Kingdom of Eswatini. Wheels and tyres are the only components which keep our vehicles in constant contact, physically, with the road surface. They permit one to start, stop and change direction. If their ability to do these basic functions is compromised, road users are prone to risk of accidents that may result in loss of lives. Neglecting wheel alignment and balancing on our deteriorating roads is a definite road safety concern.

The South African Arrive Alive website suggests that vehicle owners have their wheel balance and alignment checked periodically by professionals from the tyre industry. This should normally take less than an hour - and the benefits would be priceless!! And this is where Qina Wheels and Tyres Services Company through its strong value proposition strategies will try meet the customer demands by providing the best quality wheels, tyres and wheel alignment and balancing services at competitive prices.

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