

MARKETING STRATEGY AND INNOVATION AT MICHELIN**Tushar Malhotra and Paul D. Berger**

Bentley University, Waltham, MA, USA

ABSTRACT: *The great management guru, Peter F. Drucker, once made a very profound observation that, “Because the purpose of business is to create customers, a business enterprise has two and only two basic functions – marketing and innovation. Marketing and innovation produce results; all the rest are costs” (Drucker, 1995). In this paper, we focus on the marketing strategies and innovation strengths at the France based company, **Michelin**. The company simply produces tires made of rubber, but still has a multi-billion dollar empire and is a leader in the tire industry, and continues to generate new plans for advancing its business. Indeed, Michelin has one of the most recognizable logo in the world (see above). We delve into the history of Michelin, its association with French culture, and seek to deduce what are the factors resulting in its marketing and innovation models that contribute to its huge success over the last 125+ years. The central scope of the paper is to understand the marketing strategy of Michelin in the global marketplace, and, at the same time, to analyze how Michelin has been successful in being able to innovate and maintain a stronghold in this sector in terms of market share. With respect to innovation, we note key disruptions that Michelin has been producing in its research labs and with respect to its marketing. We dig deeply into the strategic-branding approach at Michelin and analyze topics such as brand positioning, brand image and equity, advertising, market segmentation, and targeting, all in the aforementioned global setting.*

KEYWORDS: Marketing, Strategy, Innovation, Michelin, Brand Image, Advertising

INTRODUCTION**Background**

Michelin (Full Name - *Compagnie Générale des Établissements Michelin*) was formed in 1889 when Edouard Michelin joined forces with his brother Andre Michelin to set up a rubber factory with about 52 employees in Clermont-Ferrand, France (Gale, 2015a). The company started on its innovation journey early on when it filed its first patent in 1891 for a detachable pneumatic tire that allowed for easier repairs. The famous Michelin Tire Man was conceptualized in 1898, when Edouard Michelin said that a pile of tires would look like a man if arms and legs were added. As of 2014, Michelin is the second largest tire manufacturer in the world, just slightly behind Bridgestone Corp., with a 13.72% market share and tire sales of \$24,688 million (Gale, 2015b).

In addition to the well-recognized Michelin brand, it also owns the BF Goodrich, Kleber, Kormoran, Riken, Taurus, Tigar, Siamtyre, Uniroyal and Warrior tire brands, as well as its famous travel guides, roadmaps and Michelin star ratings for restaurants. The company currently employs about 112,000 people and has a sales network covering 170 countries; it has 68 production plants across 17 countries that produce yearly about 178 million tires and 13 million maps and guides (Michelin Fact Sheet, 2016).

The current corporate strategy for Michelin is built on four pillars: tires, tire-related services,

experiences, and high-tech materials. Tires, of course, is Michelin's core business and it is innovating based on the needs of the customers. Tire-related services and solutions make mobility more efficient and Michelin is intending to increase its presence in that space. Experiences include the wide array of businesses that Michelin can offer to its customers, before, during, and after their travel. Finally, emphasis on high-tech materials allows for product differentiation which can be marketed to other manufacturers in this industry (Tire Business, 2016).

Innovation Journey (Tires and Beyond)

The tagline for Michelin is "a better way forward," and Michelin, indeed, has been paving the way forward for the entire tire-industry by innovating in many ways, since its inception. Historically, the innovations at Michelin include the air-fitted tires on the race car, "Lightning," in 1895, to the introduction of the removable Steel-Wheel or the *spare tire* in case of emergencies, in 1913. Then, in 1937, Michelin introduced the Pilot tire for skilled drivers and high performance cars, and this led to the evolution of the low-profile tires. In the same year, Michelin also introduced the Metallic tire that used steel cable in the tire's structure (Innovation at Michelin, n.d.).

However, the most revolutionary development that came from Michelin's research labs was the designing, commercializing and patenting of the Radial Tire in 1946, that was introduced to improve safety and reduce fuel consumption, and was eventually embraced by all tire manufacturers (Radial Tires, n.d.). Then in 1992, Michelin introduced the Green Tire that integrates silica, instead of carbon black, which improves energy efficiency, while also increasing safety and endurance. In 2004, it introduced the concept of "Tweel," which cannot explode or puncture because it is made of polymer spokes and not filled with air (Materson, 2014). That year also marked the arrival of the "Active Wheel," that integrates an electric suspension-system, an electric traction-engine and disk brakes in passenger vehicles. The company made a major breakthrough when they built the "Communicating Tire" in 2012, that allowed for Radio Frequency Identification (RFI) chips to be embedded on the tires to increase safety, efficiency, and result in optimal performance.

Michelin participates in motorsports every year. Tires, that have to be adapted for each racing partner and different driving conditions, are just as important as the engine of the race car. "24 Heures du Mans" is the world's oldest sports-car race in endurance racing, and has been held annually since 1923 in Le Mans, France. Michelin tires are associated with 25 wins that include 19 consecutive wins from 1998 through the most recent one in 2016 (2016 Le Mans 24 hours, n.d.).

Outside of the world of tires, in 1900, Michelin produced its first travel guide, and in 1910 it produced its first road map that covered the whole of France. Then, in 1926, it started producing regional travel guides and from 1989 onwards, it has provided driving directions over the French Minitel Telematics service. Michelin Lifestyle Limit was a new brand, that was launched in 2000, that generated products such as car accessories, sports and leisure equipment, and clothing. In 2012, Michelin launched the website version of the Michelin restaurant ratings, followed by the Michelin mobility apps in 2013, staying up to date with the current needs of the traveling customers (Les innovations au-delà du pneu., n.d.).

The key to Michelin's strategy has been value-creating innovations to meet unmet customer needs, by adapting the latest technologies, materials and processes to its products. Michelin

makes a special effort to develop outside partnerships with universities, suppliers and other companies, and also encourages its own employees to contribute ideas through an internal corporate social network.

Research and Development Strengths

Michelin systematically aims for excellence in all areas of tire performance; that is why Michelin Total Performance expresses the success of the group's strategy which guides its research and development (R&D) and indicates Michelin's commitment to quality. See Figure 1.



Figure 1: Depiction of "Michelin Total Performance"

With 6,600 workers (~6% of the number of Michelin's employees) across the world being in the area of R&D, a portfolio of more than 2,000 patent-families and 10,000 total patents have been developed, and approximately €700 million is allocated annually for R&D. Michelin's emphasis on customer-focused innovation has been unparalleled in the global tire industry, and this has been a powerful differentiating factor, leading to growth and expansion of the company (Michelin Annual Reports guide, 2016). Also, with approximately 3.3% of its revenues allocated, on average, toward R&D, the highest by percentage in the tire industry in 2015, and with 250 patents per year, on average, it was no surprise that Michelin earned the 'Innovation of the Year' award from Deere and company in 2015 (Deere & Company, 2016). Michelin has 6 R&D facilities worldwide, which conduct about 40,000 tests per year across 350 different fields.

Michelin is not just a tire company anymore, but also a "mobility enabler," by having products that cater to passenger cars, trucks, two wheelers, earthmovers/landscaping vehicles, and the agricultural and aircraft industries, in addition to the Michelin lifestyle- and travel- partner programs. Using the Doblin group's typology, the innovations that Michelin is doing in the tire industry that are aimed toward product performance, go to show the commitment and technological leadership that the company has, giving itself in marketing terms, the first-mover advantage. As a result of this approach, Michelin sells performance, not rubber, which is accurately depicted in part of its mission statement (Tire Business, 2012).

The Michelin Brand

Advertising Age, a well-known publication in the advertisement and marketing world,

published a list of top icons or ad-images from the 20th century in 1999, and the Michelin Man was ranked number eight on that list (Ad Age, 1999). The list recognized the brand icons that have the most powerful resonance in the market place and the criteria included brand effectiveness, brand longevity, brand recognition, and cultural impact. Other top icons in the list were Ronald McDonald, Energizer bunny, Pillsbury doughboy and Tony the tiger. The conceptualization of the idea was done by Edouard Michelin, but the artist rendition was created by O'Galop, and initially pictured a character made of tires lifting a glass filled with nails and broken glass and had a Latin quotation, "*Nunc est Bibendum*," which means, "Now it is time to drink," but was used as the slogan for Michelin to indicate that the Michelin tire swallows up all the obstacles. See Figure 2.



Figure 2: Original rendition of "*Bibendum* (The Michelin Man)."

As Michelin grew and expanded into new countries, so was the form of *Bibendum*, or the Michelin Man, customized to each country. When Michelin setup business across the English Channel in the UK in 1905, the Michelin Man changed to a knight seeking to conquer this new territory, wearing a helmet and carrying a shield. See Figure 3.



Figure 3: UK rendition of "Bibendum (The Michelin Man)."

Since each artist brought his own interpretation of the Michelin Man and customization according to the tastes of that region, a very recognizable brand was created over time (Love, 2012).

Once Michelin man became more standardized, the rings became thicker and the character dropped its wealthier image, so it could relate to a broader audience. As noted earlier, today, *Bibendum* is one of the oldest and most well-recognized trademarks in the world and helped form an impression of quality, safety and reliability, which are key attributes of importance for a tire brand. According to an EquiTrend study published by the Harris Poll in February 2016, that measured the health over time of several brands, using three key factors – familiarity, quality, and purchase consideration that result in brand equity rating, Michelin was found to be the strongest brand in the tire category (Harris poll, 2016). Other brands that were measured in this polling exercise included Goodyear, Bridgestone and Pirelli. This was the fourth straight honor for Michelin in recent years.

A high level of brand equity is the gateway to eventual purchase, even if a company missteps sometimes, and that is reflected in the case of Michelin after the 2005 U.S. Grand Prix in Indianapolis, where fourteen of the twenty entrants using Michelin tires retired to the pits *even before the race started*, due to a safety issue raised by Michelin. In spite of this setback, Michelin's sales were not affected adversely and the company has continued to grow every year because of positive brand equity. What surely helped the situation is the fact that Michelin, itself, raised the safety issue, and did not simply remain quiet, hoping (perhaps praying!!) for a positive result without incident.

Michelin and French Culture

Michelin has played a very important role in exposing and promoting the French culture to the outside world. Since *Bibendum* was well known all over the world by the early twentieth century, the advertising that Michelin did was indirect. For example, Michelin's work to advance aviation, to force the numbering of all the roads in France, as well as to provide guides and tourist offices, were all attempts to indirectly advertise France with a positive image.

Michelin managed to link its name with many events occurring in the 20th century in Europe, and as a result of that, Michelin helped in many ways to create what Charles DeGaulle called “a certain idea of France” (e.g., Gordon, 1993). In several ways, Michelin provided a window through which the French national identity could be examined prior to the Second World War.

Michelin publically associated itself with the United States, and promoted the "Americanization" of France. Michelin advanced the idea of Gastronomy and helped reinforce the fact that a fundamental part of the French culture was fine food and wine, and its red guide-books and star-ratings identified the best establishments for this finery. Although the correlation between tire sales for Michelin and sales of its guide books is unable to be formally established, nevertheless, it can be said that the guide books helped in fusing the Michelin name with French nationalism (Harp, 2001).

Advertising

These days, the marketing efforts of most companies need to expand beyond conventional methods. Correspondingly, Michelin introduced a 20 million dollar global advertising campaign in late 2009 which included TV, print, direct mail, point of sale materials, and, of course, online elements such as a Facebook fan-page and Youtube channel uploads, to promote the brand (Krol, 2009). As a part of this campaign theme of "The right tire changes everything," Michelin was able to convey its products advantages of fuel efficiency, braking distance and longevity, using the Michelin man once again. See Figure 4.



Figure 4: Michelin's 2009 "The right Tire Changes Everything" Ad

There were also animated TV advertisements which highlighted how the Michelin man came to the rescue of motorists in trouble by pulling tires from his body.

A more recent campaign launched in the US market in 2015, helped reinforce the brand's commitment to safety by highlighting an emotional moment between a father and a young daughter who has started driving through poor conditions and seasonal changes, but the father is at peace because he has chosen the right Michelin tire. The Michelin campaigns also highlight the latest innovations that the company has achieved in tire making. In the above mentioned ad campaign, Michelin brings forward the features of the Michelin Premier tires that enable superior handling of the car on wet roads, by having hidden grooves that emerge as the tire wears, central grooves that widen to allow for water to escape, and a unique rubber

compound that enhances tire safety. In other campaigns, Michelin showcased how higher fuel efficiency could be achieved compared to the tires of the competitions by using Michelin energy-saver tires as the Michelin man fights the evil gas pump (again, by pulling tire from his body.) See Figure 5.



Figure 5: Michelin's Ad of Using Tires Against the "Evil" Gas Pump

The Michelin man is not just an icon; it acts a brand ambassador for the company (Michelin Ad Campaign, n.d.).

Brand Positioning

According to Claire Dorland-Clauzel, the head marketer for Michelin in 2012, the company has increased its advertising expenditure, because it is always important to stay in the mind of the consumer. Of course, this is no surprise, for "Awareness" is the first step in the brand-purchase process (e.g., Kotler, 2013). She believes that in spite of the slowdown in the world economy few years ago, Michelin continued to succeed because of the recognition that the brand has built over the years, and, as a result, even though the Michelin brand is slightly expensive compared to most other tire brands, the customer always turns to a strong brand such as Michelin in times of crisis, as they have a positive perceived-notion about quality and safety guarantees embedded in their mind over the years. She also said that *Bibendum* is relevant even today, because it is not easy for customers to associate with tires, as they are "dark and [usually] dirty," but that this mascot creates a point of differentiation against the competition, and awareness which is as high as 92% in Europe and 80% around the world (Parekh, 2012). Michelin is extremely meticulous about the appearance and demeanor of the Michelin Man, and conducts surveys every six months to evaluate how the brand is being perceived by the customer, and then issues guidelines on how the icon can be used in various forms of advertising campaigns. See Figure 6.



Figure 6: The "More Modern and Friendly" Michelin Man

Since the "modal" consumer buys tires every two years, repurchase is typically not yearly. To keep Michelin on the consumers' mind over a somewhat extended period of time - to help with customer retention - Michelin publishes guides that can be used regularly, along with the Michelin star ratings, with "Bib Gourmand" ranking, which can remind consumers about the Michelin Man and, hence, the Michelin brand, even in a period when they are not buying tires. Using the Doblin group's innovation typology and linking it to the work Michelin is doing in establishing its brand and communicating its offerings, it is clear that the company is a lead innovator in the delivery category, as it has created a brand that resonates with the consumers, which, in turn, leads to repeat purchase and brand loyalty.

Multi Brand Strategy

Another aspect of the Michelin branding strategy that has been hugely successful is the creation of *multiple brands*, because it allows Michelin to penetrate markets from several different angles and create multiple entry-points catering to different needs in each target market. Initially, Michelin did not have a portfolio of brands and it operated under a single family name. Other brands existed, but they were often just a byproduct of the acquisition of factories in regional markets to increase penetration. These factories did not receive any innovation and marketing support from the parent company. However, the problem with this approach is that in a market like U.S., which is very diverse, a single-brand portfolio cannot meet all the needs of the various customer segments. There is a segment of customers who can, and wish to, pay a relatively high price for a premium brand; there is another segment of customers who want good value for their money; another segment of customers who want customized tires based on changing trends; finally, there is a segment of customers who want the cheapest functional tires. To accommodate these various segments of customers, Michelin has adopted a multi-brand strategy with different positioning statements that appeal to the different segments of customers (Kapferer, 2004). BF Goodrich was positioned as a sports brand in the 4x4 market that pays little attention to price. The Uniroyal brand in U.S., the Warrior brand in China, and the Kleber brand in Europe, cater to the cost-conscious customers. To accommodate the powerful distributors, Michelin also manufactures tires with a customized name provided by the distributor; one result of that strategy is the Liberator brand, sold exclusively by Walmart in the U.S., and by Norauto in Europe. The Warrior brand, which is a "mid-range" brand in China, is projected as a low-cost tire in the U.S., and the same applies to Riken (Japan), Taurus (Hungary) and Kormoran (Czech Republic). Michelin, by implementing this multi-brand

strategy in different countries, is trying to have the customers move through low cost, medium range and then high-end products, with the guarantee of quality across the board.

SUMMARY

This paper provides useful information on disruptive tactics that a company such as Michelin can apply in a fairly stagnant sector such as the tire business, to stay relevant to the consumer and ahead of the competition. Based on the analysis, it is clear that, regardless of the type of business or industry, a company, to stay successful, needs to innovate in categories of processes, delivery, offerings, and/or finance, if it is not to become irrelevant. The idea-generation, idea-promotion/cultivation and idea-realization methodologies adopted by Michelin through different types of innovations were very successful, and suggest that if a company is to evolve in a global setting, and grow to the scale of Michelin, it will have to invest a large portion of its resources in various aspects of R&D, and this R&D should generally not be limited solely to the introduction of new products or simple product-extensions.

Another important marketing implication derived from this study is that branding strategy may be one of the most important marketing decision-problems to consider, and that cultivating brand recognition through various channels, beyond the advertising of core product offerings, may be a key marketing strategy. An important concept is the understanding by a company, just what business the company is really in!! In the case of Michelin, it was realized early on that the tire market was stable but not the sole mantra to success, and, correspondingly, Michelin, relatively quickly, expanded into the Mobility-solutions business. The study also reinforces the importance of a company's positioning strategy and marketing mix (price, promotion, product and place) as it penetrates each new country. Many of these activities practiced in this "Michelin Success Story" support the importance of basic marketing principles, and their logical extension to global marketing.

An Additional Comment

One might argue that the more recent success of Michelin is even more remarkable than meets the eye. Michelin, to a very large extent, does not sell directly to the end-user, but rather, to dealerships, distributors, and other service providers, who, in turn, sell the tires to their customers. Hence, Michelin, similar to many companies in the same situation, is limited in the degree to which it can utilize some of the (nowadays!!) more popular and useful marketing metrics to aid in marketing decision-making. For example, it cannot easily utilize consumer Customer Lifetime Value (CLV), arguably the most important of all marketing metrics; the detailed data, which, more and more often, is collected and analyzed by typical B2C companies, is not available to Michelin to the same degree. While Michelin may use some amount of direct mail, it cannot be as personalized to individual end-users as if all of their tires were sold *directly* to individuals - in which case, data on the individuals would be able to be collected and utilized for CLV, Share of Wallet (SOW), and other useful and profitable analyses. As noted, this "limitation" only enhances the respect that one should have for Michelin and its marketing and innovation strategies.

REFERENCES

- Ad Age Advertising Century: Top 10 Icons (1999). Retrieved from <http://adage.com/article/special-report-the-advertising-century/ad-age-advertising-century-top-10-icons/140157/June>, 2016.
- Deere & Company (n.d.). Michelin Earns "Supplier of the Year" And "Innovation of the Year" Awards From. Retrieved from <http://www.prnewswire.com/news-releases/michelin-earns-supplier-of-the-year-and-innovation-of-the-year-awards-from-deere--company-300049650.html>, June, 2016.
- Drucker, Peter (1995). "People and Performance: The Best of Peter Drucker on Management," Routledge, New York.
- Gale (2015a). "Compagnie Generale des Etablissements Michelin", *Business Insight: Essentials*.
- Gale (2015b). "Top Tire Makers Worldwide, 2014." Market Share Reporter, *Business Insights: Essentials*.
- Gordon, P. (1993). "A Certain Idea of France: French Security and Gaullist Legacy," Princeton University Press, Princeton, New Jersey.
- Harp, S. (2001). "Marketing Michelin: Advertising and Cultural Identity in Twentieth-Century France." Baltimore, MD: The Johns Hopkins University Press.
- Harris Poll (2016, April 20). Retrieved from <http://www.theharrispoll.com/business/2016-Brands-of-the-Year.html>, June, 2016.
- <http://www.michelinmotorsport.com/News/2016-Le-Mans-24-Hours-Michelin-s-25th-Le-Mans-victory-in-numbers>, June, 2016.
- <http://www.tirebusiness.com/article/20120705/NEWS/307059994>, June, 2016.
- Innovation at Michelin | Michelin US. (n.d.). Retrieved from <http://www.michelinman.com/US/en/why-michelin/innovation.html>, June, 2016.
- Kapferer, J. (2004). "The New Strategic Brand Management: Creating and Sustaining Brand Equity Long Term, Kogan Page, North Carolina.
- Kotler, P., and G. Armstrong (2013). "Principles of Marketing," 14th edition, Pearson, New jersey.
- Krol, C. (2009, October 06). Michelin launches \$20 million ad campaign, featuring digital and direct elements. Retrieved from <http://www.dmnews.com/news/michelin-launches-20-million-ad-campaign-featuring-digital-and-direct-elements/article/151617/>, June, 2016.
- Les innovations au-delà du pneu. (n.d.). Retrieved from <http://www.michelin.com/eng/innovation/fields-ofinnovation/>
- Love (2012). The story of the Michelin Man | Logo Design. Retrieved from <http://www.logodesignlove.com/bibendum-michelin-man>, June, 2016.
- Materson, A. (2014). 2014 Innovations Winner: Michelin Tweel airless tire. June 6. Retrieved from <http://www.equipmentworld.com/2014-innovations-michelin/>, June, 2016.
- Michelin Ad Campaign: The Right Tire Changes Everything (Save on fuel) (n.d.). Retrieved from <http://www.funnycommercialworld.com/michelin-ad-campaign-the-right-tire-changes-everything-save-on-fuel-2217.html>, June, 2016.
- Michelin Annual Results Guide (2015). Retrieved from [http://www.michelin.com/eng/mediaroom/press-and-news/michelin-reports/\(category\)/10982/\(year\)/-1](http://www.michelin.com/eng/mediaroom/press-and-news/michelin-reports/(category)/10982/(year)/-1), June, 2016.
- Michelin Fact Sheet (2016). Retrieved from <http://michelinmedia.com/site/user/files/1/2015-Michelin-Group-Fact-Sheet.pdf>, June, 2016.

- Parekh, R. (2012, June 11). Meet the Woman Behind the Michelin Man. Retrieved from <http://adage.com/article/global-news/meet-woman-michelin-man/235309/>, June, 2016.
- Radial tire (n.d.). Retrieved from https://en.wikipedia.org/wiki/Radial_tire, June, 2016.
- Tire business (2012). Michelin's strategy: 'performance, not rubber', Retrieved from
- Tire Business (2016). Michelin outlines growth strategy, Vol. 34, Issue 5, June 6.