

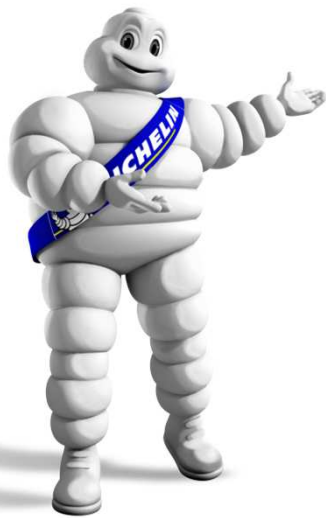
**INVESTOR DAY @ SHENYANG
DISTRIBUTION**

Roc LIU
TYREPLUS worldwide Franchise Manager

MICHELIN CHINA
November 10, 2014



Outline



1. Access to the market
2. TYREPLUS in China
3. TYREPLUS challenges



ACCESS
TO THE MARKET

1



9 channels to access the market



Garage



Car Dealer



Fast Fitter



Vehicle Accessory



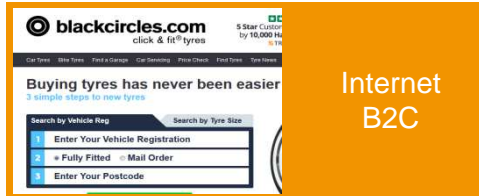
TYRE SPECIALIST



Club



Petrol Station



Internet B2C

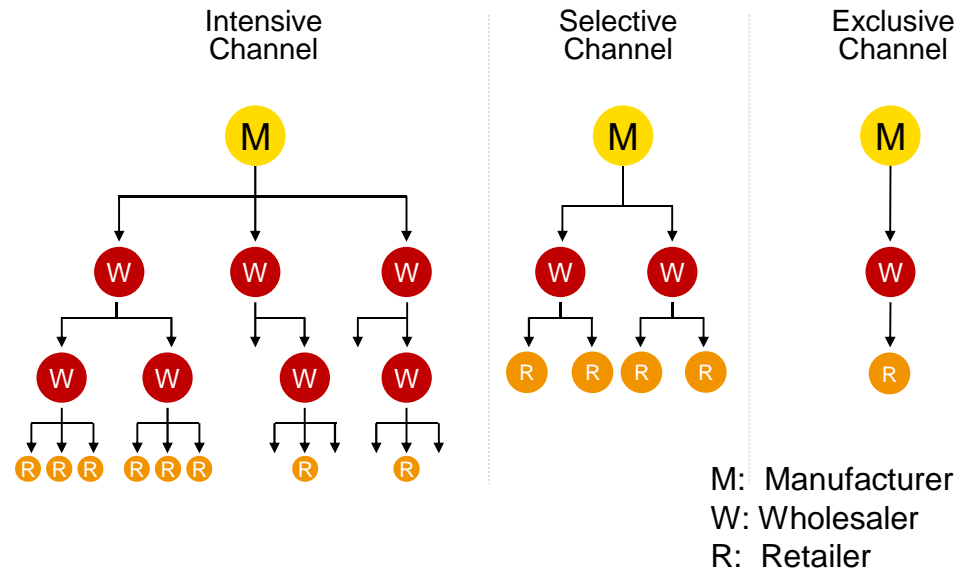


Mass Merchandiser



Michelin chosed selective distribution model to maintain its price premium

- ▶ Exclusive (Louis Vuitton)
- ▶ Intensive (Coca Cola)
- ▶ Selective (Michelin)



Retailers are split into 3 levels based on volume / quality / loyalty Objectives and activities are also different

- ▶ Durable – High volume contribution with minimum 3 year contracts. Passed Michelin quality audit, Minimum 30% SOA (Share of Account)

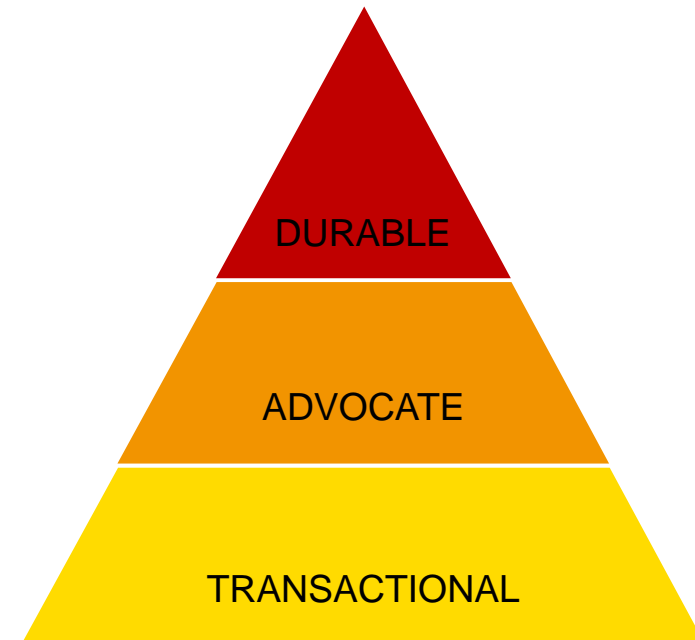
Objective: Improve total business

- ▶ Advocate – Medium volume contribution with 1 year contract, 20% SOA

Objective: Increase SOA

- ▶ Transactional – Small volume contribution, low SOA

Objective: Push sales



For durable dealers, Franchise is a Win-Win-Win model

▶ For Consumers:

- Confidence
- Convenience

▶ For Franchisees:

- Higher return on investment
- More professional
- Easy to duplicate

▶ For Michelin:

- Loyalty of franchisees contribute higher tire volume through higher SOA (Share of Account)
- Sustainable with longer franchise contract period (more than 5 years)



TYREPLUS IN CHINA

2



Franchise duplicates a proven business model

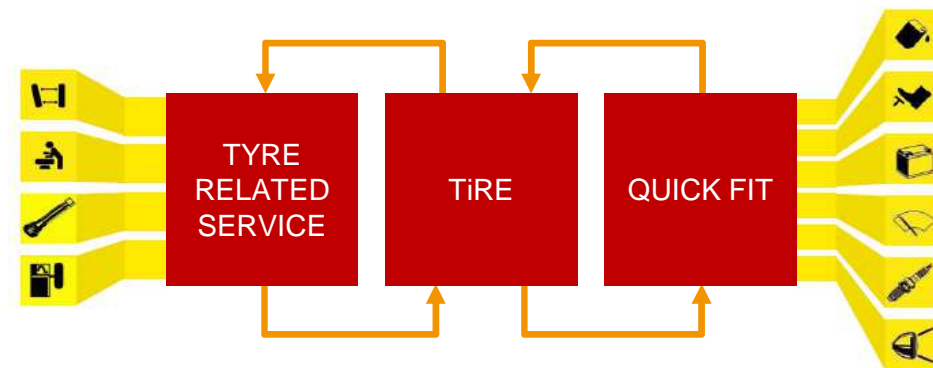
- ▶ Business model design: To build the business model, company-owned store has been set up
- ▶ Duplication capability: Business model and franchise packages have been rolled out to pilot shops to test results
- ▶ Roll out: Franchise has finally been launched with proven company-owned store results, with proven pilot shop results.



New business model helped retailers to grow tire business With this model, franchisees will be able double the margin

Our business model

- ▶ Consumers benefit one stop service, save money and time, they come back when they need tires
- ▶ Franchisees benefit from more traffic and profit generation, they stay loyal with Michelin
- ▶ Main objective: selling more tires with higher share of Michelin



TYREPLUS proposed 5 packages to franchisees, Franchisees pay fees to build the network together

- ▶ Image
- ▶ Products and Services
- ▶ Operational tools
- ▶ Marketing and Communication
- ▶ Training and consulting

This is so called “TYREPLUS WAY”



道

-Road
-Solution
-Methodology



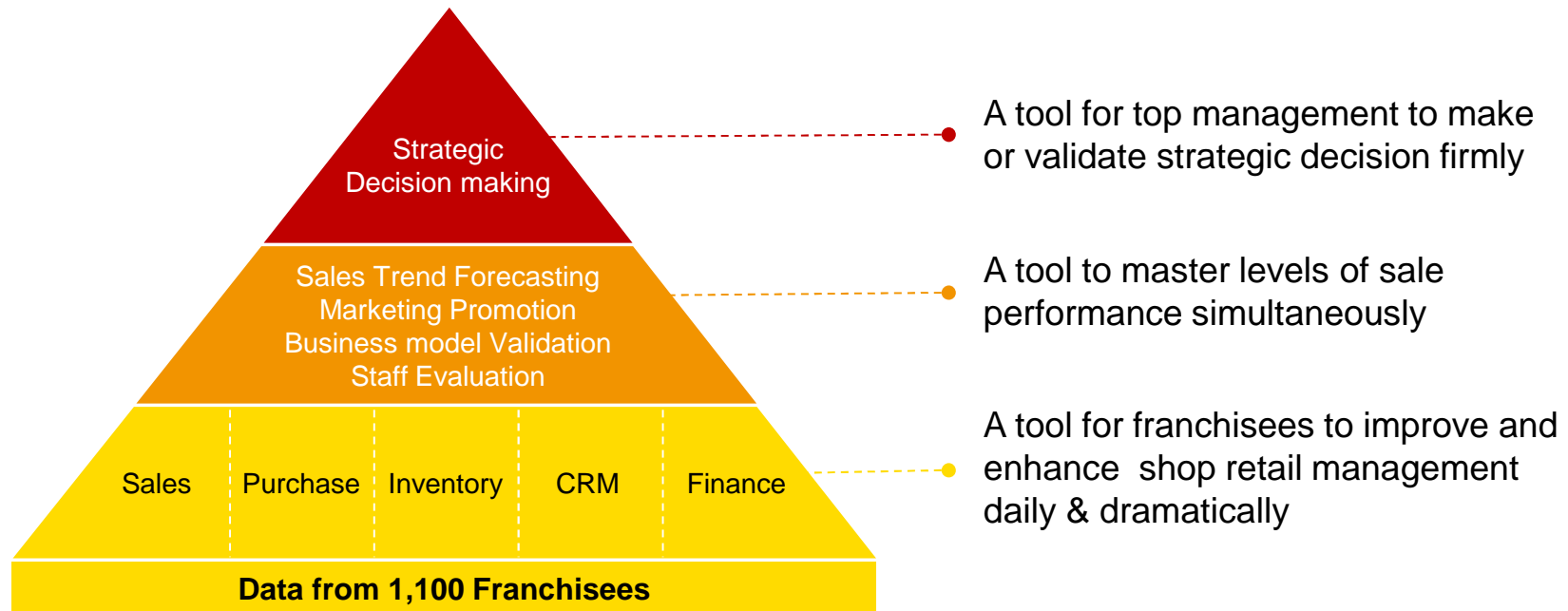
Premium and comfortable environments



Premium partners joined Michelin on our Purchasing Platform



Information system launched to all networks, To standardize franchisee's operations and improve business result



Growing TYREPLUS brand to bring more traffic to the stores

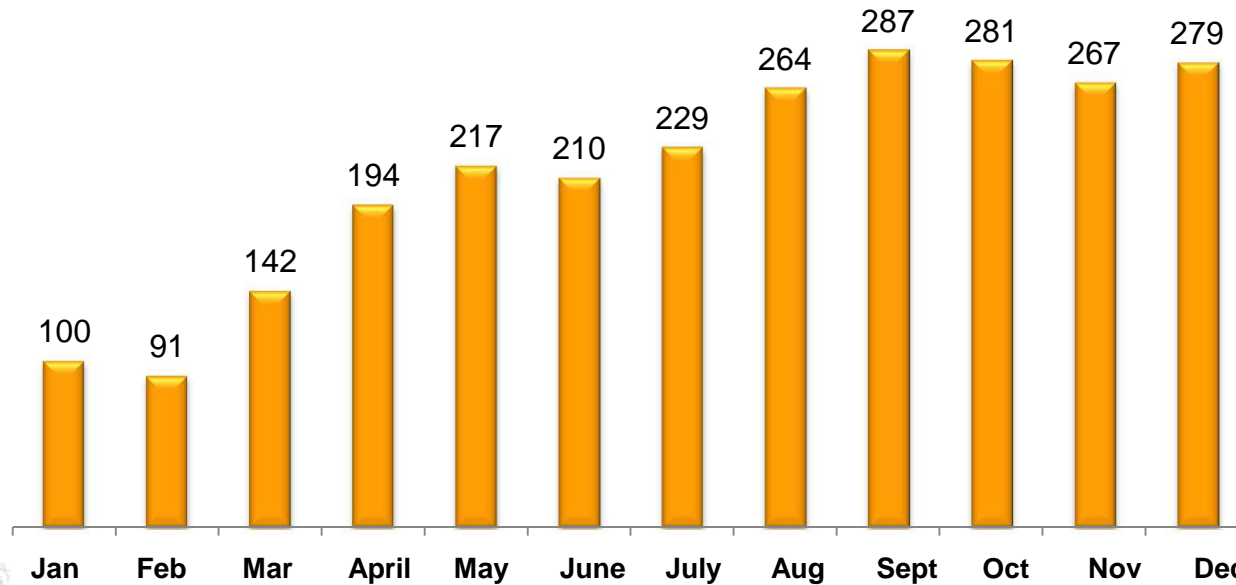


Intensive training offered to enable the quality control



As results, operating margin of franchisees increased dramatically

2010 network average operating income per bay per month
(January 2010 as 100 Index base)



米其林轮胎



引领进步之道

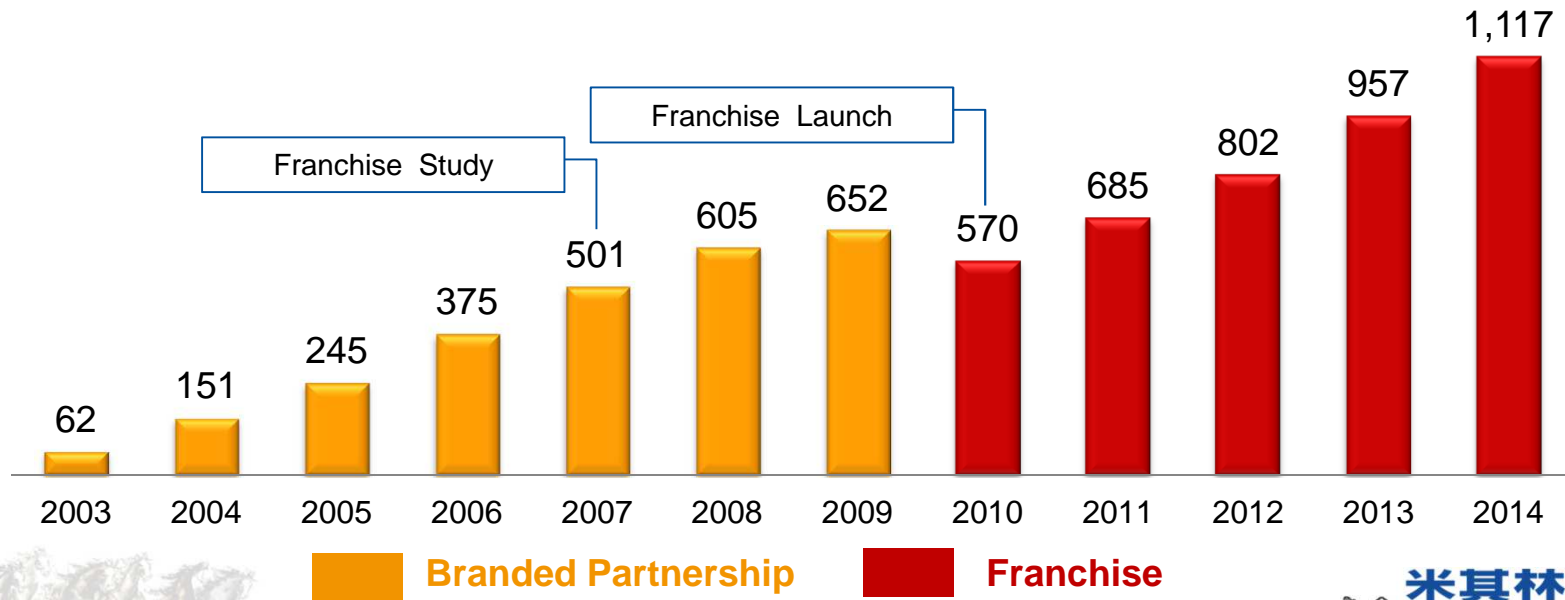
As results, Michelin gained more consumer satisfaction, Share of Account and volume

- ▶ Net Promoter Score reach **45%**
- ▶ SOA (Share of Account) in TYREPLUS is 5 times higher than market share
- ▶ TOP 50 franchisor in China – Entrepreneur magazine
- ▶ 3 years TOP 100 franchisor in China – CCFA (China Chain Store and Franchise Association)



As results, Michelin gained more consumer satisfaction, Share of Account and volume

Number of TYREPLUS stores in China



TYREPLUS CHALLENGES

3



Next challenges: TYREPLUS and EUROMASTER aims at 5,000+ franchisees by 2019, China will be key leading country



Next challenges:

- ▶ Duplicate franchise model to more zones
- ▶ Develop Tier 2, Tier 3 tire offers to capture market growth
- ▶ Strengthen purchasing platform to lower down franchisees' purchase cost
- ▶ Launch ERP solution to improve franchisee operation efficiency
- ▶ Leverage digital tools to deliver right info to consumers and drive traffic to stores
- ▶ Improve operation excellence to provide better consumer experience
- ▶ Develop people, our staff, franchisee owners and their teams



THANK YOU

