

# Infinity Aims to 'Go Deep' with Fast Growing 'Premium Budget' Strategy

## Private brand's global dealer conference convenes in Bangkok

When Al-Dobowi Group executives Surrender Singh Kandhari and his son Harjeev Singh Kandhari founded Infinity tyres six years ago, they probably didn't envisage how quickly their ambitious plans would come to fruition. What began with a series of informal meetings with key employees and potential suppliers in 2004 has since grown into an international exclusive/private brand operation present in 60 countries around the world. The kernel of a concept the Kandharis planted back then has developed through key partnerships with Chinese supplying manufacturer Shandong Linglong Co., Ltd. (see following article for more on this company's latest developments including its plans to construct a \$200 million proving ground) and key distribution partners in Europe and Africa. With the recent addition of a Canadian distribution arm last year and with fledgling partnerships in both the Russian and Ukrainian markets, the company's global ambitions are clear.

One limiting factor in Infinity's growth has been the speed at which its supply partner can expand its own operations. But this is more of a testament to the Infinity brand's increasing sales volumes than suggesting Linglong is lagging behind in anyway. Far from it. For the last eight years Infinity's Chinese manufacturing partner has consistently exceeded annual growth rates of 30 per cent, according to company president Wang Feng. This has been coupled with a tyre production capacity expansion programme that saw annual output reach 22 million in 2009. This is scheduled to exceed 30 million units a year in 2010. Earlier reports show that the company had planned to get to 30 million units/year by 2010. However, considering the impact of the recession on the global tyre market, the fact that the company continues to expand output is significant in itself. Throughout this rapid expansion period (and perhaps supporting it) Infinity tyres sales have kept pace at between 10 and 15 per cent of Linglong's annual production (currently 2.53 million tyres a year). Looking forward, continuing growth figures are likely to slow – if that's the right word – to “just” 20 per cent a year for the next three to five years,

according to Mr Wang Feng. Such is the manufacturer's faith in its key customer, company representatives were open about the fact they would like to see Infinity increase its orders to the top end of that range.

### Eastward expansion likely to bring Russian/Ukrainian partners

Tyres & Accessories interviewed Infinity founders and current directors Surrender Singh Kandhari and son Harjeev Kandhari during the company's recent biannual global partners conference (4 – 8 March 2010), held in Thai capital Bangkok. In addition to treating its customers to the unique sights of Thailand, the company wanted to build on the sense of family it has cultivated amongst its community of dealers in all the major European markets, Poland, Bulgaria and latterly Canada and even Israel (not to mention so of its most attractive outlets in Nigeria, Ghana and Al-Dobowi's home Middle Eastern markets).

The next companies to join the Infinity 'family' are likely to be particular partners in the Ukraine and Russia. Infinity's directors didn't disclose details of exactly who the two



Al-Dobowi and Infinity CEO, Harjeev Singh Kandhari encouraged delegates with details of the latest developments within the “Infinity World”

distributors because both relationships are still said to be developing and because the company's management is selective about who it works with. Partner companies have to be “on the same wavelength.” Nevertheless Harjeev Kandhari gave a rough outline of how the potential Russian partnership has been built on the foundation of a pre-existing significantly sized fleet business relationship. Initial volume targets will be high compared with the company's established European partners, however anything in the region of 1 million passenger car tyres a year would still be “a drop in the ocean” in the large Russian market, Harjeev Kandhari commented.

Infinity's recent expansion in the Europe and the surrounding markets was supported by the appointment of two new

sales managers in the last seven months. As Tyres & Accessories reported at the time, ex-Lassa Europe boss Martin West will oversee the whole (broadly defined) European jurisdiction, while 18-year Goodyear EMEA veteran Martin Lumb will focus on the Austrian, Eastern European and Israeli markets.

The addition of new staff such as these means Harjeev Kandhari's plans to "go deep" into existing markets are now actionable. Going deep means the expansion of sales approaches beyond current methods into partnerships with fleets, as Infinity already has done with companies like Dollar and Thrifty in Dubai. This also means similar approaches in the company's truck tyre sector, with confidential discussions said to be underway with as-yet unnamed partners in Europe.

Recently appointed European sales manager, Martin West explained that the company has a basic market share objective of 1 per cent everywhere it is present. Those markets that have already surpassed this level (the UK market, which has reportedly doubled this goal through Bond International is a key example) are likely to be at the front of the queue when it comes to taking sales strategies to the next level as described. West qualified the company's market share objects by stating that growth won't come at the expense of servicing customers with the right product and making sure that prices ensure everyone in the chain is able to make a sustainable margin.

#### Tyre labelling an opportunity to demonstrate quality

Product quality is also central to any sustainable tyre marketing strategy. That's why Infinity and production partner Linglong are both keen to demonstrate their tyres are "premium budget" products and not stereotypical cheap Chinese tyres. While Infinity owns its own moulds and bases its range of passenger car, truck and bus, off-the-road/earthmover, industrial and mining

tyres on its own compound combinations, Linglong's recent decision to up its research and development spending (see following article for further details) will also have a positive effect on Infinity products.

"One of the best things about this company is that they really listen and react – sometimes scarily fast," Harjeev Kandhari told Tyres & Accessories. Infinity's CEO also speaks highly of the level of integrity with which Linglong operates. "They don't tell us they are able to do something until they already know they can," using the fact that company was months ahead of schedule with regard to REACH clean oil requirements as an example. The same is also true with regard to the forthcoming tyre labelling regulations which will have an inevitable effect on Infinity's European customers – preparations are well under way.

On the subject of tyre labelling Mr Wang Feng commented: "Any new regulations should be fair for everyone, but they are a good thing for us [and therefore Infinity] because it means we won't have low quality product coming out of China. It also means that we can demonstrate that our products are good...We are confident it will result in better quality tyres for European customers." Surrender Kandhari echoed these sentiments, putting it like this: the result will be "more safe, more healthy, more green

tyres for the customer [tyres] that narrow the gap with the best players."

While Mr Wang Feng's comments generally represented a positively pro-active response to the regulatory challenges the company is facing, he did register one concern: "Our only concern is about which test facility is recognised for the purpose of the regulation." The underlying question is whether or not accrediting facilities will be required to be based in the EU. And if indeed there will be a particular list of these. If so, there are real concerns that there is not enough time to get all the necessary products certificated in time.

Either way, during his conference presentation, Dr Xunmao Xia (vice-chair of Linglong's R&D centre) set out targets to improve Infinity's performance characteristics by at least 5 per cent across the board and by 10 per cent with reference to wet braking.

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Conference delegates from all over the world, including a particularly strong contingent from the company's production partner Linglong were in attendance

## Shandong Linglong to Invest \$200 million in China Proving Ground

Shandong Linglong Tyre Co., Ltd., the third largest tyre manufacturer in China and approximately number 16 in the world, has announced plans to invest \$200 million in the construction of a "world class" proving ground in China. Company president Mr Wang Feng told Tyres & Accessories the investment will be spread over four years and will take the form of a three phase plan, beginning with passenger car tyre testing facilities when the proposed proving ground opens in 2012, and expanding to include truck and OTR testing facilities by the time it is completed in 2016. Currently the company is in the process of getting the necessary government approvals for its proposed plot of land, but Mr Wang said the company plans to be in a position to announce the further details at the end of the first half of this year. And the new facility will be a "First class proving ground in terms of size and quality," he explained. Considering the relatively low cost of land in China, company representatives highlighted the fact that money it plans to invest in the new site will go a long way. Linglong's proposed investment equates to roughly 10 per cent of a year's turnover (\$1.79 billion in 2009; over \$2 billion expected in 2010) spread over four years.

Linglong's latest news follows a series of investments in the company's research and development team. Last year the company

employed 50 per cent more technicians than the previous year. In 2010 the plan is to take on 50 per cent more technicians again. Two notable appointments include Dr Xunmao Xia, who has taken over as vice director of Linglong's R&D centre seven months ago. A 25-year tyre industry veteran, Dr Xunmao began his career by completing a PhD in vehicle dynamics at Clemson University in the US. This was followed by tyre testing and development experience at both General Tire and Good-year, including postings in Texas, Detroit and Akron. South Korean Joo Sangyeol joins Linglong from Hankook Tire and takes on the role of chief technical adviser PCR at the company's R&D centre

In addition to the proving ground and personnel investments of recent years, Linglong has spent over \$60 million on testing equipment. Recent additions include the construction of China's first purpose-built tyre noise testing lab last year and force/moment machinery and rolling-resistance measurement equipment.

In addition to fighting to improve on low quality expectations of Chinese produced tyres, Linglong's recent R&D investments are also designed to prepare



Shandong Linglong Tyre Co., Ltd., president Wang Feng

the company for the challenges associated with the forthcoming European labelling legislation. Speaking at the Infinity Tyres global dealer conference, which took place 4 – 8 March in Bangkok, Dr Xunmao explained that the company has been distributing REACH compliant PAH oil free tyres since September 2009, several months ahead of the January 2010 deadline. The



(Left to right) Joo Sangyeol chief technical adviser PCR, company president Wang Feng, R&D centre vice director Dr Xunmao Xia and

development of a specialised sound lab no-doubt had the recently introduced European s-mark legislation in mind as well and the development of the company's new proving ground (despite it opening after the 2012 tyre labelling deadline) will give the company more scope to prepare for future legislation.

#### Chinese tyre maker to launch run-flat and low rolling resistance tyres this year

However, Linglong president Mr Wang was quick to point out that this was one of many considerations associated with the decision to build the new proving ground. This project is primarily intended to help the company take its own product development to the next level. If everything goes according to the current schedule, the new Linglong facility has a good chance to become the first proving ground of its kind in mainland China. At the moment the only

company with plans at a comparable level of development of scope is competitor Giti Tire, which also plans to build a proving ground in a similar timeframe. Whichever company gets there first will be in a particularly good position to offer the use of the proving ground to other companies, with the potential to make the site at least partly self funding. Speaking solely about his own company, Mr Wang said that, in addition to its own testing and hiring the site out to third parties, he hopes Linglong can play a role in developing future Chinese tyre regulations in partnership with the government of the People's Republic

All the recent emphasis on research and development, combined with the company's reputation as a fast follower of market trends has resulted in the recent development of some surprisingly advanced technology. One example is that Linglong is currently in the last stages of developing a run-flat tyre which the technicians say can

run for 160 kilometres at 80 km/h – almost double the mileage recommended for most existing run-flat products. This tyre is currently at the road testing stage, with the first sizes expected to enter production in the second half of 2010.

In addition, Linglong is in the last stages of developing a low-rolling resistance product for OE partner GM China. Linglong already has OE fitments with GM China in low-end passenger car applications, but the strategy now is to take this to the mid-range and top-end segments.

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