

Lower human activity limiting tyre sales

By [Tracy Hancock](#), issued by [Sumitomo Dunlop](#)

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Every business is going to face the consequences of lower human activity and, thereby, commercial activity, as South Africans consume less or differently, owing to Covid-19, says automotive tyre manufacturer and supplier Sumitomo Rubber South Africa Sumitomo Dunlop CEO Riaz Haffejee.



Tyre sales depend on human activity driving to work or for leisure as this equates to the consumption of tyres. Reduced human activity will be the reality for the foreseeable future and sustainability necessitates change within Sumitomo Dunlop, which manufactures the Sumitomo tyres, as well as Falken and Dunlop tyre brands, says Haffejee.

However, he states that demand for the company's tyres is increasing since the restrictions of lockdown have eased. If local tourism opens further and travel between provinces is permitted for leisure, demand should improve, with the year ending on a better note.

In terms of exports, other African countries are not as active as they previously were, although demand for Sumitomo Dunlop's products from South African Development Community countries has improved. Exports outside Africa will be more difficult, as the recovery rate of economies affected by Covid-19 in Europe and parts of Asia is uncertain, says Haffejee.

In terms of original equipment supplied to car manufacturers in South Africa, demand is expected to decrease by between 25% and 40%, depending on the manufacturer. "While the pandemic may not present an existential crisis that warrants the rethinking of the company's business model, aspects within this model definitely need to change. The extent of these changes will materialise in the next few months," says Haffejee.

Meanwhile, for automotive component companies with excess money, the next six to 12 months will be an opportune time to acquire other companies in the sector "but whether anyone has the money to do so now, is the question," says Haffejee. He says it is uncertain how long it will take for the automotive economy to recover. "It may take anywhere between six months and five years, but our forecast is that things will only be close to normal by the second half of next year."

While he predicts a 'rough ride' for the rest of this year, Haffejee expects the first half of next year to be equally difficult. "For now, we are focused on stabilising our supply chain, looking after our customers and ensuring that we are taking care of our workforce. Our financial modelling indicates that we will be in a good place when the market does pick up."

Meanwhile, the small, owner managed businesses that mostly comprise the company's tyre fitment and service centre franchise Dunlop Zone, were placed in a precarious position owing to the pandemic's impact on economic activity. "However, I have more confidence in many of the dealers than I did a month ago."

Manufacturing

Haffejee describes the pandemic's impact on Sumitomo Dunlop's manufacturing process as a complex topic. "It is not just about what happens inside the factory, it is about what happens when workers enter and leave the factory, and when workers or their family members test positive for Covid 19. We have had to contemplate challenges we have never had to address before."

The National Association of Automotive Component and Allied Manufacturers (NAACAM) has helped the company considerably in doing so, as has the Durban Automotive Cluster (DAC), in KwaZulu-Natal. "Between NAACAM handling the larger industry issues and the DAC providing us with best practice in the industry and manufacturing, we have been able to formulate our own standard operating procedures, workplace plan and risk assessments," says Haffejee.

Safety first

Sumitomo Dunlop has reduced to a 22/7 shift operation to allow two hours for preparation and cleaning to ensure safety amid the Covid-19 outbreak. This has resulted in additional time being allocated to cleaning and shift change operations, as well as the identification of how best to handle absenteeism, owing to quarantining when workers test positive.

Haffejee states that the biggest difference in Sumitomo Dunlop's manufacturing process is the time lost because of cleaning and preparation. "Pre-Covid-19, we ran a 24/7 shift operation, which has been reduced to a 22/7 shift operation to allow two hours for preparation and cleaning to ensure safety."

Consequently, Sumitomo Dunlop is running at 90% of its manufacturing capacity, with Haffejee stating that this will be the norm for the foreseeable future. While he says there were no challenges regarding rubber imports during Level 5 of the lockdown, the importing of chemicals and steel from suppliers in China did present a challenge, owing to China's lockdown.

In addition, when raw materials did arrive in South Africa, delivery was further delayed, owing to the backlog at the Port of Durban. Therefore, raw material containers were accessible only by mid-May. "However, this did not affect us in the end, as we were not manufacturing."

Much of Sumitomo Dunlop's energy has been focused on educating employees on their responsibility to protect those around them. "We started a programme at the end of March called Asivikelane, which means 'Let's protect each other' in isiZulu," notes Haffejee.

As the infection rate continues to rise across the country, he says the only way Sumitomo can operate in this environment is if every employee is disciplined and takes responsibility for their actions. "The biggest disruption to the automotive market going forward will not be sluggish demand, but the failure to take responsibility for keeping those around you safe and to ensure that South Africa can continue economic activity. This will be a big threat for us for the next few months," Haffejee concludes.

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About SRSA

Sumitomo Rubber South Africa (Pty) Ltd (SRSA) is owned by Japanese listed company Sumitomo Rubber Industries Ltd (SRI), situated in Kobe, Japan. SRI is one of the leading premium manufacturers of automotive tyres and industrial rubber products in the world. The existing South African plant in Ladysmith (founded in 1973) currently produces passenger car,

sport utility vehicle, light truck and truck and bus radial tyres, which are sold in South Africa and exported across Africa and other countries.

ABOUT THE AUTHOR

Tracy Hancock is the contributing editor of Creamer Media for *Engineering News*

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