Vision 2025: Continental is on course with the implementation of its long-term growth strategy
The aim is for sales to be split more equally between the main regions (EMEA, The Americas and APAC)

Over two billion euros invested since 2011 in expansion of production capacity, high-technology projects and markets

High Performance Technology Center taking shape beside tire plant in Korbach, Germany

According to figures supplied by the European Tyre and Rubber Manufacturers’ Association (ETRMA) the car tire replacement business in Europe posted modest two percent growth in 2014. This, however, is not the full picture, because the growth rates recorded in China, Brazil and the USA, for example, were far higher. For Continental it’s the global picture that counts, and since 2011 the Corporation has invested over two billion euros in the systematic expansion of its worldwide tire production capacity. As a result, in the last few years the fourth-largest player in the global tire industry has set the stage for sustainable long-term growth. The largest investment program in the Corporation’s history is designed to spread production and sales activities more evenly around the world, with the long-term aim of outperforming the market in terms of growth. This applies, in particular, to Brazil, Russia, India, China and the USA. In Europe Continental is already one of the leading tire manufacturers in both the original equipment sector and the replacement business.

The results of this huge investment include new tire plants in Kaluga, Russia (2013) and Sumter, South Carolina/USA (2014). Added to which, extensive capacity expansion at...
the existing tire plants in Camacari (Brazil), Hefei (China), Mt. Vernon, Illinois (USA) and also Otrokovice (Czech Republic) has put them in the position long-term to cover demand in their respective regions with tires produced locally. As part of this expansion, capacity will increase to some 8.5 million car tires per year in Camacari, 8 million tires in Hefei and up to 12 million tires in Mt. Vernon. The team at the Modipuram plant in India, meanwhile, are pushing ahead with the radialization of truck tires, and in Otrokovice production of truck tires is being ramped up to 1.5 million units. All of the above represent impressive milestones on the road to an unprecedented expansion of production capacity for the Tire Division, one that will push potential annual output up by 26 million tires by 2018. As Nikolai Setzer, Member of the Executive Board at Continental AG and Head of the Tire Division, explains: “When we formulated our Vision 2025 in 2010, the share of sales generated outside the EMEA region still stood at 30 percent. We’ve since achieved a notable increase in this share. And we’re continuing to pursue this goal so that we can reduce our dependency on the market cycles in Europe and, through increased sales activities in The Americas and the APAC region, achieve a more balanced revenue spread over the long term.”
Substantial investment in Germany and Europe too

While the expansion of production capacity takes priority outside Europe, the investment spotlight within the continent is on high-technology projects. Most recently, at the end of 2014, the new Tire Technology Center in Púchov, Slovakia was opened. The investment volume for the further expansion of this research and development center stands at some 7.5 million euros. In order to meet rising demand for new production technologies for the extensive tire portfolio, the workforce at the Tire Technology Center is set to grow by approximately 15 percent by 2016. The new facility in Púchov is working closely with the Tire Division’s main Research and Development Center at Continental’s German headquarters in Hanover. Here, some 1,200 engineers, chemists and other experts are involved day in, day out, in developing new tire models for cars, light trucks and 4x4 vehicles, as well as truck tires and specialty tires.

Back in September 2014, the groundbreaking ceremony took place for the new High Performance Technology Center (HPTC) at Continental’s Korbach plant in the German state of Hesse. The hall for a new production facility – in effect a “factory within a factory” – is taking shape on a plot measuring around 12,000 square meters. Investment here is set to total 45 million euros. Operations at the new facility are scheduled to begin in July 2016 on two fronts. On the one hand, the HPTC will produce high-performance tires for ultra-sporty passenger cars boasting an extremely high level of technological sophistication and powerful engines. But the plan is also to drive forward development and optimization of production processes from Korbach prior to subsequent introduction across other Continental tire plants.

With this injection of resources in Korbach, Continental is adding to its investment in the ongoing development of product-specific know-how related to tire construction, tread patterns, contours and compounds, as well as contributing to the expansion of tire production capacity worldwide. Plus, the concentration of expertise in Korbach will be used to support other production locations and provide a central driver for the development of new high-tech processes for tire plants around the world.

Another example of technological progress and the focused implementation of Vision 2025 arrived with the construction of the Automated Indoor Braking Analyzer (AIBA), the world’s first fully automatic indoor tire testing facility at the Corporation’s Contidrom proving grounds, north of Hanover. This milestone in the develop-
ment of testing technology for summer and winter tires opened for business at the end of 2012. The outwardly unprepossessing hall is 300 meters long and up to 30 meters wide. Whatever the weather outside the AIBA, inside up to 100,000 fully automated test braking maneuvers a year can be carried out using computer-controlled, unmanned vehicles. Speeds of up to 120 km/h are possible, and the road surfaces can be swapped over hydraulically within just a few minutes. Tests can be conducted on dry or wet surfaces, and temperatures can be adjusted as desired and with impressive accuracy. The AIBA also has an ice hall, in which braking performance on icy roads can be tested.

Not far away, at Hanover-Stöcken, a plant called ContiLifeCycle was opened in November 2013. With its integrated approach of hot and cold retreading for truck and bus tires, plus a specially developed industrial-scale rubber recycling facility, this globally unique tire factory has taken on a pioneering role. Tread buffings from the retreading processes are recycled in such a way that they can be re-used as a raw material in tire compounds. The new retreading plant in Hanover-Stöcken will have a maximum annual production capacity of 180,000 tires. As Setzer adds: “Our investment in high-technology projects and in the expansion of our proving grounds is allowing us to increase the efficiency and reproducibility of our tire testing. But it is also designed to show our customers in the original equipment and replacement sectors, as well as car drivers worldwide, that we are making huge investments in new solutions in their best interests, so that we can continue to offer products at the highest possible technological level into the future.

Phase One of Vision 2025 began in 2011, Phase Three kicks off in 2016

This investment program was launched in the second half of 2011. That was when Continental took over Modi Tyres Company Limited (MTCL) in India, which has since been renamed Continental Tyres India Limited and is focused on the production and sale of cross-ply and radial tires for trucks and buses and radial tires for cars. In India Continental is concentrating mainly on the replacement business, for which the ContiMaxContact MC5 and ContiComfortContact C5 premium car tire lines, developed specifically for the Indian market, were introduced at the end of 2014.

At the Kaluga plant in Russia, meanwhile, expansion has focused from day one on demand for both replacement and OE tires for vehicles from leading manufacturers, not least because various international representatives of the automotive industry.
including Volkswagen, are also located in Kaluga. Construction of the plant began in November 2011 and was completed, ahead of schedule, in less than two years. The arrival of tire production in Kaluga sees Continental add to its existing manufacturing facilities for engine control units and other electronics components.

While the investment in new production facilities in India and Russia serves mainly to drive the strategic development of new markets, the expansion in the USA is the result of a sharp rise in demand for Continental car and light truck tires in both the replacement and original equipment sectors. At the new tire plant in Sumter, South Carolina, which also represents an important milestone for the expansion of the Corporation's tire business in the USA, annual production capacity is scheduled to reach around five million tires by the end of 2017. In a second phase, output is due to be ramped up to full capacity of some eight million tires per year by 2021.

Expansion is also the name of the game in other locations around the world. These include the new plant in Hefei, China, which came on stream in May 2011, has a planned annual production capacity of four million tires, and mainly supplies the Chinese market with high-quality premium tires. The Hefei plant's maximum potential output at the existing Continental site is 16 million tires per year. The Two Wheel Business Unit also began production of premium bicycle tires for the Asian market at Hefei in 2012. "Through rigorous implementation of our Vision 2025, we are also striving to increase synergies between the various tire business units and, in doing so, further improve the overall efficiency of our Tire Division," says Nikolai Setzer, setting out another strategic goal.