

## ITG: The Future of Retreading Depends on Quality

By Guido Gambassi

CM Manzoni Group HQ in Fusignano



Fabio Cortesi, The General Manager of ITG, offers us a view of his company and the tyre retreading industry from the perspective of the retread materials supplier.

ITG based in Fusignano, in the province of Ravenna, has for some decades been one of the largest Italian companies active in the supply of materials for retreading tyres, and during the recent turbulent times for the industry, the company has been able to make the most of synergies with the CM Manzoni Group, which specialises in the production of rubber compounds and technical products, in order to invest and remain competitive. We talked about this with Fabio Cortesi, the General Manager of ITG, who represents the third generation of the Group's family, who told us the story and the perspectives of the Group, but also offered his views on the

retreading sector.

*How was your Group established?*

The CM Manzoni company was founded in Fusignano in 1965. This was an area of shoe factories, and the company was created to supply rubber compounds used in the soles and shoes themselves, a production sector that was very strong in the 60s. The footwear industry moved in later decades, but the company began to diversify production with rubber compounds intended for different uses as early as the 1970s. Today CM Manzoni is highly specialised in the production of compounds for technical rubber articles, compounds for high pressure pipes, electrical cables, components for household appliances, for the automotive industry and for the construction sector. First, in the 80s we acquired Sage of Empoli,

and then in the early nineties we bought ITG, Industria Toscana Gomma, with its commercial brand Paltread. At that point the Group was able to enter the retreading sector with its own brand and production.

*What is the current size and structure of the Group?*

Today the CM Manzoni Group in Fusignano has about 60,000 square metres of covered production and has a hundred employees. In 2018 we also opened a factory in the USA, where we produce compounds. Also part of the group is Evercompound, whose strength is in mixing, whose modern and updated technologies (a new mixing line has been installed in recent months and the oldest is no more than two years old), illustrate a Group in continuous innovation. The Group is growing substantially both in terms of volume and turnover, which exceeds 120 million Euro, and in the area of compounding we are certainly among the biggest in Italy. Within the Group, ITG has only 15 employees, but then we have some operators and functions shared with other companies in the Group, such as laboratories and administration. These are important synergies that allow us to have a lean structure and low costs. On the one hand, therefore, we have the advantage of having direct access to raw materials

(which account for 70% of the product cost) and the research and development of our group. On the other hand, being a small company in the field of retreading allows us to be very flexible towards customers, offering a level of service perhaps more difficult for larger companies.

*How is ITG positioned within the retreading market?*

We reach at least 70% of the retreaders in Italy. The Italian market constitutes 50% of our turnover, so we are well presented abroad, in the countries of Central Europe and Scandinavian countries, in some countries with distributors, whilst in others we are present directly. The logic is the same as in the Italian market: being very close to the needs of the customer, being flexible in the supplies, offers, deliveries and qualitative advantages typical of Italian companies of the sector. Results in 2018 are slightly better than 2017, having grown by some percentage points, but in difficult years we have a kind of counter-tendency view, even small volumes from an important customer can be just enough to make the difference. We are satisfied with what we are doing but we would like to be able to improve ITG's position on the market, and for this we have acquired new commercial personnel specialised in the sector. As for the product ITG offers all the materials for retreading tyres, produces materials for hot retreading (profiles, strips, sheets and underlays), and has its own precured line with the Paltread brand.

*How do you see the relationship today between hot and cold retreading?*

Of the two sectors, the one we see suffering the most is the precured sector, perhaps it is more a logic linked to our company, but we are seeing extreme price competition, which has lowered margins but

Fabio Cortesi, the General Manager of ITG



also the average quality and customer loyalty: today we buy where we get the best offer. From the point of view of the retreaders, demand for precured treads remains high, perhaps because they are easily exportable, less demanding from the technological point of view compared to hot retreading, and therefore more affordable as a process. In addition, the precured sector has grown in recent years compared to hot retreading, which was considered to be traditionally Italian before the cold process took over. At ITG we therefore keep up to date with our precured line, following market demands, but in this area we are more penalised because thinking tends to be more focused on price and credit. Instead, we are very strong on the hot product line, thanks also to group synergies, with our compounds and a quality / price relationship that allows us to be really competitive. Therefore, when taking everything into account, when thinking about future developments and investments, ITG's priority is in hot retreading.

*In effect, then, the Italian retreading industry has undergone a long process of change.*

Yes, over the past 10-15 years the sector has changed profoundly. Low costs as well as the direct presence of the tyre manufacturers, who have entered heavily in the retreading sector themselves, have created competition across the board but at the same time have given a legitimacy to the sector. In the space of a few years there has been a drastic decrease in the number of retreaders (not just for market contingencies), but there have also been positive changes because the quality of the product has improved substantially, regulations introduced and research of certified quality have certainly improved the quality of the product, but they have made life more complicated for a sector often managed by small businesses and medium-sized companies. I think of the homologations and the winter markings required (too much)

for product certification, an additional obstacle, especially in terms of cost. All of this time, low importation costs were widespread in the tyre market. Recent European provisions in terms of anti-dumping protection should curb the phenomenon (at least check it), at least with regards to truck tyres (in my opinion it should be extended to all tyres). The truck sector is subject to

*The Evercompound factory*



multiple factors: Supply compared to demand, the strong offer of the manufacturers, the competition between operators, economic and financial difficulties of many companies, a failure to rationalise distribution. The full value of retreaded tyres can be captured if the tyre travels a lot, and if companies are able to evaluate the cost / benefit of the tyres. Unfortunately, in recent times the logic that governs tyre management is based on other factors and is short-sighted, just based on low price. These factors have actually triggered a selection process among the retreaders. Interesting trends are also to be seen in the area of car tyre retreading.

Car tyre retreading is a sector that was supposed to have disappeared, but perhaps it has saved so many companies, and today it is recovering a lot, also thanks to retreaders who have continued to invest in their product range, both in designs

and products, and succeeding in surviving a confused phase. Many companies did not have the strength to invest and so abandoned the sector, finding themselves working again only for the truck market, which is affected by several factors as discussed earlier. Seasonality, the fact of being present on the territory and therefore having the tyres available, the fact that low-cost

*What prospects do you see for the future?*

Perhaps the numbers will still be scaled down, European duties still have to produce tangible effects, thousands of low-cost tyres are still on the market, and distributors improvise. It is true that now that retreaders are starting to have more requests, the climate is turning towards greater optimism, but the

imports were especially interesting for the truck sector, allowed car tyre retreaders to maintain interesting positions in the market. At ITG, in the last year we have received more and more requests for thermal winter compounds, something that had lost ground by looking more and more at the performance of car tyres, especially in compounds. The target customer has changed too, the parc has expanded, vehicles and sizes are different, the quality bar has risen and there is a demand for the best performing products. Today, there is a more widespread and better considered evaluation of the product, and this also happened thanks to the work of so many retreaders who have worked well. The problem of casings remains, many sizes are hard to find and the current management of the scrap tyre sector has taken away the availability of so much raw material.

economic return is not yet evident. The retreaders who will remain solidly in the market I believe will be the more organised, professional, qualified companies attentive to cost management and related to the world of the new tyre, of retail and distribution. We, anyway, are very confident, in the sense that the value of the product is there in ecological terms, economy and service, and we will continue to invest in retreading. Also, for this we continue to be present on the territory as well as at trade fairs, Autopromotec for example. No need for luxurious things, our style is not extravagant, we concentrate especially on direct relationships with the customer, with the market and with certainty of our products.

*Source: Pneurama*