The Tire Industry Paradox

Premium Brands Without Premium Returns

February 2026

By Tobias Schmidt, Fabio Dal Pan, Felix Stellmaszek, Hady Farag, Giuseppe Collino, and Alex Brenner

Despite steady demand and resilient performance, tire makers have yet to carve out a distinctive edge in value creation. The global tire industry's five-year total shareholder return (TSR) is below the cross-sector median, indicating deep structural strains. Persistent overcapacity, shifting trade policies, and intensifying competition are reshaping where and how the industry creates value.

Amid the volatility, premium and midtier incumbents have struggled to generate excess returns, delivering an average annual TSR of approximately 6%. By contrast, leading Asian budget players—powered by low-cost, high-efficiency operations and steadily improving product quality—outperformed by roughly 22 percentage points. Their success underscores a simple truth: traditional models are under pressure, and the industry must find new paths to value creation.

The paths are not universal. Companies tend to cluster around a few recurring strategic archetypes, each offering different routes to outperforming peers. Some players are already demonstrating that focused strategies—built on scale efficiency, regional strength, or specialized capabilities—can drive superior returns. But one group stands apart: the traditional Big Five. Their long-standing advantages in brand, global reach, and technology leadership no longer guarantee superior TSR.

For the Big Five, the shifting performance numbers across the industry are a wake-up call. To preserve their leadership in the future, these companies must reset cost structures, free up resources, and reinvest decisively in new value-creation models that can reignite growth in a reshaped industry.

Regional Imbalances and Structural Risks Emerge

From 2020 through 2024, the tire industry delivered a median annual TSR of approximately 7%, below the broader market's average of 10%. **(See Exhibit 1.)**. The sector's TSR ranked 27th among 36 major industries during this period, signaling structural stagnation and underscoring the need to rethink how to generate value.

Several factors are reshaping the industry's value creation potential. Even though global tire demand has returned to pre-pandemic levels, the industry faces a persistent gap between capacity and consumption. Worldwide production capacity exceeds 3 billion tires per year, but demand stands at roughly 1.8 billion per year. That leaves utilization at 60%, well below the 75% level implied by the industry's pre-2020 growth trajectory.

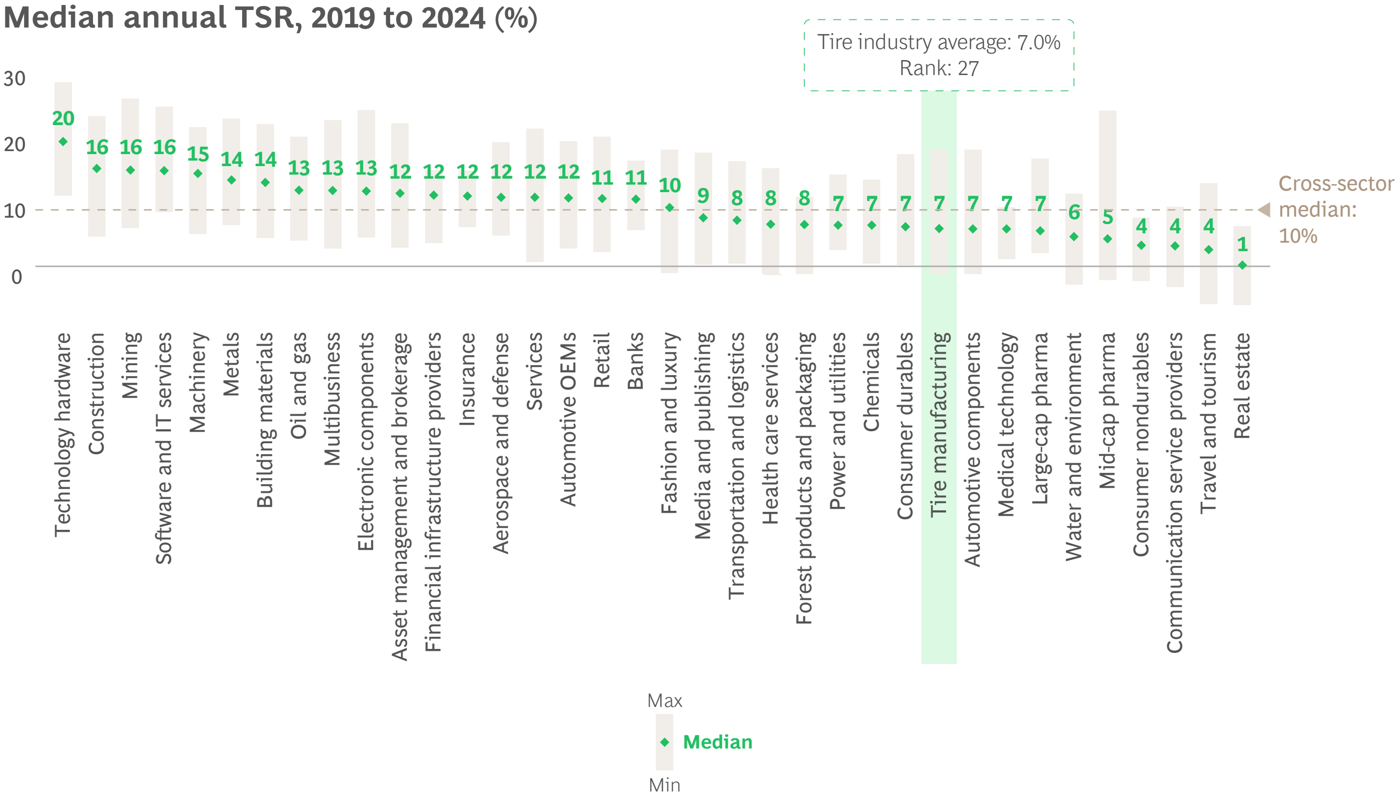
This chronic overcapacity is redrawing competitive boundaries. Asian manufacturers—particularly in China—produce far more than their domestic markets can absorb, and they export their surplus supply to Western markets. As a result, competition in North America and Europe has intensified sharply, driving prices down and squeezing margins for local players.

At the same time, policy and trade dynamics have become structural risks. Recent tariff shifts and broader geopolitical tensions are prompting manufacturers to regionalize production through "local-for-local" models—building capacity close to end markets to serve regional demand and protect profitability. In addition, sourcing of critical materials such as carbon black and natural rubber is subject to greater exposure to sanctions, environmental regulations, and trade restrictions. These pressures are forcing the industry toward vertically integrated and regionally resilient operations that can sustain profitability amid rising volatility.

EXHIBIT 1

Value Creation in the Tire Industry Lags Behind the Cross-Sector Median

Median annual TSR, 2019 to 2024 (%)



Sources: S&P Capital IQ; LSEG Workspace; BCG Value Creators database 2025; BCG ValueScience Center.
Note: TSRs cover the period from December 21, 2019 through December 31, 2024 (n = 2,345). Russian companies are omitted. Venezuelan, Argentinian, and Turkish companies are excluded because hyperinflation materially distorts their valuations. TSR = total shareholder return.

The TSR Gap Between Leaders and Laggards

These dynamics influence company performance and differentiate leaders from laggards in the tire industry. From December 2019 through December 2024, the TSR of budget players has broadly tracked the MSCI's All Country World Index benchmark and outperformed the TSRs of premium and midtier players. However, the first months of 2025 saw a reversal in performance trends: premium players improved their TSR, supported by more positive investor sentiment toward a specific player, while budget players faced a temporary decline driven by the impact of tariffs and uncertainty in global trade. **(See Exhibit 2.)**

Only a handful of companies have managed to consistently outperform their local markets. Geographic and macroeconomic factors clearly influence performance, but they do not tell the entire story: company-specific strategic choices also play a major role in shaping performance.

A closer look at the underlying drivers of TSR reveals distinct performance patterns across segments **(see Exhibit 3)**:

- Premium players delivered positive but moderate TSR, driven by steady sales growth and stable margins despite industry headwinds. However, declining multiples for the ratio of enterprise value to earnings before interest, taxes, depreciation, and amortization (EV/EBITDA) and cautious investor sentiment limited the upside. A focus on dividends provided stability but capped growth, resulting in a TSR of approximately 6%.
- Midtier players expanded their revenues but failed to translate growth into value. Margin pressure and lower valuations offset dividends and leverage gains, leading to a TSR of approximately 5%.
- Budget players used strong top-line growth, stable margins, disciplined cost, and sound capital management to achieve double-digit TSR.

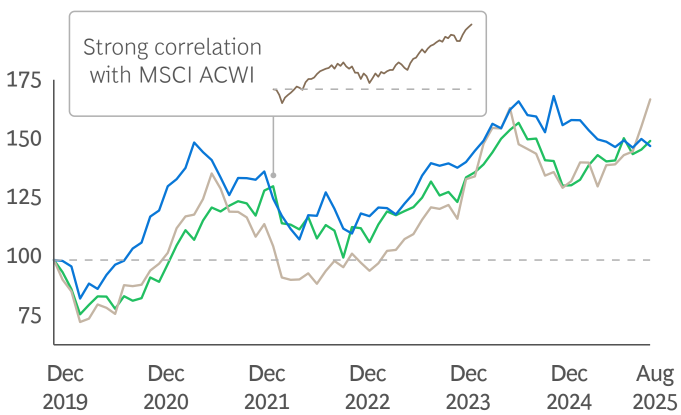
EXHIBIT 2

Budget Players' Performance Tracked Benchmark Indices, Exceeding the Performance Midtier and Premium Segments

TSR index

Budget players broadly tracked the MSCI ACWI, outperforming both premium and midtier players

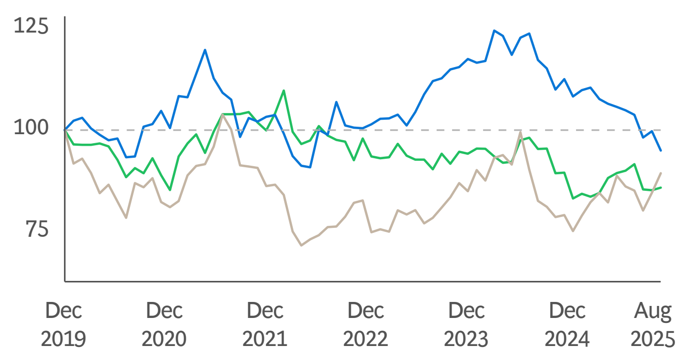
December 31, 2019 = 100



Relative TSR index

Budget players performed in line with the benchmark, whereas premium and midtier segments underdelivered

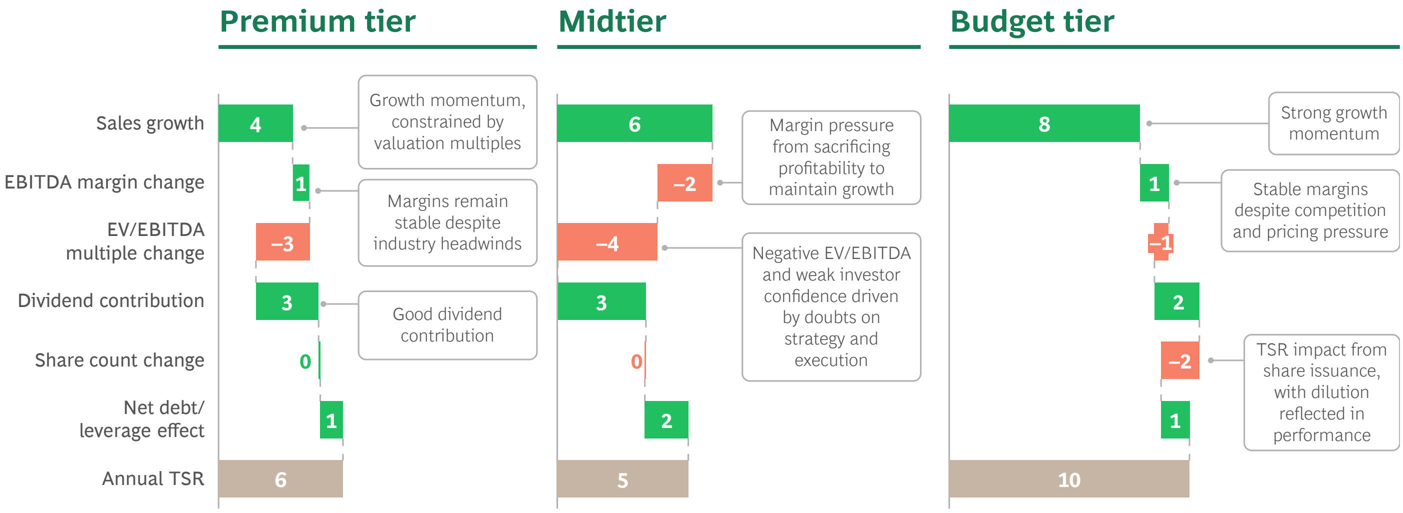
December 31, 2019 = 100



Sources: S&P Capital IQ; LSEG Workspace; BCG ValueScience Center.
Note: Relative TSR is a company's TSR relative to its domestic blue-chip index. A value above 100 signals outperformance versus the local market. The premium, midtier, and budget subindustry indices represent a market-capitalization-weighted average and are rebalanced monthly. ACWI = All Country World Index; TSR = total shareholder return.

EXHIBIT 3

The TSR Drivers Reveal Distinct Performance Patterns Across Industry Tiers



Sources: S&P Capital IQ; BCG ValueScience Center.
Note: TSRs cover the period from December 31, 2019, through to December 31, 2024. Aggregation is based on market capitalization weights on the starting date. "Dividend contribution" includes investment of dividends and special dividends, compounded daily. Components of TSR are multiplicative, but we have converted them and show them as additive with remainders assigned to margin and multiple change fields. EBITDA = earnings before interest, taxes, depreciation, and amortization; EV = enterprise value; TSR = total shareholder return.

We based this analysis of TSR drivers on data through the end of 2024. Although full-year 2025 data is not yet available, early signals suggest that temporary factors influenced performance during the past year. Higher tariffs constrained global trade from Asia, putting pressure on budget players' margins and TSR. Meanwhile, favorable exchange-rate movement boosted TSR for select premium players. We do not expect these effects to alter the long-term dynamics of value creation in the tire industry, but they warrant close monitoring.

Spotlight on the Top Performers

Across the industry, sales growth remains the primary engine of TSR, but only players that combine sales growth with solid fundamentals and a coherent equity story sustain long-term value. The evidence is stark: the top-quintile performers—mostly Asian budget challengers from India and China, plus one midtier player—delivered average TSRs near 28%, 5.6 times as high as the rest of the industry. **(See Exhibit 4.)** Even when accounting for market effects by calculating relative TSR, we find that these players clearly outperformed their peers, confirming that their success reflects not just favorable market dynamics but structural and strategic advantages.

Their outperformance rests on a coherent balance of strong growth and disciplined execution of a low-cost, high-efficiency strategy that encompasses operational discipline, scale productivity, and tight capital management. These players run highly standardized plants and maintain lean cost structures. They also continuously optimize utilization, logistics, and procurement to protect margins even in price-pressured markets.

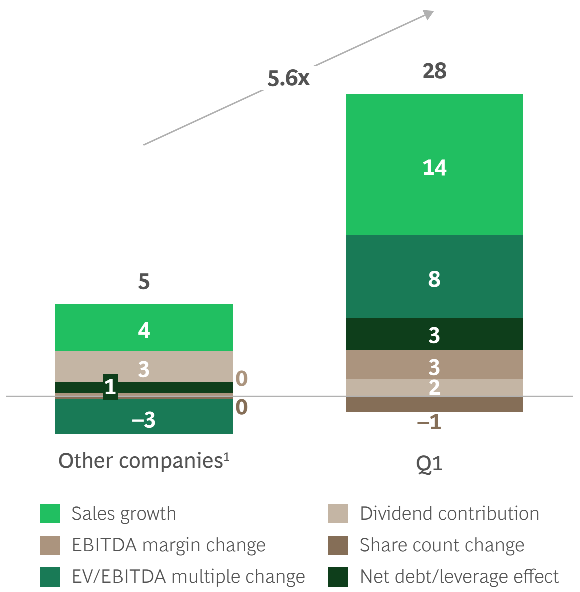
Moreover, top-quintile performers have significantly improved their product quality—supported by continued investments in R&D—thereby enhancing their value and further strengthening their competitive position. The result is a new competitive overlap, as buyers now recognize several tire models produced by budget challengers as premium products.

The top performers are also expanding into areas where they previously had lower penetration or limited local presence. This is particularly relevant in emerging markets with rapidly growing urban centers beyond the major metropolitan areas, where vehicle ownership and replacement demand are rising quickly. These moves have allowed leading players to capture higher volumes and grow sales by approximately 60%, nearly three times as fast as the industry average. Volume-led growth is a decisive differentiator, helping top-quintile companies capture share in segments that are less exposed to global competition.

EXHIBIT 4

The Top 20% of Performers Significantly Outpaced Their Peers

Annual TSR, Q1 vs rest of market (%)



+22 pp[2]

+9 pp	Sales growth is a key driver of outperformance, suggesting that **top performers can capture demand and grow faster than peers**
+11 pp	The jump in valuation multiples signals that **investors reward top performers with higher confidence**
+2 pp	Top performers achieved slightly higher margin expansion, showing disciplined **cost management**
+2 pp	**Top performers benefitted from a 3% TSR contribution via leverage**, showing disciplined use of leverage
–1 pp	Top performers delivered lower dividends, suggesting a **prioritization of growth over immediate shareholder payouts**
–1 pp	Share count reductions (buybacks) had a slightly **less favorable effect for top performers**

Sources: S&P Capital IQ; BCG ValueScience Center; BCG analysis.
Note: TSRs cover the period from December 31, 2019, through December 31, 2024. EBITDA = earnings before interest, taxes, depreciation, and amortization; EV = enterprise value; pp = percentage points; Q1 = top quintile; TSR = total shareholder return. Because of rounding, not all bar segments in this exhibit add up to the totals given.
[1]Excludes top-quintile performers.

Leading companies have combined strong performance with clear communication to investors of a simple but stringent strategy and well-defined competitive advantages. Higher investor confidence, in turn, has led to re-ratings of EV/EBITDA multiples, especially among Indian players, whose valuations recovered alongside improved fundamentals and favorable local conditions.

These leaders' strategies have proved effective in converting growth and operational efficiency into superior TSR results. In contrast, premium players and many midtier and budget manufacturers with weak differentiation and limited cost discipline achieved only average returns. Indeed, several well-known names failed to reach the ranks of the top ten value creators, highlighting the challenges that established players face in a market increasingly reshaped by regional imbalances, cost competition, and new entrants.

Five Archetypes of Value Creation

Although we have observed certain successful patterns, there is no single formula for outperforming in the tire industry. Companies tend to cluster around a set of recurring strategic archetypes, each defined by its portfolio focus, operating model, and approach to capital discipline. The following five archetypes are especially noteworthy:

- **Global Premium Leaders.** The Big Five, large multinationals with diversified portfolios and global footprints, include two sub-archetypes: *cash-return stewards*, which sustain TSR through dividends and financial discipline despite limited growth; and *rebuilders*, which focus on restructuring and restoring profitability but often at the cost of negative short-term TSR. Without strategic renewal, these companies risk stagnation.

- **Global Challengers.** High-growth, undervalued players expand across regions and improve product mix and exports. Yet they often fail to turn top-line growth into sustained profitability. Valuation headwinds partially offset their solid operational progress, as volume growth without pricing power erodes investor confidence.

- **Scale Cost Leaders.** These companies leverage large, cost-efficient production networks to drive volume growth and price competitiveness. *Export winners* combine volume expansion with multiple re-ratings to achieve high TSR. *Low-margin scalers* grow revenues but fail to lift profitability; their muted TSR performance demonstrates that scale is insufficient without margin discipline.

- **Emerging-Market Champions.** Regional players apply focus and financial discipline to outperform larger, established companies. *Defenders* have strong positions in their home markets, while *flywheels* combine disciplined capital allocation, efficient growth, and solid fundamentals. Both sub-archetypes deliver positive TSR across all drivers, with sales growth acting as the main contributor to their success.

- **Niche Specialists.** These companies focus on specific products or customer segments. *Niche winners* deliver high TSR and superior margins through technology, brand strength, and close customer relationships. *Overexposed specialists* suffer sharp TSR declines when a narrow focus makes them vulnerable to external shocks. Focus creates value, but only when combined with adaptability and diversification.

Resetting the Big Five's Value-Creation Model

Each archetype offers a viable path to value creation for companies that can capitalize on structural advantages. Yet the global premium model deployed by the Big Five is demonstrating the limits of its viability. The Big Five's average annual TSR of approximately 6%, although strongly supported by dividend contributions, falls well below the sector's median of 13%. This disparity highlights weak underlying fundamentals and points to an erosion of the companies' advantages.

As Asian competitors scale exports while improving perceived quality and value, the Big Five will find it increasingly difficult to justify the historical price premiums that once underpinned their profitability. Simply put, the legacy playbook—scale, technology, and brand—no longer guarantees outperformance.

To sustain competitiveness, the Big Five must fundamentally reset cost structures and reallocate resources toward new growth initiatives or collaboration models.

Reset the Cost Base

Fixing the foundation is an essential first step before investing in the future. Two priorities stand out:

- **Redesign the plant footprint.** Rationalize global plant footprints, and target utilization levels of approximately 80% of peak demand. Manage cyclical peaks through pricing discipline, not overproduction.

- **Execute an AI-first transformation.** Replace manual processes in pricing, planning, supply chain, and administrative functions with AI-driven workflows. Automating these activities will free up substantial operating expenses and talent capacity for growth initiatives while also improving speed and accuracy.

Pursue a New Value-Creation Path

The Big Five should channel efficiency gains to accelerate value creation via both organic and inorganic opportunities:

- **Invest in organic growth and counterattack strategies.** One key option is to double down on product innovations such as smart tires, designs specific to electric vehicles, or sustainable materials and end-of-life principles that enable closed-loop circularity. Companies can also strengthen go-to-market partnerships and service models to increase the visibility of market and customer dynamics.

- **Expand into new markets and capabilities.** Global players can reach fast-growing value-oriented segments by acquiring or partnering with regional and budget manufacturers to tap into their low-cost manufacturing strengths. These relationships can broaden portfolios, unlock scalable new revenue pools, and accelerate entry into new markets with products tailored to local needs. They also create a win-win dynamic: global players gain cost-efficient capabilities and local insight, while budget challengers benefit from the global scale and distribution networks that only premium incumbents can provide.

While making these moves, Big Five players should rebuild investor trust with a forward-looking equity story. The goal is to shift the narrative from defending legacy premium positions to leading the market through efficiency, innovation, and profitable growth.

The global tire industry has reached an inflection point. Structural overcapacity, tighter margins, and fast-moving challengers are eroding long-standing sources of advantage. For the Big Five, this is a decisive moment: disciplined execution, not legacy scale or brand strength, will determine which companies rank among the leading value creators in the next era of tire manufacturing.

About the Authors

Tobias Schmidt is a managing director and partner in BCG's Hamburg office. You may contact him by email at **schmidt.tobias@bcg.com**.

Fabio Dal Pan is a managing director and senior partner in the firm's Milan office. You may contact him by email at **dalpan.fabio@bcg.com**.

Felix Stellmaszek is a managing director and senior partner in BCG's Atlanta office and is global leader of the Automotive & Mobility practice. You may contact him by email at **stellmaezek.felix@bcg.com**.

Hady Farag is a partner and director, shareholder value strategy, in the the firm's New York office. You may contact him by email at **farag.hady@bcg.com**.

Giuseppe Collino is a managing director and partner in BCG's Milan office. You may contact him by email at **collino.giuseppe@bcg.com**.

Alex Brenner is a managing director and partner in the firm's Hamburg office. You may contact him by email at **brenner.alexander@bcg.com**.

For Further Contact

If you would like to discuss this report, please contact the authors.

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we work closely with clients to embrace a transformational approach aimed at benefiting all stakeholders—empowering organizations to grow, build sustainable competitive advantage, and drive positive societal impact.

Our diverse, global teams bring deep industry and functional expertise and a range of perspectives that question the status quo and spark change. BCG delivers solutions through leading-edge management consulting, technology and design, and corporate and digital ventures. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, fueled by the goal of helping our clients thrive and enabling them to make the world a better place.

For information or permission to reprint, please contact BCG at **permissions@bcg.com.** To find the latest BCG content and register to receive e-alerts on this topic or others, please visit **bcg.com.** Follow Boston Consulting Group on **LinkedIn**, **Facebook** and **X (formerly Twitter)**.