



# Considerations for Developing Scrap Tire Company

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# Starting a Scrap Tire Company

- Entrepreneurs face many challenges
- Many companies fail within a year
- Collecting and processing tires are important, but not the most critical components of your operation
- Markets critical to success



# Understanding the Scrap Tire Situation

- 2 components of the situation
  - Annually generated scrap tires
  - Tires in stockpiles
- Different markets/end uses for each
  - Stockpiled tires go to fuel and engineering
  - Annual tires can go to any end use market



# Understanding the Scrap Tire Situation

- Scrap tires are generated every year
  - Constant supply
  - Need to increase markets every year
- Quantity of tires generated goes up every year
  - More people driving more vehicles every year



# Characteristics of the Scrap Tire Industry

- ✓ Necessity
- ✓ Predictable
- ✓ Recession Resilient
- ✓ Capital Intensive
- ✓ Regionally based markets



# Understanding the Scrap Tire Situation

- Must be viewed as a business
- Scrap tire companies must comply with sound business practices
- Competition is large; margins are small
- Management is critically important
- Government policies have a direct impact on the industry



# COMPONENTS OF THE SCRAP TIRE INDUSTRY

- ✓ Sourcing: Where will the tires come from?
- ✓ Collection/Transportation: Highest cost factor
- ✓ Handling/Sorting: Another overlooked cost
- ✓ Processing: Right products for the market
- ✓ Marketing: Absolutely critical



# REQUISITES FOR SUCCESS

- Research
  - Markets
  - Technology
  - Regulations
  - Competition
- Feasibility study
  - Run the numbers
- Commitment to success
- A plan



# REQUISITES FOR SUCCESS

- A plan B
- Long-term vision
- Financing
- Ability to manage both the processing operation & the marketing of your products



# Return on Investment is a function of:

- Adequate supply
- Efficient handling & processing
- Realistic markets & pricing
- Understanding of the marketplace
- Qualified personnel
- Stable regulatory environment



# MARKETING CONCEPT: 5 P's

- Price: must be competitive
- Place: transport & supply are critical
- Product: what you are selling
- Promotion: let the world know
- Permitting: critical part of the game



# Risks to the Entrepreneurs

- Inconsistent/poor quality product
- Not understanding the market
  - Changes
  - Demands by your customers
- Reliance on a single market
- Lack of focus
  - Not a part-time job
  - Understand the service you provide



# Risks to the Entrepreneurs

- Large capital investment
- Lag between investment and ROI
- Equipment failure
- Changing regulatory environment
- Competition
- Environmental opposition

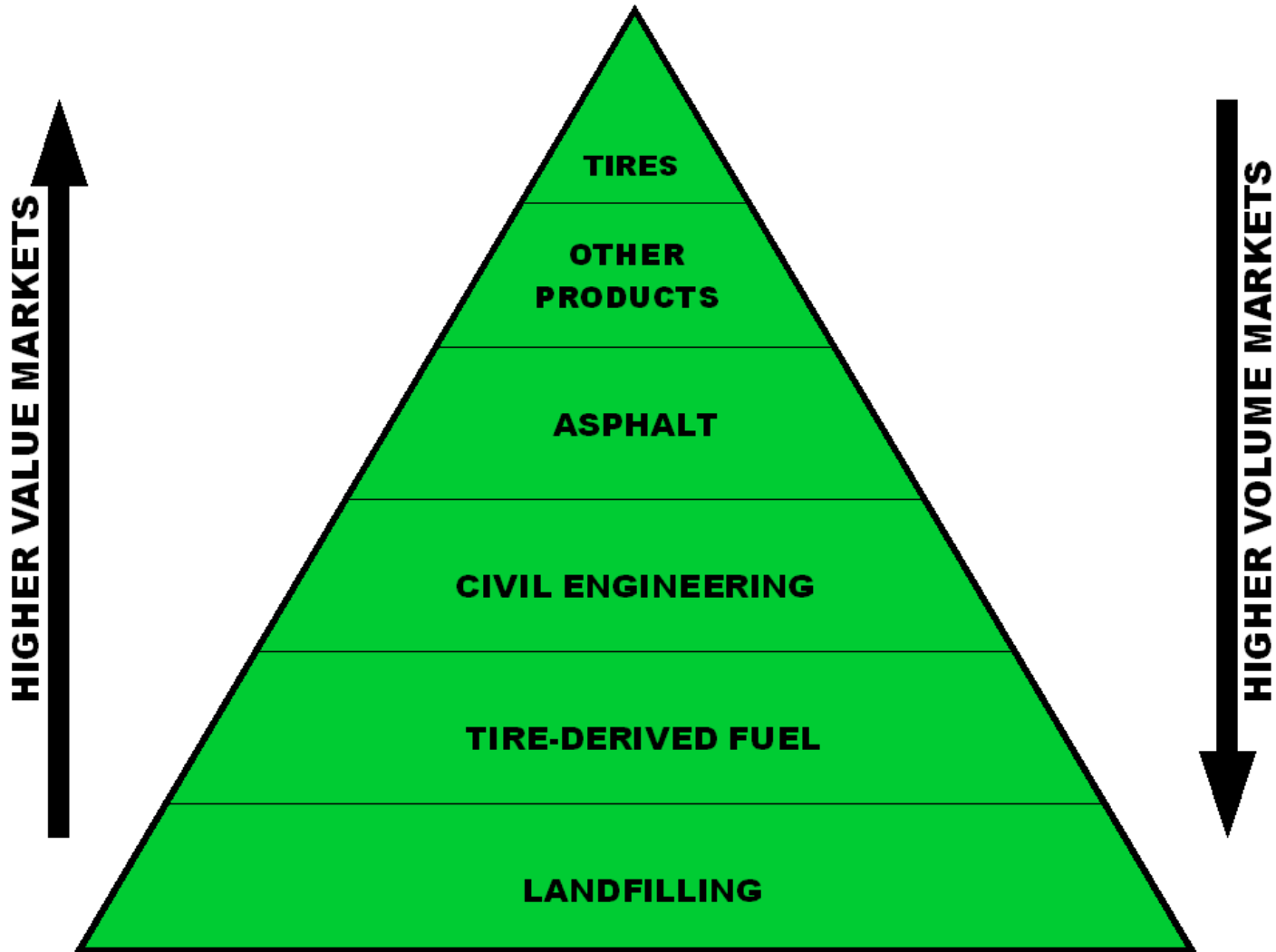


# Important Consideration for Success

- Must have an end-use market
- Must have adequate financing
- Should have a 1 year plan, 2-year plan, 3 year plan
- Evaluate/Update/revise your plans



# SCRAP TIRE MARKET HIERARCHY





# Opportunities

- Scrap tires recognized as an environmental priority
- Increasing markets  
Acceptance as a Resource  
✓TDF = Fuel
- Improved processing equipment
- Recognition as an investment possibility



# Opportunities

- TDF is an accepted use for tires; potential end users exist along border
- Civil engineering applications would be an easy fit
- Well developed transportation system
- Relatively inexpensive labor costs



# Conclusions

- Scrap tires are not going away
- Market opportunities exist, but need does not always create demand
- Sound business practices must be applied
- There are many components to a scrap tire business: must master all to be successful



# Conclusions

- Challenges exist on three levels: government policies, efficiencies of your company & competition
- Thorough research/development of a business plan should be done before making an investment
- Resources exist and are available



# [www.rma.org/scrap\\_tires](http://www.rma.org/scrap_tires)

- **BLUEPRINT FOR TIRE RECYCLING**
- *The Things to Consider When Planning on Starting a Scrap Tire Business*
- When starting a scrap tire company there is a series of business decisions that must be given extensive research. These decisions will be based on a series of factors, all of which must be fully explored before each decision can be made. Often, later decisions will be a function of decisions made early in the planning process. The information provided in this document was developed as a tool, designed for a “newcomer” to environmental related businesses.



# [www.rma.org/scrap\\_tires](http://www.rma.org/scrap_tires)

- Scrap Tire Publications: General section
- Consideraciones Para Iniciar Una Compañía de Llantas de Desperdicio  
Plano para Crear una Estrategia de Comercio



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