

Driven: Hankook Tire Story



Driven: Hankook Tire Story

Hankook Tire is one of the world's best-known tire companies. From its origins in colonial Korea during World War II, the company has for decades been at the forefront of the East Asian economic miracle. Frequently upheld in its home country of Korea as a model of initiative and excellence, Hankook has now gone global and is knocking on the door of the once-exclusive club of top international tire brands.

"I am frequently asked how we did it." says CEO Suh Seung-hwa, who joined the company as an entry-level employee in 1973. "The credit for vision, good decision-making and sheer hard work belongs to a lot of people at all levels in the company. But when I consider this question in terms of strategic growth drivers, I see four factors. There has been great attention paid to improving global management processes and structures. We have significantly increased production and distribution capabilities, and made consistent investment in technological innovations. Also we have focused on our brand as we shifted at the right time from making and selling a commodity, to marketing a brand with a promise of quality. But, whichever way you look at it, in the end, the success of the company is down to its people."

Let us start from the beginning of Hankook Tire's story of success.



INDEX



06

The Beginning

- 08 The Establishment of Hankook Tire; The Beginning of Korea and the Nation's Tire Industry
- 10 From Local to Global, Zero to Hero



12

Passionate People Pushing Forward for Growth

- 14 Aggressive R&D and Technology-driven Success
- 20 Global Expansion with Positive Minds, Leadership, and Faith
- 26 Leveraging the Hankook Tire Brand based on Quality Products and Services



36

Marking Global Footprints with Foresighted Investment

- 38 The Pioneer Spirit and Strategic Thinking for China
- 42 Commitments to Europe



46

Taking the Lead for Success

- 48 Turning a Crisis into an Opportunity
- 50 Ongoing Growth, Today
- 56 Hankook Tire's Major Success Factors



60

The Pursuit of Becoming the Leading Global Tire Company

- 62 Providing Value and Joy to Our Customers
- 64 Our Focus Today: Basics, Systems, Eco, and Communication
- 66 Hankook Tire's Tomorrow

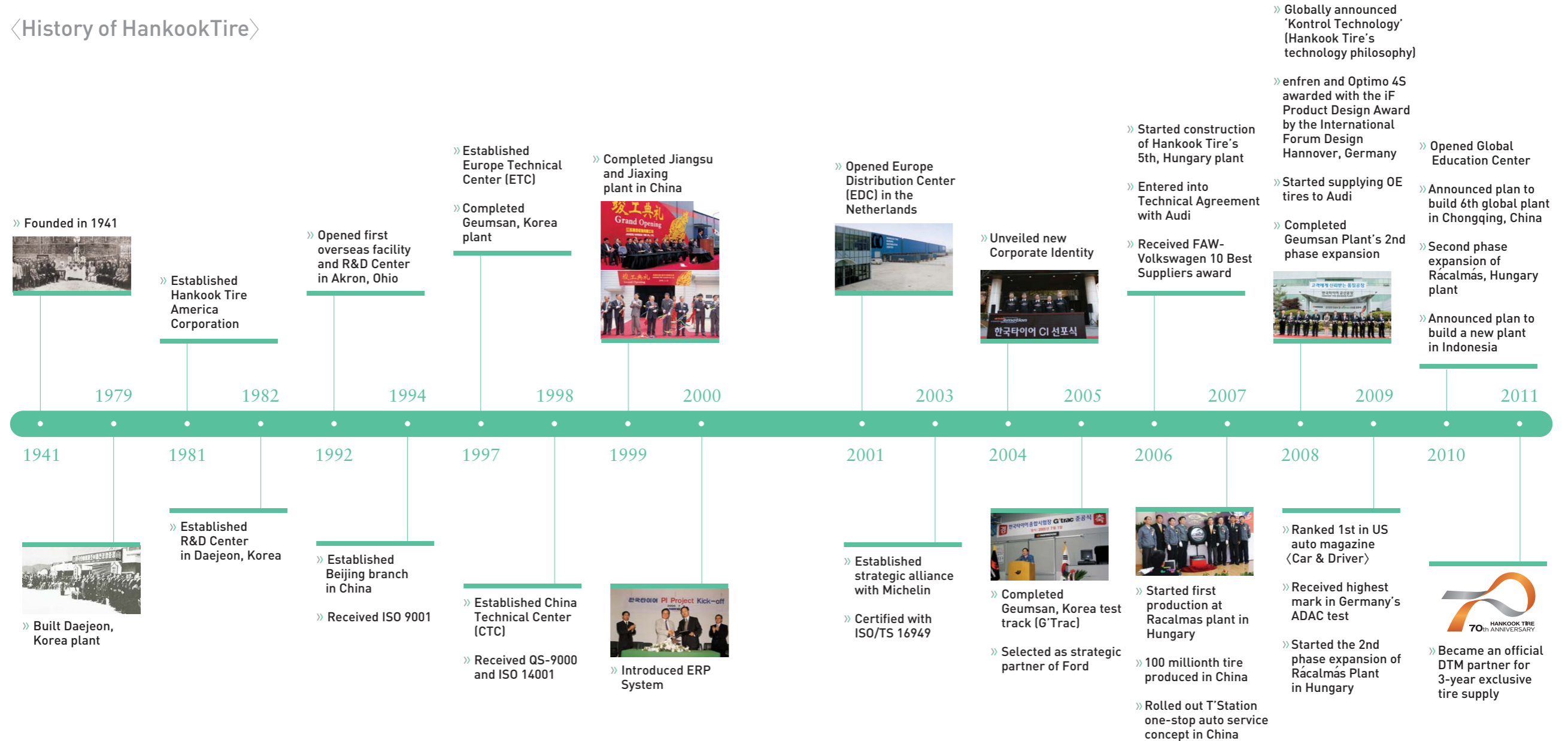


68

Hankook Tire in Global Media

The Beginning

〈History of HankookTire〉



The Beginning

The Establishment of Hankook Tire; The Beginning of Korea and the Nation's Tire Industry



Driven:

Hankook Tire

Story

»

War and Division: the Troubled Birth

1941. The world is at war. Against the backdrop of this tumult, Japan's top tire maker Bridgestone establishes Chosun Tire Co. in its backwater colony Korea. The company establishes the first tire factory on the Korean peninsula.

The first hot war of the cold war exploded across the peninsula on 25th June 1950. By the time it was over, 70 percent of Chosun Tire's production facilities were in ruins. In 1955, a businessman named Kang Kyung-ok leased the facilities and changed the company's name to Hankook Tire Manufacturing Ltd. (This was in keeping with South Koreans' new name for their country, 'Hankook'. North Koreans retained the old name, 'Chosun'.) Kang lacked the funds to re-build the facilities destroyed during the war and, in 1958, sold the company to Samsung Trading Co. and the owners of two sugar manufacturers.

However, the business suffered and in 1962, it went into bank receivership. Later that year, Cho Hong-jae, the founder of the Hyosung Group, in the process of severing his business partnership with Samsung, acquired its 49.1% share of Hankook.

After this tumultuous beginning, however, the fortunes of this tire company would rise in sync with those of Korea, as the country, devastated and demoralized, began to write the 20th century's most remarkable national economic success story.



Hankook Tire's Billboard and Dealership in 1960s

The Beginning

From Local to Global, Zero to Hero

First Exports: the Overseas Push

In 1962, the company started overseas exports, with a shipment to Pakistan. Six years later, the company was listed on the Korean stock market, and growth began to accelerate, also along with the industrial development in the late 1960s.

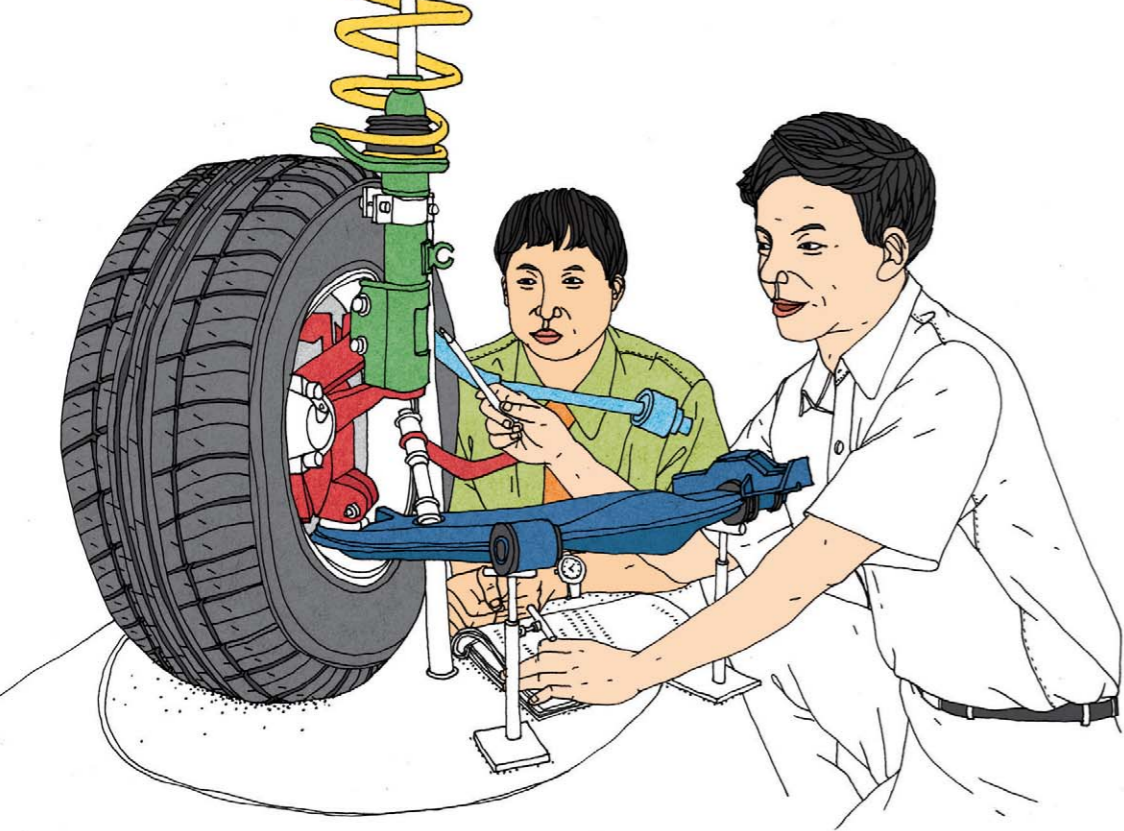


“Suh, the last member of that 1973 entry-level intake, is currently Hankook Tire’s Global CEO.”

Yet, in contrast to automotive industries in other countries, in Korea, the chicken and the egg were reversed. “Korea’s tire industry is unique in that, while traditionally, tires follow autos, here autos followed tires.” said Cho Choong-hwan, a former Vice-Chairman. “Here, tires expanded overseas first; autos followed later.” With Korea’s auto industry still a distant dream, Hankook Tire looked abroad for sales.

One of those behind this movement into the Middle East was Suh Seung-Hwa who joined the company in August 1973 along with 34 other entrants after completing his duty at the South Korean Army. In 1974, Suh was assigned to Hankook’s Overseas Business Department where he was responsible for export sales in Africa, Australia and the Middle East. With the industrial and social development in the Middle Eastern states, Hankook was furiously supplying tires for passenger cars, trucks and earth movers in the Gulf States, Iraq, Kuwait and Saudi Arabia. In early 1976, he moved to Kuwait to open the company’s first Middle Eastern branch office.

To bring the story up to date, some of the customers won over in those early pioneering days in the Middle East are still buying from Hankook in 2011. Suh, the last member of that 1973 entry-level intake, is currently Hankook Tire’s Global CEO.



Passionate People Pushing Forward for Growth

A milestone was reached in technology when Hankook's new research center was completed in Daejeon in 1982 and the Technical Team was transformed into the R&D Team in 1985. Again, it was domestic conditions that created the need for the next technological leap.



Passionate People Pushing Forward for Growth

Aggressive R&D and Technology-driven Success



In the 1970s, government-led infrastructure upgrades gave a major push to Hankook Tire's innovation in technology. In 1970, the Seoul-Busan Expressway opened. American Greyhound buses were imported to ride this slick new route, but Hankook was mortified to find that its tires were not able to endure the long distance. "They were flat before the buses arrived in Busan." recalled Dr. Kim Hwi-joong, Hankook Tire's former Chief Technology Officer and Chief Production Officer. It took the company nearly three years to develop successful intercity bus tires.

Such incidents showed the need to upgrade R&D. In the early 1970s, a Technical Group with three departments (compounding & raw

Lessons Learned from Challenges and New Attempts

materials, tire construction, and tire testing) was formed. Experiments took place in the laboratory of the Hankook plant in Yeongdeungpo, a gritty industrial suburb of Southern Seoul. "Back then, we used coal briquettes for heating, so everything was black." said Dr. Kim. "Technical officers did not have a 'Banbury Mixer' so we mixed all our rubber compounds by hand. Our clothes - even our underwear was covered in black. My grandmother had to do so much laundry. My salary barely covered soap costs."

The Technical Group activities in this period were rough-and-ready as its personnel determined to learn the ropes. The first person in the Vehicles Dynamics Research Team was Dr. Kim Gwang-hun. "He has a PhD and immense academic knowledge but needs actual experience in things such as how a car behaves with different tires and other vehicle parts." said Dr. Kim. To get that experience, Dr. Kim - former the Executive Vice President of R&D - was dispatched with a group of subordinates to do tire testing training at the Motor Industry Research Association (MIRA) in the United Kingdom.

Driven:

Hankook Tire

Story

»



The training finished earlier than scheduled and Kim took this opportunity to try out the handling test course on his own. His adventurous attempts lead the car to crash into the barrier. Jeon Gyu-ha, a man who would become one of Hankook's legendary test drivers, took the wheel next with Dr. Kim in the back. His extreme enthusiasm left them hanging upside down in the back, but the accident was 'nothing too serious'. "Before MIRA, we did not know how to match tire and car." said Dr. Kim. "We learned then how a car behaves with different tires and other parts." The aggressive Koreans were just getting started.

Achieving Original Quality and Performance

The Technical Group in the early 1970s relied on a wide range of external support. A handful of students at Inha University in the city of Incheon and the International Executive Service Organization, an NGO that assisted developing countries assisted the firm.

A significant breakthrough came in 1973 when Hankook signed a 20-year technical service agreement with Japanese firm, Yokohama Rubber Company, becoming one of the pioneer Korean companies to leverage overseas technical expertise to kick-start its R&D. This presented Hankook future challenges: localizing technologies and processes, streamlining manufacture and making incremental improvements while furiously competing on price, and eventually, sales and marketing strategies.

In 1975, Hankook Tire began to operate its 'Quality Control' (QC) system. During this time, investments and advancements in Korea were being sparked by Hyundai Motor's cooperation with Ford, and Samsung's initial investments in electronics. Korea was truly growing as an export economy. Even so, this did not mean that car



Technical service agreement with Yokohama Rubber Company (1973.7.17)

makers, let alone Korean car makers were using Hankook Tire products on their export vehicles as it was unknown. Hankook had to export its product using a different name, 'General Tire', to make it sound American. This situation would not be reversed until 1993.

A major milestone was achieved in 1979 when Hankook produced its first radial, rather than bias, tires. But presence and demand in Korea was still low, while overseas sales was 90% of Hankook Tire's output since it was before Korea's own auto industry was established. This generated a strong need to increase production, leading to the construction of the Daejeon plant that year. It was the world's largest single tire production



Completion Ceremony for Daejeon Plant, Korea (1979.10.10)

facility.

One year after the opening of the Daejeon plant, Hankook Tire received its first 'US\$100 million export award'. The early tires were for the European replacement market, which was expanded to the United States.

In 1981, Hankook established the company's first subsidiary in the United States: Hankook Tire America Corporation.

The R&D Transformation through Challenging Times

Another milestone was reached in technology when Hankook's spiffy new research center was completed in Daejeon in 1982 and the Technical Team was transformed into the R&D Team in 1985. Again, it was domestic conditions that created the need for the next technological leap. With domestic demand rising for Hyundai's Pony II - the first middle class car for Koreans - Hankook faced a new manufacturing challenge. "Hyundai asked for low levels of non-uniformity in the tires." said Dr. Kim. "This was very challenging. We needed higher speed and endurance, and vehicle matching performance - which required handling and stability tests."

In the mid 1980s, Hankook Tire test drivers were invited to do tests at the Hyundai test track. Song Young, the future Vice-President of the OE* (Original Equipment) Development Department, took a zig-zag course and flipped the car at 100 km/h. "The drivers were left hanging upside down in their seatbelts." said VP Ahn Myung-hun. "The workers came running up and said, 'If you can survive that, you'll live to be 100!'" They did-and survived to race around Hankook's own test track, established in 1985.

* Supply for the car makers.



R&D staff used enthusiasm and initiative to overcome their lack of facilities. “In the mid-1980s, there was no proper place to conduct noise-control tests - not many people know this, but while a car’s engine noise is higher, the frequency level of tire noise is more critical for the human ear.” said Vice-President Lee Sang-joo. “My job was to measure the skid-screch and the drive-by noise, but there was no quiet place in those days. So I used to go out on the roads after midnight - I used to get ticketed by the police and the neighbors always used to complain!” When the company first developed a high-speed tire in the 1990s, its own test track was too short, so Song Young of the OE Development Department visited an Air Force base near Daejeon and made a bold request: Could Hankook use the air base runway? “I asked them five or six times, and finally persuaded them by saying that they would be helping Korean industry.” he recalled. “We wobbled around the runway at high speed in this car to test lane change and slalom capabilities, and all the airmen came out and clapped!”



Main R&D Center in Daejeon

1992. The 20-year technical cooperation agreement with Yokohama Rubber was ending and Hankook decided not to go for a renewal. “Our decision to end the technical transfer agreement with Yokohama presented a real risk.” said then-Executive Vice-President Cho Choong-hwan. “If we were successful in developing independent technology, we would succeed; if not, we would fail.”

“Back then, management was worried that we would be lost without Yokohama, but Yokohama had been very shy about revealing its core technology.” said Dr. Kim. “The Japanese were very selective about what they provided. They had given us the [rubber] recipes, but they did not teach us how to change the recipes for better endurance, or to match tire with vehicle. We actually decided it would be better off on our own.” The company, knowing the date of the end of technical cooperation, was prepared. The same year, Dr. Kim, who earned his doctorate at the University of Akron in the United States - known as ‘Rubber City’. due to its central position in the US rubber research industry - oversaw the opening of Hankook’s Akron Technical Center.

Driven:

Hankook Tire

Story

»

Moving Forward
to Stand Alone

The efforts of the R&D team were behind major quantitative improvements that moved Hankook up the value chain. In 1990, Hankook was the second tire firm in the world to develop foam rubber, a key material in winter tires. In 1999, Hankook followed the top players and was producing its own ‘run flat’ tires. These improvements were critical as the company’s sales force began establishing bridgeheads into developing markets, and competing with the big boys of the tire world.



Completion of Geumsan test track, Korea (G' trac) (2005.7.1)

Passionate People Pushing Forward for Growth

Global Expansion with Positive Minds, Leadership, and Faith



Mr. Cho Yang-Rai, a former CEO (current Chairman) with overseas branch managers during a visit to overseas sales offices (1985.1.19)

Korea's economy in the 1980s was booming as a result of increases in world trade and the combination of the low won, low international oil prices and low interest rates. The country's nascent automobile sector was one of the benefactors.

Changes were also underway on the corporate front. In 1986, Hankook Tire and Hyosung Corporation split amicably - the then-chairman Cho Hong-je gave Hyosung Corporation to his first son, Hankook Tire to his second, and Daejeon Tannery to his third. This led to operational and staff changes, as it necessitated Hankook opening its own network of branch offices abroad: 18 in that year.

**Sales Warriors:
Setting up the Network**

**Initiative and Aggressive
Communication that Opened
the UK**

This move was the real genesis of Hankook as an international firm, at a time when the only Korean firms with global networks were trading companies. The decision for some staff to move from a trading company to a manufacturing firm did not please everyone.

Against this backdrop - increases in Korea's trade profile and the company's need to set up its own distribution channels - Hankook was going increasingly global. Sales foot soldiers were dispatched around the world to up sales. To examine this aspect of the company story, let's join one of Hankook's key international salesmen as he is dispatched to the UK in 1990 - the year when Hankook became the first Korean tire maker to have produced an accumulated total of 100 million tires.

As was common in Korean companies at that time - a time when HR management was primitive, employees were expected to do as they were told - the notification of an overseas posting came as a shock to Lee Byeong-jin. "It was late 1989 and I had just bought my first car. I was in the toilet when my managing director came in and asked, 'Why did you just buy a car? You are moving to the UK!'" It was the first Lee had heard of his posting. He gave his new car to his brother and arrived in the UK - to find that Hankook's dealership relationship had soured under his predecessor. He was forced to take drastic action. With classic Korean chutzpah, he hit the road to speak to retailers nationwide.



“I was visiting the famous dealers - United Tires, RH Claydon, etc - but at that time, they were saying, ‘Why use Hankook Tire? Eastern Bloc suppliers have higher brand recognition and they can supply in two weeks.’ So I had two stories. The first was this: ‘Every day the sun rises and sets. If you make a business with a company that is rising like Hankook, we can grow together!’ I told them that if they bought from the Eastern Bloc dealers, the price would be cheap, but they would need an aspirin due to the quality troubles.”

The second thing I said was, ‘Check where your shoes are made.’ At that time, Korea was a major sports shoe supplier. So I said, you may pay US\$100 for a pair of a global running shoes brand; if those shoes were made by Hankook, they would be only US\$50, but would have the same quality.” The buyers were persuaded.

But it was not just the British buyers Lee had to convince. He arranged a meeting with a sales director of Hyundai Motor - at that time, the only other Korean manufacturer in the UK - when he discovered that Hyundai cars being sold in the UK were equipped with Michelin tires. Lee asked his opposite number why Hyundai was not using Hankook tires.

He was told that UK customers had no familiarity with the brand. This logic did not wash: Lee pointed out that they were buying Korean - made cars, so would have no reason to reject the purchase just because the tires were also Korean - made. Moreover, even if the company lost 2-3 percent in British sales

Driven:

Hankook Tire

Story

»

in the unlikely event of customers declining to buy a foreign car with foreign tires, Hyundai would more than break even on the difference in sales price between Michelin and Hankook tires. The logic was unassailable: Hyundai changed its policies. Under Lee’s driven approach, sales in the UK were soon on the growth path.

Sincerity and Partnership that Penetrated Spain

Three years after arriving in Europe, Lee got a late night phone call. “Around 3:00 in the morning, the manager of overseas branches called me and said, ‘Congratulations! You have been made branch Manager of Spain!’” Lee was astounded: He knew nothing about Spain and spoke not a word of Spanish. He made swift plans to relocate his family, and then flew in to set up the office in Madrid. In these pioneering days, economy was the key. Lee declined to use an agency to furnish his new office. He bought his furniture from a dealer he had spotted down the road. At that time, the Spanish business, in partnership with local dealer Gasaragon, was worth only US\$3 million to Hankook, but Spain, which had just joined the EU, was opening its tire market. Opportunity beckoned. Lee first decided to ‘drop a bomb’ with Gasaragon. “I said, ‘I have come here to support you fully - but not only you. I do only US\$3 million a year with you, and I cannot depend on you alone.’ The atmosphere was not very good - they were furious!” Still, it was an up-front tactic on Lee’s part. “I decided it was better to do this on the first day, not after I had established a good



relationship with them.” he said. Eventually, he restored the relationship and generated good will.

With the remit to open much larger operations in Spain, he first had to develop a strategy for cracking the market. He spent four months asking around to find out who were the best dealers in each of the Spanish regions were - Galicia, Catalonia, Levant, Andalusia, Castile. “I asked people in the industry, I wanted guys with good local reps.” He then personally approached each of these top dealers to persuade them to do business. Meeting the dealers, he used the same approach he had used in the UK - and added some fuel to their ambition. “I used to say, ‘Look, I want to do business with you because you are very successful, but are you happy with your success as it stands?’ I may give you a new chance.”



Hankook Dealers in Italy (1990.10)

Lee did not ask the Spanish dealers to guarantee 40-50 containers of tires; instead he offered just 2-3 containers on a trial basis, which he was sure would be enough to prove Hankook’s quality. Lee’s strategic approach, however, alarmed Seoul. “I got complaints from the Head Office: ‘What the hell is BJ doing? Why is he being lazy? He is not doing any sales!’ But I believed I had to lay a firm foundation.”

The strategy paid off. One of the key relationships Lee built up was in the Levant, with a family-run firm of tire retailers, Soledad. “At the time, these six brothers all lived in this same village, and every night they would meet for dinner to discuss business. They had about 50 self-owned shops. So I said to them, ‘Look, this is a very expensive way to expand, the administrative risk is high and you make enemies in the market.’ I suggested they invest in IT to manage

Driven:

Hankook Tire

Story

»

their business, and to run it as a franchise. I took them to Portugal to show them a retailer with a good IT system, and with Hankook, we worked on their franchise.”

Soon, small dealers were approaching Soledad - now armed with a slick Soledad-Hankook brand. Meanwhile, Lee was keeping the competition at bay. In 1994, Hankook Tires sales had increased from US\$3 million to US\$10 million; in 1995, it was US\$20 million; by 1998, it was US\$30 million, or ten times what it had been when Lee first arrived. Soledad is now Spain’s largest tire dealership: The houses the six brothers live in are now mansions. Their success has transformed the economy of their home village. When Lee left Spain, the brothers saw him off at the airport.



Hankook Partner's Day with Soledad

Passionate People Pushing Forward for Growth

Leveraging the Hankook Tire Brand based on Quality Products and Services

Overseas OE to Raise Trust in the Brand

In the early and mid-1990s, Korea's industries were surging ahead as world trade increased. The self-confident young economy officially joined the 'rich nations' club' - the OECD - in 1996. But a massive crisis was about to strike. By late 1997, a financial hurricane was blowing across the region. One by one, the dominoes fell. Southeast Asia was first, then as the year ended, it was Korea's turn. Her expansionist conglomerates were massively leveraged and her banks unprofessionally managed. The won and stock market plummeted.

For the first time in recent history, Korea's economic warriors faced the threat of joblessness. Conglomerates started selling affiliates to foreign investors. Pundits declared the fast-growth Asian economic model bankrupt. With Korea tottering and Japan next in line, the IMF arrived with a record US\$58 billion bailout loan. Was the 'economic miracle' of the last two and a half decades over?

Lee Byeong-jin, the salesman who had transformed Hankook Tire's fortunes in Europe, was recalled. He was shocked at what he found. "I had been enjoying life in Spain - it was relaxed, we were doing well - but when I came back here, the atmosphere was very dark. Everybody was scared, stressed. We

all stayed in the office until 10 o'clock at night." But while Korea's domestic economy dried up - local consumption dwindled to near nothing - export markets beyond Asia remained untouched.

With the won at record lows, Korea's exports were highly price competitive, but at this point, almost 70 percent of Hankook's business was already in exports. Then-CEO Cho Choong-hwan, holding daily strategy meetings, decided that the focus on exports would have to remain, but that something had to change. "At that time, CEO Cho knew we had good quality, a good product, but people did not know us: What we needed was brand value."

Global Marketing Efforts to Attract Buyers



The first overseas OE Supply to VW Mexico (1991)

There had already been some successes. Hankook was supplying Hyundai and Kia with OE tires; its first overseas OE supply was to VW Mexico in 1991, and, in 1995, Opel took tires from Hankook. But under Lee, the OE Team looked to the big boys - the US carmakers. "Ford showed an interest." said Lee. "They thought they could save money buying from us. Let's not say 'cheap', that's not the professional word, let's say 'competitive'!" However, there was a hurdle to overcome. Firstly, as a trial case before being able to undertake main tire supply, Hankook would only be able to supply 'Mini spare' tires (i.e. the smaller, cheaper tires kept in a car's trunk for temporary use in the event of a puncture. 'Mini spare' tires are the poor relation to the four main, or 'ground' tires on a car.) Ford already had OE relationships with five suppliers for



Incredible Strength, Hankook Tires

Tenacious Grip Hankook Tires

Flawless Balance Hankook Tires

Past TV commercials for Europe and US

ground tires, and for Hankook to be granted the possibility of joining them, it had to upgrade its brand awareness in the United States to an ‘unprompted’ 15 percent (i.e. in market research surveys, 15 percent of respondents had to name Hankook without being prompted). The irony was that upgraded brand visibility was what Hankook was seeking from the Ford relationship: “It was a chicken or an egg situation.” said Lee.

Managerial heads were scratched and ad companies were invited to bid for a Hankook Tire brand visibility campaign. The advertising agency JWT was chosen for the global campaign, which would be spearheaded by TV ads in Europe and the United States. Research showed that consumers were not interested in Hankook Tire itself, but that they were interested in the benefits of the product: strength, performance, balance and grip. These concepts were shoehorned into the ads. But still, not enough interest was being generated.

“In the second campaign, we decided we really had to make some noise.” said Lee. “So we used Korean words in the ads - without subtitles. There were two reactions: ‘Very good’ and ‘What an odd campaign!’ But we made noise!” Still, Hankook was determined to get into Ford’s face. In a classic media buying tactic, the company acquired ad space around Detroit - including a billboard right in front of Ford’s Head Office. An even more targeted campaign was considered: “We were thinking - we were seriously considering - buying a billboard ad in front of the house of the head of Ford’s purchasing department.” laughed Lee. Even without that,

the desired result was achieved: In 1999, Hankook won the Mini spare tire contract for the Ford Focus. Head Office, however, was displeased. “They said, ‘Hey, BJ, what are you doing selling Mini spare tires?’ I persuaded them that this was not the final goal, this was a hole: Once you have dug a hole you can make it bigger.” Indeed, the door had been opened to bid for Ford’s ground tires. It was 1999, and an important chapter in Hankook’s OE story. GM, meanwhile, had no interest in meeting Hankook. “Even our CEO could not get a meeting with GM.” said Lee. “When I met their purchasing people, I did not even get invited to their office - we met in the cafeteria. So I decided that we should succeed with Ford first, and then GM would come to us.”

In 1999, Hankook won another bid - and this time there was added kudos. The car Hankook supplied ground tires for was Ford’s F150 pickup truck - at the time, the US automaker’s bestselling product. However, Ford’s Marketing Department was not happy with the Purchasing Department’s decision. “They said, ‘The F150 is our bestselling vehicle - how can you give the tires to Hankook Tire?’” In response, Lee gave a plethora of presentations to Ford staff, and came up with an American-sounding name for the new tire: The ‘*Dynapro*’. “They said, ‘*Dynapro* is a good name - don’t use the Hankook Tire brand.’ But we were doing the overseas OE business for branding reasons!” Months of negotiations ensued. Eventually,

Ford accepted that the text on the tire saying ‘*Hankook*’ could be 95 percent the size of text saying ‘*Dynapro*’. It was a critical toehold in the American market. Having been sourced in 1999, supply started in 2002. The success of the F150 gave Hankook exactly the momentum needed: U.S. dealers started asking for Hankook’s tires. And, as Lee had hoped, GM came to the table.

The struggle to win OE supplies was just as fierce in Japan. Kim Yun-young, currently Vice-President of Marketing & Sales, Korea, was put in charge of the Japan OE Team at the same time as Lee was courting the Americans in Detroit. A Japanese specialist named Yamagishi, a former development manager with Bridgestone, was headhunted to open doors. “We visited Daihatsu: First, they looked down at us and asked us if we knew what nylon cords (a basic tire component) were.” Kim recalled.

“Although we had Dr. Yamagishi with us, they had not even heard of Hankook Tire, and did not really want to start communications.” Over three years Kim - then resident in Japan - visited Daihatsu over 100 times: “I was visiting once a week for two and a half years. The Japanese only had a slight knowledge of the overseas tire market because their own is so strong - we thought we would be the experimental face of the foreign tire OE in Japan.” The hard work eventually paid off: Today, Hankook Tire sells some 650,000 tires annually to Daihatsu, and that relationship opened doors allowing Hankook to sell to Nissan, Honda and Mazda.

The OE relationships were the key to granting credibility and



OE Supply to Daihatsu (1998.11.18)

Retail Marketing and Brand Leadership

visibility for the Hankook name. With Korea having picked itself up from the 1998 crisis, in 1999 the company passed the 300 million accumulated production mark. Like other firms, it began to focus on building its brand. “Brand is determined in different ways.” said former Vice Chairman Cho Choong-hwan. “The basic is that the tire must be good in quality terms. It needs to have appropriate point-of-sale presence. You don’t want to be associated with filthy sales outlets, for example. You need attractive advertising campaigns. Supplying tires to premium cars brands is important, and motor sports are another opportunity.”

Hankook Tire’s premium
dealership franchise, T’Station



All these issues have been reflected in the local market. The biggest change Hankook Tire has seen on the marketing front in the recent years has been the move from wholesale to retail marketing. This situation improved for Korean tire makers in recent years after the Korean market opened fully in the late 1990s and overseas makers opened branch offices. “There were so many retailers who imported tires by containers and dumped them on the gray market.” said Park Chul-koo, Executive Vice President, Korea.

Counter-intuitively, the gradual opening of the Korea auto market to foreign vehicles and foreign tire makers in the millennium stabilized the market by eradicating those various gray dealers. And as consumers became more sophisticated in their choice of auto products, and awareness of brands in general rose in Korea, a retail replacement tire market emerged around the year 2000. Today, the Korean retail market represents about 50 percent of total sales for passenger tires, and 60 percent for commercial (bus and truck) tires. These developments demanded a new sales strategy in Korea for Hankook.

“Until the early 2000s, marketing was wholesale based and we did not have to do much.” said Kim Yun-young, the Vice-President for Marketing & Sales, Korea. “But when Michelin and other mature makers came in, we had to invest in marketing to compete. We had to educate salespeople. Before, we had offered adequate profits to retailers. Now, the company has to educate them about how to make profits.”



In 2003, Hankook opened up its exclusive premium tire dealership franchise, T'Station. A one-stop service, it offers basic mechanic services - changing oil, batteries, and brake pads - as well as tire-focused services like tire checks and changes. This is done in a funky, up-market ambience. “In Korea, most car centers are small and dirty, so T'Station was a hit with women drivers, especially.” Kim said. A slightly smaller franchise, Tire Town is a ‘close-to-region’ and tire-focused franchise, rather than a premium, total service shop like T'Station. Truck Bus Express (TBX), a third franchise, supports the commercial sector. By 2010, there were 247 T'Stations, 355 Tire Towns and 191 TBX shops nationwide. The shops guarantee consistent, standardized service across the country.

The franchises took off just as Korea's cutting edge IT infrastructure - Internet broadband and CDMA-based mobile telecommunications systems - were generating uptake. Hankook was fast to leverage the technology. Its tire franchises are controlled centrally from head office via a real-time IT system. “Our marketing improved in step with Korea's telecoms.” said Park. “We are the only tire company in Korea that controls its system through an IT base. We can track stock and deliver in one day. There are many followers, but we are No. 1.”

Although there are multi-brand tire retailers in Korea, such as Tire Bank, Hankook was positioning itself as a premium brand, hence the push to control its own supply to the market. The company has invested KRW10 billion to expand its retail franchises, and has imported a range of innovative managerial techniques - Quality Control, Total Quality Control,

Driven:

Hankook Tire

Story

»

Management by Objective, Enterprise Resource Program and Supply Chain Management. These various tactics have paid off in the local market.

“In the past, Korean makers competed in terms of capacity. Market leadership used to go back and forth every year.” said Park. Successful dealers are incentivized with a range of awards, including 60-100 dealers a year who are sent (with their families) on overseas vacations. The staff for Hankook Tire franchises are carefully selected - in some cases, carefully scouted.

Driving Emotion and Kontrol Technology

Hankook Tire strengthened its brand power by announcing new Corporate Identity in 2004, and diversifying marketing techniques. Rather than aligning the tire with unrelated items - such as the Michelin Guide or the Goodyear Blimp - Hankook Tire took the emotion derived from the driving experience and related this to consumers. The overall slogan leading all brand activities was (and remains) ‘Driving Emotion’. The slogan is backed up with appropriate technology. In 2008, Hankook Tire launched ‘Kontrol Technology’. With the combination of ‘kinetic’ and ‘control’, the concept behind this technology is the perfect interaction between the car, the driver and the road. Innovations discovered through Kontrol Technology’s multi-dimensional approach have put Hankook Tire in the premier league. Kontrol Technology innovations have been applied to Hankook’s latest products.

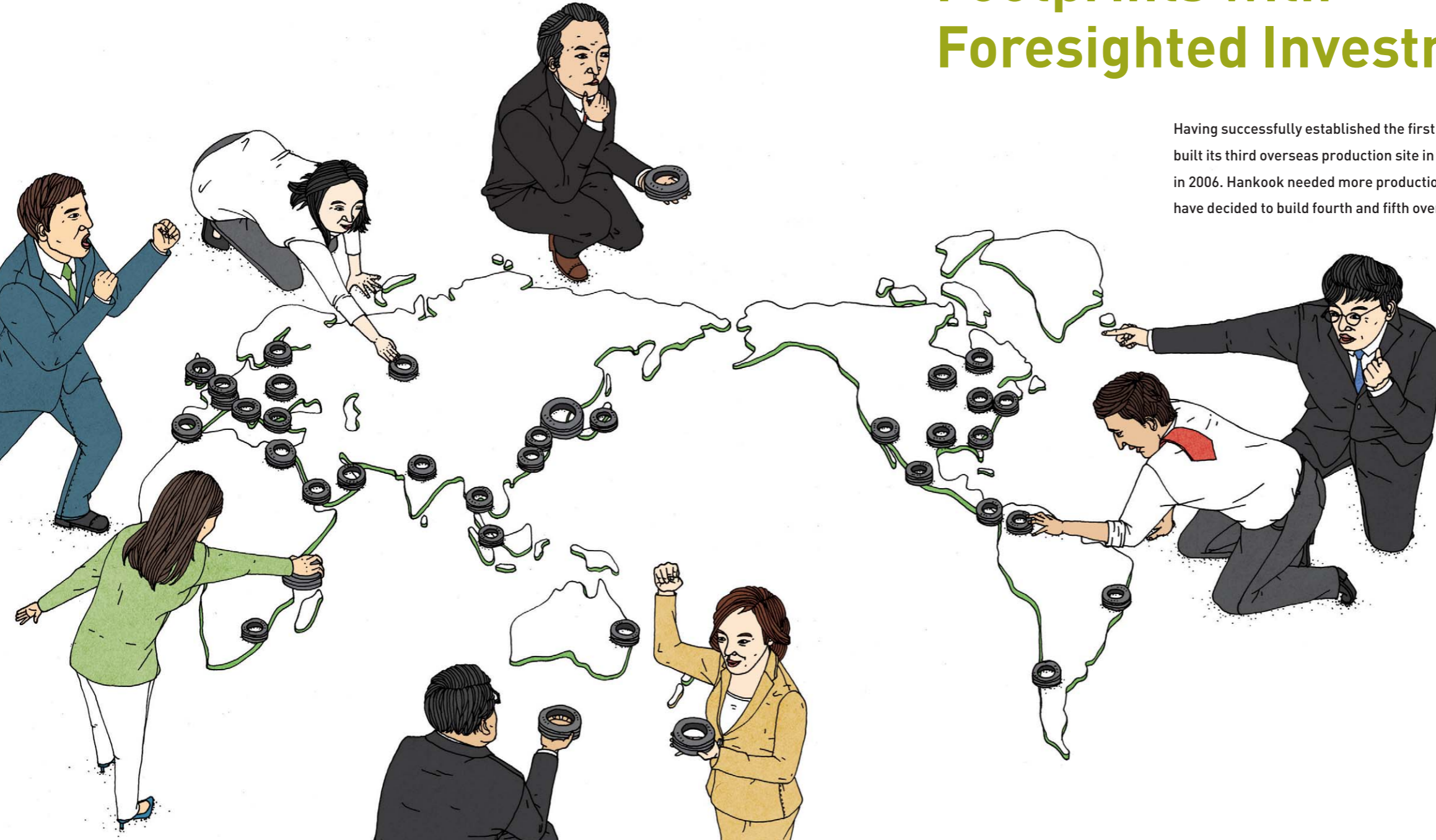
Kontrol
TECHNOLOGY



Kontrol Technology Logo

Marking Global Footprints with Foresighted Investment

Having successfully established the first two factories in China, Hankook built its third overseas production site in Hungary, the heart of Europe, in 2006. Hankook needed more production and bigger distribution, and recently have decided to build fourth and fifth overseas plants.



Marking Global Footprints with Foresighted Investment

Pioneer Spirit and Strategic Thinking for China



Jiaxing Plant in China

The historical Korea-China relationship had soured during the Cold War. Indeed, China's entry into the Korean War in 1950, after United Nations and South Korean forces had repelled a North Korean invasion and effectively unified the peninsula, resulted in a return to the status quo ante. But, by the late 1980s, with China's economic reforms and the collapse of European communism, times changed.

In 1992, Korea established diplomatic relations with the giant next door. In 1994, Hankook Tire executives traveled to China to look at market potential. They saw a lot of people riding bicycles. It seemed a reasonable assumption that one day they would be driving cars. Changes in the consumer landscape were fast-paced, such as the upgrade from landlines to mobile phones. And there was surprisingly rapid change in all sectors: China went from disc records to CDs and DVDs, completely

**Enter the Dragon:
First Overseas
Production Base**

bypassing video and audio tapes.

The company decided to invest. However, not long after the decision was made, the whole country was swept by the financial crisis that led to a rescue plan by IMF. Nevertheless, Hankook always had followed a strict financial policy, and maintained an AAA credit rating since the early 1990s. Hankook was one of the few companies that sustained this top credit rating, which enabled its investment in China.

Many foreign banks would cast a suspicious eye on large Korean companies that often recklessly diversified their portfolio into non-core businesses. Yet, Hankook had proven itself throughout the decades of its history that it has always concentrated on its core business, which are tires. Hankook also was able to convince the banks that its investment in China was not just a branch establishment, but a set-up of a new plant in response to the ever-increasing global demand. Hankook could finally tap into the Chinese market, successfully completing the necessary financing deals.

Driven:

Hankook Tire

Story

»



Completion Ceremony for Jiaxing Plant, China (1999)



Completion Ceremony for Jiangsu Plant, China (1999)

It was a smart move. Hankook's investment in China would make it the first foreign firm to establish a wholly-owned factory in the country. In fact, Hankook set up two: One in Haiyuan, Jiangsu Province, and one in Jiaxing, Zhejiang Province. The factories - one a joint venture with the local government in Jiangsu (Hankook has since bought out the partner) and the other a wholly-owned corporate - were completed in 1999 as separate companies. Hankook was also the first foreign-owned tire company to get central government approval for an investment over US\$30 million.



The first Hankook Tire dealership franchise, T'Station in Shanghai, China (2007.5.13)

It was a risky move. Not only was China a very new market for capitalist firms, but opening large factories was a pioneering new model for the tire industry. “Our strategy has been very different from our competitors in that we have built a few large factories, while they had the model of smaller factories.” said then-CEO Cho Choong-hwan. “That is what it used to be like before cross-border logistics and tariffs became less costly.”

As the time approached for the factories to begin production, there were questions back in Korea over what product mix the Chinese factory would produce as they prepared to open. Conventional wisdom had it that China was a base for cheap labor so the first idea was that the new operation would produce the 827-series tire, which was being discontinued in Korea. But not all executives agreed on this plan. “If you go to China just to save costs, you have no future - it is not a permanent solution.” said one executive. “In the beginning, our

Customization and Localization

company was thinking in terms of producing these old tires, then there would be no development costs, and we could move the molds from here to there.” The fear, though, was that this approach would fail because Chinese would eventually develop prejudice against low quality products. The then-senior manager of R&D Center, Ahn Myeong-hun who is currently the head of R&D center, listened to the arguments but questioned whether he could change the plan as there was only seven months to develop a new product. Finally, he relented and put his team to work, overtime, preparing a new tire for the China market, which would be sold to Chinese makers and VW’s China operations.

The factories started off with US\$30 million in domestic sales in 1998. Profits were achieved in 2002, when the Made-in-China tires recorded domestic sales of US\$230 million - a 25 percent share of the China market. Currently, Hankook Tire has a market share of 20 percent, but although this may be seen as a slight slip in its early dominance, with China seeing annual growth of 15 percent over the last seven years, this is a tremendous figure. One can confirm Hankook’s success in China just from the President Hu Jintao’s visit to Jiaxing plant on May 2, 2002.



Ceremony for Jiangsu Plant's 10th Anniversary, China (2007.5.18)



Achievement of one hundred millionth production in China (2007.3)

As the production facilities in China kicked off, sales and distribution began to grow along with the increasing marketing efforts to achieve full brand awareness. Tires produced at the Chinese plants are currently being supplied to over 30 major automobile makers, including many of the world’s renowned models such as Passat, Lavidia, Touran, Polo of Shanghai Volkswagen, Sagitar and Bora of Faw Volkswagen, Mazda 6 of Faw, Mazda 3 of Haima, Elantra and Sonata of Beijing Hyundai, as well as the Cerato and the Optima of Donggeng Yueda Kia.



Marking Global Footprints with Foresighted Investment

Commitments to Europe

Into Europe:
Overseas
Production
Base #2

Hankook was already a player in Europe in the 1980s, but commitments to the continent were increasing. Following the establishment of the US Research Center in Akron in 1992, a European Research Center was opened in Hanover, Germany, in 1996. Exports had been surging. The company won a 'US\$500 million export' award from the Korean government in 1995, and the Ford Motor Company's Q1 Award in 1998. There was a need for a stronger Hankook Tire presence. It opened its European distribution center in 2001.

Having successfully established the first two factories in China, Hankook started to build its third overseas production site in Hungary, the heart of Europe, in 2006. While Hankook was confident from its experience in China, the things were rather different in Hungary, largely due to cultural differences.



'US\$ 500 Million Export' Award (1995.11.30)

Driven:
Hankook Tire
Story
»



Groundbreaking Ceremony in Racalmas Plant, Hungary (2006.7.14)



Celebration of production commencement at Racalmas Plant, Hungary (2007.6.26)



EDC (Europe Distribution Center)



Situations sometimes required production tests to be completed even when the production operation was being delayed for over a month. But the working culture in Hungary was quite different and official working hours had to be strictly respected, though urgency had to be handled at the same time.

The Hankook staffs including Min Byung-sam, Vice President, began communication with open hearts to understand the local employees. They explained Hankook's performance and the situation, while attentively listening to the Hungarian staffs. The Hankook executives showed an example of self-initiative acts, such as cleaning up the plant floors, and often hosted get-togethers to enable thorough understanding of each other's cultures. These efforts gradually paid off with a growing bond of sympathy between the two parties; the local employees have become real 'family' members of the company.

The result was an eco-friendly production plant with cutting-edge technologies, which impressed everyone including Hungarian government officials as well as environment entities. The Hungarian plant was fully equipped with the most advanced technologies and facilities among all Hankook's global production sites. It started full-fledged production in June 2007. In the second half of 2009, it exceeded its production target and was in the black within two years after it started its operations. It was indeed a solid platform, upon which Hankook could achieve production goals faster than ever in Europe. Hankook

Driven:

Hankook Tire

Story

»

needed more production and bigger distribution and recently have decided to build fourth and fifth overseas plants.

“When European customers ordered from us, it would take three months from order to delivery, so by manufacturing in Europe, we were able to make a much firmer commitment to them.” said then-CEO Cho Choong-hwan. “We considered many locations in Europe and finally decided for Hungary as it offered the best conditions from all standpoints: infrastructure, qualified workforce and government support.” The actual establishment was overseen by the then-Chief Operating Officer of European Operations, Suh Seung-hwa, in 2006, who was promoted to CEO in 2007 - the year the European factory began operations.

Taking the Lead for Success

Hankook Tire leads Korea's tire industry as a rapidly emerging global player. Behind the ups and downs, the inspirations and setbacks, is a story of steady growth.



Taking the Lead for Change

Turning a Crisis into an Opportunity



Launching Ceremony for Hankook's new CI* [2004]

Everything was going well for Hankook Tire in 2008 as the OE relationships and brand value soared along with the plants running at 100% capacity, verifying its status as the world's fastest growing tire company. Then the crisis struck once again.

Following a collapse in the American sub-prime mortgage markets, contagion flowed from New York to Europe, Asia and other regions around the globe. As major world economies tipped into recession amid an atmosphere of financial hysteria that some pundits compared to the Great Depression, credit dried up. The financial crisis had hit Asia in 1998, meaning Korea could export her way out of the downturn. This time, with major markets around the world going under, that strategy could not be repeated. Demand plunged along with the Korean won and stock markets. It looked like 1997 all over

Back to the Future: Crisis Strikes Again

*Corporate Identity

again, but worse.

“Since I joined the company in 1973, we operated 24 hours a day, 350 days a year - we broke only for Lunar New Year and Chuseok (Korean Thanksgiving Day).” said CEO Suh Seung-hwa. “But in the first quarter of 2009, we closed 3-7 days a month, operating at 75-85 percent of capacity. We had never experienced this kind of slowdown before.”

Going once again into crisis mode, Hankook instituted cost controls in all departments except R&D as the company's long-standing commitment to the reinvestment of 5 percent of revenues continued. While other Korean firms in the auto industry faced union pressures, Hankook's remained quiet as all employees united together to overcome external difficulties. This was a major relief for Suh. “The union has been generally very cooperative throughout the crisis when it could have been the best time for them to take action to makes changes. They understood that this was the time when everyone should be working together to save the company.” he said. “So far, people in Hankook Tire have always been safe; I believe this experience has strengthened our spirit.”



Hankook Tire's CI

Not only the spirit, but also Hankook's financial stability helped the company overcome the unrelenting tide of crisis. With its presence worldwide, Hankook was able to reduce or eliminate the impact of currency fluctuations that offset each other in different regions around the world. Meanwhile, Korean manufacturers benefited against Japanese rivals due to the strength of the yen. Moreover, stock inventory across markets had fallen, and consumers, now more price-conscious, were looking for high quality tires that were affordable as well. However dire things may have looked in late 2008, by June 2009, Hankook was back on its feet to 100 percent capacity.

Taking the Lead for Change

Ongoing Growth, Today



Hankook Tire leads Korea's tire industry as a rapidly emerging global player. Behind the ups and downs, the inspirations and setbacks, is a story of steady growth. Hankook Tire has been sustaining double digit growth since 2000, becoming the fastest growing tire company in the industry.

Boasting 7,000 workers in Korea and 14,000 abroad, Hankook has, in revenue terms, soared from the 11th ranked tire maker in 2001 to the 7th worldwide in 2007 - a position it maintains

Double-digit Growth

Brands and Affiliates, with Focus on Tires

In the summer of 2008, Hankook unveiled 'enfren'. Developed over two and a half years, 'enfren' boasts higher fuel efficiency than regular tires and a sharp reduction in CO₂ emission. As the name suggests, 'enfren' is 'environmentally friendly'. It combines a number of technologies including a special silica compound and structural design efficiencies to reduce the tire's rolling resistance by 21 percent.

In 2008, Hankook launched a sustainability program that reflects the maturing view of its sense of responsibility to society. The Hankook Lifestyle of Health and Sustainability (H-LOHAS) campaign focuses on eco-friendliness, and activities to promote employee health and

as of 2011. As of 2010, Hankook Tire led the Korean market with a 50 percent share in the replacement market and approximately 20 percent market in the passenger car segment in China. In production terms, Hankook is the world's fifth largest tire maker in 2010. By 2014, the company hopes to increase its production capacities from 80 million to 100 million tires per year.

The company operates five R&D centers worldwide. Production in 2011 was 87 million tires, 46 million in Korea, 29 million in China, and 12 million in Hungary. The business is managed through a system of four regional headquarters. The global network supplies tires to more than 180 countries. Hankook also operates liaison offices for the OE business in the auto industry centers of Detroit and Frankfurt.



safety. The scope of the campaign is being expanded to include customers.

Although Hankook resisted the lure of diversification and maintained its focus on tires, it does have four affiliates. They are:

Atlas BX Co., Ltd. is the world's 6th largest producer of automotive batteries. With a history going back to 1944, the company was acquired by Hankook Tire in 1977 and its battery sales were incorporated into the tire distribution network. Atlas has its own technology research center and was listed on the Korea Stock Exchange in 1994.

Frixia Co., Ltd. makes brake pads, brake lining, and Gramix, a base material used to make brakes. It sells through the Hankook network to over 20 countries.

Daehwa Engineering & Machinery Co., Ltd. was recently incorporated into the Hankook Tire. Established in 1992, Daehwa leads the market in the development and production of proprietary tire manufacturing equipment. A Chinese subsidiary began operations in 2004.

emFrontier Co., Ltd. is an e-business integrator which provides IT solutions, such as warehouse, intellectual property, database, security, resource, production, and raw material management systems.

The company's increasing reputation has been widely documented. In 1992, Hankook's 'Optimo Plus' won the third prize for quality in Australia's Modern Tire.

Then the 'Optimo Gold' won the best product test in Germany's Auto Zeitung magazine. In 1996, Hong Kong's Far Eastern Economic Review chose Hankook as the top company in Korea in terms of service and quality.

Specialist magazines continue to prove that Hankook's tires are at the industry forefront. Of particular note are the remarkable recent results recorded by leading German automotive magazines such as ADAC, Auto Bild, Auto Sports, and Gute Fahrt.

**Success, Success, Success:
Numbers Soar, Accolades
Roll in**

Driven:

Hankook Tire
Story

»

**What the Market Says:
Magazine Test Results**

<2008-2011 Results>

Magazine	Issue	Profile / category	Result
ADAC	Feb 2011	Optimo K715	Good
Auto Zeitung	January 2011	Ventus S1 evo	Very Recommendable
Consumer Report	July 2010	Optimo H727	Very Recommendable
Rev Speed	July 2010	Ventus R-s3	Highest Recognition
Promobil	March 2010	Radial RA14	Test Winner
Gute Fahrt	March 2010	Ventus S1 evo	Very Good
Auto Motor und Sport	March 11 2010	Ventus S1 evo	Very recommendable, "Testwinner"
ADAC	September 2009	Icebear W440	Very Recommendable
Auto Bild	September 2009	Optimo 4S	Very Recommendable
Car & Driver	July 2009	Ventus V12 evo	Second place
Auto Zeitung	April 2009	Ventus S1 evo	Very Recommendable
Sport Auto	March 20 2009	Ventus S1 evo	Very Recommendable
Auto Bild sportscars	March 13 2009	Ventus S1 evo	Exemplary "Testwinner"
Auto Motor und Sport	March 12 2009	Ventus V12 evo	Recommendable
Auto Bild	March 6 2009	Ventus Prime	Exemplary "Testwinner"
Gute Fahrt	March 2 2009	Ventus V12 evo	Purchasing recommendation
POWERCAR	April 16 2008	Ventus S1 evo	Very recommendable
Sport Auto 'Tuning Special'	April 11 2008	Ventus S1 evo	Very recommendable
Auto Bild sportscars	April 1 2008	Ventus V12 evo	Exemplary
Auto Bild	March 14 2008	Ventus V12 evo	Exemplary "Testwinner"
Auto Motor und Sport	March 13 2008	Ventus Prime	Very recommendable, "Testwinner"



It is not just the media: manufacturers and industry standard organizations have also recognized Hankook's soaring quality. Hankook's Daejeon plant was awarded a prestigious Japanese Industrial Standard certification in 1991, and in 1997 passed the QS 9000, a quality system required by the US Big three automakers. Hankook's customer-oriented quality management system won the ISO 9001 certificate and its environmental standards have netted an ISO 14001 certificate. Hankook tires have also garnered an impressive number of awards from its OE partners, including the Q1 Certification from Ford, the 4.5 Star Medal from Beijing Hyundai, the Outstanding Contribution Award 2008 from Faw, the Best Quality Award 2008 from Hainan Mazda, the A-class Supplier Award from FAW-Volkswagen, Shanghai Volkswagen, Nanjing Fiat and Haima, and the 2006 Top 10 Suppliers Award from Faw Volkswagen. Today, Hankook Tire supplies tires to many of the world's prestigious car manufacturers - Audi, VW, Chrysler, Daihatsu, Fiat, Ford, GM, Mitsubishi, Hyundai, and Kia.

With a 70-year history under its belt, Hankook Tire has grown from a small tire maker to one of Korea's most admired companies.

Take R&D: The early efforts and today's capabilities are different as night and day. In the Youndungpo laboratory in the 1970s, the Technical Team Staff numbered 35. Today, Hankook has 760 R&D staff. Add the engineers and that number climbs to 940. The old lab had only two position endurance test machines. Today, the R&D Center has more than 100 - as well as a Suspension Parameter Measuring Machine to measure vehicle characteristics such as steering, suspension parameters, stiffness and compliance, permitting Hankook to tailor tires for specific cars. There is no more need to borrow other firms' testing grounds or Air Force runways. Hankook has two well-equipped test tracks(proving grounds), one for dry and one for wet conditions. Road tests on Hyundai Motor test tracks in the 1980s took place at 80-100 km/h. Today, Hankook tests tires on European sports cars at 150 km/h and the company no longer irritates the police or wakes up the neighbors: a specialized anechoic chamber takes care of noise testing.

Upgrades in technology are reflected in product capability since 1941. "Wear, strength and endurance have increased about fourfold from 1940s tires." said Song Young, Vice-President of OE Development. "Take buses. Bus drivers then drove at 30 km/h; now they drive at 60 km/h." Still, driving conditions in Korea vastly improved. The corrugated dirt tracks in days of yore have been replaced by high-speed intercity expressways. While car ownership was a distant dream in the 1940s, today, it has moved from luxury to middle class commodity. With five production plants in three regions, Hankook Tire's production capacity has seen a massive increase. In the 1970s, Hankook Tires production capacity was around 1 percent of today's (670,000 in 1973, for example); now it is 87 million tires a year.

Driven:

Hankook Tire

Story

»

**Remembrance of
Things Past: Then
and Now**

Taking the Lead for Change

Hankook Tire's Major Success Factors

CEO Suh puts Hankook's success down to four strategic growth drivers: improving global management processes and structures; increasing production and distribution capabilities; consistently investing in technological innovations; and building brand value. Key personalities in the story also have their own ideas.

One senior executive puts the success down to its early focus on overseas sales. "We were quite early in starting global marketing and taking a global view." said Lee Byeong-jin. "We developed our own brand and distribution channels: these were good decisions." In fact, the company, while a manufacturer, today considers itself a marketing-driven company, and not manufacturing-driven: The original name under which it listed on the stock market, Hankook Tire Manufacturing Ltd, has been changed to Hankook Tire Co., Ltd.

The company has also moved fast and without fear. "We never lacked courage, we were never afraid to enter the unknown or difficult markets." said CEO Suh. "We now supply more than 180 countries."

Driven:

Hankook Tire

Story

»

Global Visions





Hankook Tire Board Members at a Strategy Meeting (2010)

Another factor in the company's success is its focus in tire business. Hankook has always stuck to its core competency. As Korean companies grow, they usually diversify their portfolios, but Hankook always concentrated on tires. In early 2000 Hankook wondered whether to go into the IT or venture cap business, as share prices in those companies were skyrocketing while traditional manufacturing companies' share prices were very low. Hankook decided to stick with what it knew best and so avoided the disastrous collapse of the tech and venture bubble.

Choose and Focus
Strategy

Value for its People

Hankook maintains an open employment policy which provides equal chances to everyone without discriminating anyone due to their backgrounds. Suh himself is an example of an entry-level employee climbing the ladder to the top. "At Hankook Tire, we are not concerned about which school someone attended or which part of the country someone is from." Suh said. "As long as you work hard and are sincere and talented, you will have opportunities. The scope for such opportunity expands as we grow."

Driven:

Hankook Tire

Story

»

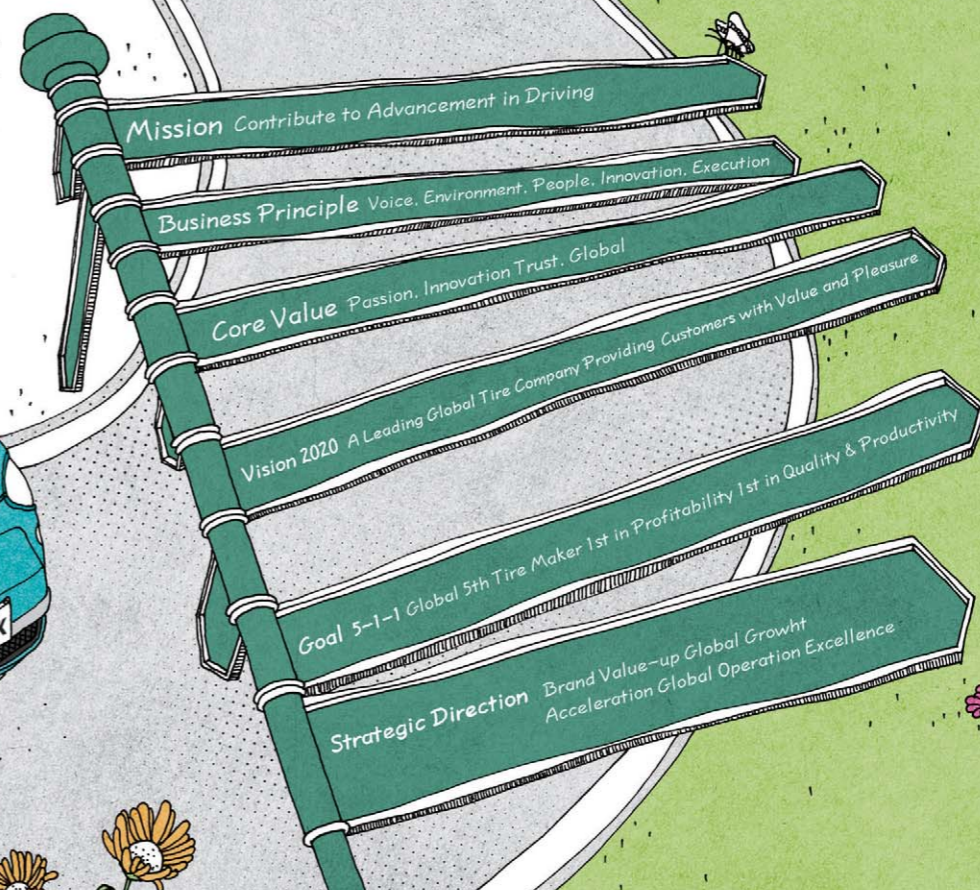
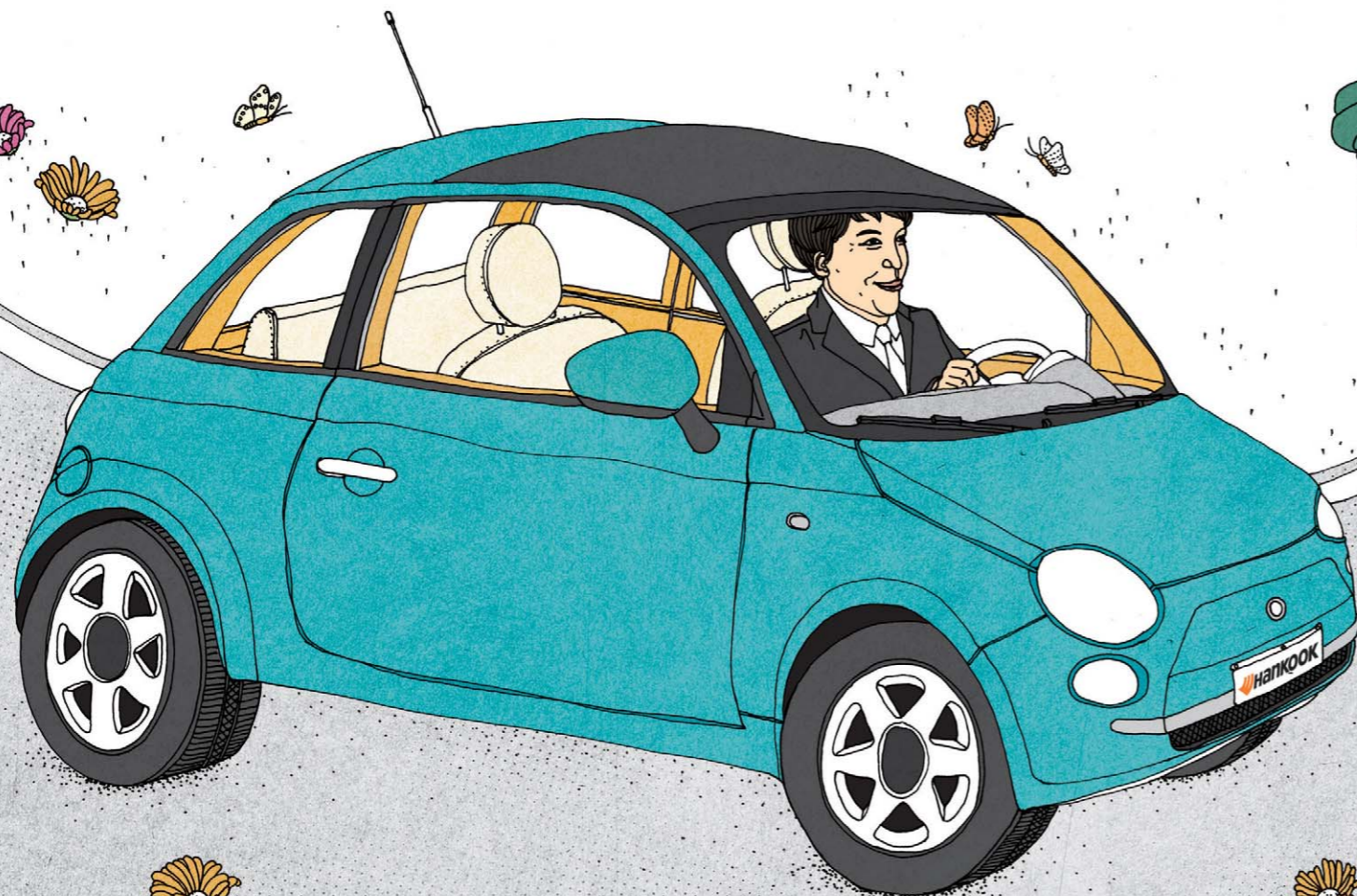
Friendly Corporate
Culture and
Transparency

Another aspect of the corporate culture is that the top executives know each other well and tend to stay around for a long time. "Our top managers have been in the job for 10 years." said Lee Byeong-jin. "This is different from typical Western companies, where the top management tends to change every two or three years."

Another corporate strength is its unionism. While some companies in the industry have been plagued by strikes, Hankook Tire has good labor relationship. "My most difficult moment as CEO came in 1995 when the radical labor movement tried to win over our workers. There were demonstrations every day." said former Vice-Chairman Cho Choong-hwan. "After that settled down, for almost three years, I made a point of meeting every single one of our workers, at small parties or in small groups, to listen to their complaints and issues." In 1996, Cho's efforts were recognized when the Ministry of Labor designated the firm as the Korean company with the best worker-management relations in the country.

The Pursuit of Becoming the Leading Global Tire Company

Hankook Tire is seeking to deliver both pleasure and full satisfaction to its customers and stakeholders. Hankook Tire believes that its mission and purpose of existence is to 'contribute to the advancement in driving'.



The Pursuit of Becoming the Leading Global Tire Company

Providing Value and Joy to Our Customers



Hankook Dealers' Visit to Hankook Tire (2011)

Driven:

Hankook Tire

Story

»

What it means to be
a Leading Global
Tire Company

'Leading Global Tire Company' is how Hankook Tire sets its position in the future. Through such an ambitious vision, Hankook Tire intends to set global standards for the tire industry worldwide. Hankook Tire is seeking to deliver both joy and full satisfaction to its customers and stakeholders. In a broader picture, Hankook Tire believes in offering commitment and contribution to society, trust and partnership to partners, profits and share values to stakeholders, and reward and credit to its employees.

The Pursuit of Becoming the Leading Global Tire Company

Our Focus Today: Basics, Systems, Eco, and Communication

Follow the Basics

Hankook Tire believes and understands that the basics to sustaining business growth lie in providing the best value to customers. Therefore, offering reliable quality of products is the most fundamental value of Hankook Tire. "Reliable quality is also the basic platform that keeps the company continuing to exist in this business world." said Suh, CEO of Hankook Tire. Currently, the company's aggressive efforts to improve the quality in operations, R&D and production are in line with its philosophy of sticking to the basics.

During the 2009 global financial turmoil triggered by the U.S. subprime crisis, Hankook Tire employees stayed loyal to the company and worked with the hope and promise of better days to come. As a result, compared to its competitors, Hankook Tire was able to make significant progress. However, the company understands the constant existence of potential threats and crises. Therefore, Hankook Tire today emphasizes building a more efficient management system to prevent any crisis that may occur and efficiently deal with potential problems. This newly organized system is expected to be built through sincere and innovative minds of Hankook Tire employees.

Build Efficient Management Systems

Encourage Interactive Communication and Challenge

The major spur to Hankook Tire's business growth lies in its employees' increasing level of competency. Throughout Hankook Tire's seventy-year-old history, it can be observed that the competency, effort and energy of its employees were ultimately the root of its success and the foundation of the Hankook Tire of today. [Hankook Tire believes that encouraging a healthy corporate environment with constructive and sincere communication can cultivate innovative global leaders with keen insights and enthusiasm for challenges.](#) Hankook is currently on the track to teach its employees to have a global vision and think innovatively to accelerate its momentum forward. "This would be our short cut to becoming a leading global tire company." said CEO Suh.

'Environment' is a key word in today's industry and Hankook Tire takes the lead. The current global automobile and tire markets are heavily focused on environment-friendly and fuel-efficient products, implying that the next step in the competition would be green technology. [In this context, Hankook Tire is at the forefront, as it has launched several products recognized and awarded internationally for its positive impact on the environment.](#) For example, Hankook Tire's 'enfren' and 'Optimo 4S' are renown for the diverse eco-friendly technologies applied. They use advanced methodologies to create low rolling resistance which results in the reduction of CO₂ emission. Also, Hankook Tire strives to use more natural raw materials such as silica compound and natural oil to make tires more 'green'. Currently, Hankook Tire is running a green initiative project called GR12 (Green Renaissance 2012) and it expects all PCR(Pessanger Car Radial) tires to be 100% green by 2012. Hankook Tire is also in the process of developing non-petroleum prototype tires that use ENR (Epoxidized Natural Rubber) and natural materials.

The Pursuit of Becoming the Leading Global Tire Company

Hankook Tire's Tomorrow

Mission

Contribute to Advancements in Driving

Our mission is to inspire drivers to take on challenges and create new possibilities. We strive to help drivers enjoy their time on the road and be confident in the choices they make. To achieve this, we aim to keep introducing up-to-date technologies and solutions that meet tomorrow's criteria for safety, performance, excellence in quality, and other factors contributing to advancements in driving. Our priority as a business entity is to sustain profitable growth. We are committed to enhancing value for our business partners and shareholder as well as to expand opportunities for the growth and development of both our employees and the communities where we operate.

Business Principle

In developing solutions that continue to generate healthy, sustainable growth, we abide by a set of principles. These serve as a reminder to honor our responsibilities to our customers, our partners, our communities and other stakeholders.

Placing customers first

Recognizing talent and potential

Promoting innovation at work

Respecting our environment

Creating lasting value and profitability for our shareholder

Safeguarding ethics and compliance with regulatory matters is paramount. By conducting our business ethically and striving to do the right things that generate trust in our brand, we are able to stand at the top of the recommendations from our shareholder and business partners. We will continue to uphold these principles with absolute integrity and do our best in all we can.

Core Value

At Hankook Tire, we are bound together by proactive leadership, a standard which we all share and which provides a crucial blueprint for fulfilling our mission and vision. Proactive leadership is identified by four essential characteristics of passion, innovation, trust, and global. Each characteristic motivates us to self-evolve and take ownership of our tasks, fulfilling the roles we are given to the best of our abilities.

We are passionate. We have a goal.

Passion plays a large role in our work. When we're passionate about what we do, we do it better and enjoy doing it more. Passion also helps us to focus on our goals and priorities, proactively carrying out each of our responsibilities with leadership.

We are innovative. We create possibilities.

We define innovation as the act of progressing forward with new possibilities. Our forward-oriented approach allows us to redefine the present and evolve the future; opening windows of opportunity that help us reach the next level, individually and collectively.

We are collaborative. We build trust.

When diverse talent and potential combine, powerful accomplishments can be achieved. Proactive leadership is best practiced when we respect and leverage the strengths of colleagues and partners. We constantly encourage one another to utilize creativity, perspective, intellect, resources, and shared principles, building trust and understanding in each other.

We are global. We share an open mind.

Culturally diverse backgrounds and perspectives are powerful advantages that allow us to bring multiple skills together, think cross-culturally and adapt quickly. Our open-minded perspectives help us recognize different local and global standards. This means we can come together as a single global community to respect and embrace differences with understanding, enthusiasm and knowledge.

Vision 2020

The vision for Hankook Tire is to become a **"Leading Global Tire Company that Provides Customers with Value and Pleasure."** This is the status our entire organization strives to attain. We have established step-by-step goals for ourselves in order to achieve our vision.

The four strategic directions to help achieve the mid-term goals that are set to actualize our ultimate vision are as follows:

Strategic Direction

1. Brand Value Up

As we focus our marketing capability and resources on brand building, we will enter the tier of premium brands to expand our market share and improve our profitability. Banking on our optimal product portfolio, we will provide differentiated value to our customers. Through this, we will manage Hankook Tire's brand as a base for continuing profit creation. In addition, we will enhance our distribution channels and integrate marketing strategies to upgrade our brand value.

2. Quality Level Up

The widespread disclosure of tire performance grades has elevated customer expectations for quality, and the performance assessment standards for automakers have been raised. Therefore, we pursue sustainable growth on the strength of outstanding quality. As for raw materials, the focus of our sourcing practices is on higher quality, not lower costs. On the operational management side, we have improved all manufacturing processes in order to optimize production volume and improve product line balance with the stabilization of product quality - always our top priority. We conduct planned maintenances and overhaul our facilities regularly. And we have developed product uniformity indicators in each production line as we pursue thorough quality control.

3. Global Operation Excellence

We will maximize business efficiency in preparation for uncertainties in the business environment. To optimize our global operations, we are seeking ways to use company resources as efficiently as possible, including cost and investment rationalization schemes. Moreover, the global supply chain management (SCM) project is in progress as part of efforts to optimize business processes. Innovations are also being made from the mid- and long-term perspectives to better manage potential risks and respond quickly and comprehensively when actual problems occur.

4. Global Growth Acceleration

Diversifying economy of scale is critical for the survival of tire manufacturers. Global tire brands are aggressively making new investments, while mergers and acquisitions occur frequently in this industry. These strategies are designed to continue sustainable growth in a highly competitive business environment, because the tire market has already matured in advanced economies. As such, our investment in expanding global production facilities continues, and relentless efforts are being made to raise our profitability.



Hankook Tire is presenting a new framework which carries the company's mission, business principles and core values. Hankook Tire believes that its mission and purpose of existence is to 'contribute to the advancement in driving'. This is based on the company's strong commitment to make progress in both society and the lives of individuals. Also, Hankook Tire values the spirits of 'pleasure', 'safety', and 'comfort' which go along with Hankook Tire's business principles.

In all, Hankook Tire's 70 year tale has been introduced along with its blueprint for success. However, it is impossible to sum up all of Hankook Tire's history for the last 7 decades within the span of these pages.

Given the overcoming of the trials and tribulations of the past - capturing the overseas markets, developing home-grown technologies, cultivating partnerships with leading world automakers, establishing factories beyond Korean shores and building brand awareness - CEO Suh is determined to focus Hankook's next seventy years on delivering the utmost quality and value to customers.

"With mobile phones, you can do many things - change the color, shape, weight, feel, services and so on. With tires, you are very limited. They are round, black and have a hole in the middle. Within this context, the difficulty is to achieve excellence in quality." said Suh.

Contribution to the Advancement in Driving

Challenging Journey to Become the Leading Global Tire Company

"Nonetheless, with the rich heritage we have accumulated through our tremendous efforts and amazing success story, Hankook Tire is now well-positioned to satisfy our global customers' needs for safer, more comfortable, eco-friendly tires that deliver premium performance at the same time. We are also fully prepared to surmount the challenges that lie ahead and will continue to work on our ongoing pursuit of becoming the leading global company of the next generation."

