

Chinese consumer tire imports

Imports accounted for 48.7% of all domestic consumer tire shipments in 2009; imports from China accounted for 19.3% by themselves.

Through the first nine months of the year — prior to the new tariffs — Chinese consumer tire imports came in at a record pace. That was misleading, however, because many domestic marketers brought in extra inventory during the summer months in case the tariff decision (see page 22) went against them.

Chart 3 U.S. CONSUMER TIRE IMPORTS FROM CHINA (in millions)		
Year	Units	Yr./yr. change
2009	45.3	-1.5%
2008	46.0	22%
2007	40.5	50%
2006	27.0	28%
2005	21.0	44%

Source: U.S. government, MTD figures

Chart 4 2009 U.S. REPLACEMENT CONSUMER TIRE BRAND SHARES			
PASSENGER TIRE (Based on 182 million units)		LIGHT TRUCK TIRE (Based on 26 million units)	
Brand	% of total	Brand	% of total
Goodyear	14.5%	Goodyear	12.0%
Michelin	8.5%	BFGoodrich	9.0%
Bridgestone	7.5%	Bridgestone	8.0%
Firestone	7.5%	Michelin	7.0%
BFGoodrich	5.0%	Cooper	6.0%
Cooper	4.5%	Firestone	6.0%
Hankook	4.0%	Multi-Mile	5.0%
General	3.5%	Toyo	4.0%
Kumho	3.0%	General	3.5%
Uniroyal	3.0%	Yokohama	3.5%
Falken	2.5%	Hankook	3.0%
Toyo	2.5%	Cordovan	2.5%
Yokohama	2.5%	Kumho	2.5%
Continental	2.0%	Uniroyal	2.5%
Dayton	2.0%	Kelly	2.0%
Dunlop	2.0%	Mastercraft	2.0%
Hercules	2.0%	Dayton	1.5%
Multi-Mile	2.0%	Hercules	1.5%
Cordovan	1.5%	Pirelli	1.5%
Mastercraft	1.5%	Big O	1.0%
Pirelli	1.5%	Continental	1.0%
Sigma	1.5%	Delta	1.0%
Big O	1.0%	Dunlop	1.0%
Delta	1.0%	Falken	1.0%
Douglas	1.0%	Laramie	1.0%
Fuzion	1.0%	Maxxis	1.0%
Kelly	1.0%	Sears	1.0%
Nitto	1.0%	Sigma	1.0%
Sears	1.0%	Others	10.0%
Sumitomo	1.0%	* Because numbers are rounded to the nearest one-half percent, the total may not equal 100%.	
Others	10.0%		

For example, passenger tire shipments, which make up 86% of the consumer tires imported from China, were down 10% after the first quarter of the year, and still down more than 4% after the first half. After nine months, they were up 6%.

For the full year, Chinese passenger tire imports totaled an estimated 39.8 million units, down less than 1% compared to 2008. Overall, Chinese consumer tire imports were down 1.5%, from 46 million units to 45.3 million (see Chart 3).

China is the top exporter of passenger tires to the U.S., followed by Japan, Canada and South Korea. Canada is number one in light truck tire exports to the U.S., followed by China, Japan and South Korea.

The large importers of consumer tires from China included the usual suspects, like Hercules Tire & Rubber Co., American Omni Trading Co., Tireco Inc., American Pacific Industries, Tyres International Inc., China Manufacturers Alliance LLC, Sentaída International Inc. and Del-Nat Tire Corp.

Manufacturers and marketers alike import and sell brands such as Acelera, Blue Streak, Capitol, Concurs, Deestone, Delinte, Durun, Finalist, Gerutti, Jinglun, Jinyu, Leopard, Lexani, Linglong, Maxtrek, Negotiator, Sonny, Supermax, Triangle, Wanli, Westlake, Winrun, Yartu and Zeetax, to name a few.

The three largest tire manufacturers in North America do not directly import large amounts of tires from China.

No more than 2% of Michelin North America Inc.'s tire shipments in the U.S. are imported from China. Less than 2% of the tires sold in North America by Goodyear Tire & Rubber Co. come from China.

Bridgestone Americas Inc. does not import any Chinese consumer tires, although it buys the Primewell brand from GITI Tire (U.S.A.) Ltd., which does import it from China.

BRAND SHARE IN THE U.S.

There were more than 150 different consumer tire brands sold in the U.S. aftermarket in 2009. Brands with at least 1% of the market accounted for close to 90% of the consumer tires shipped (see Chart 4).

The full effect of the 35% tariff on Chinese consumer tire imports on the "Others" category will not be felt until the end of this year.

However, because supply was greater than demand as 2009 wound down, both dealers and suppliers were forced to reduce their inventories.

Chart 6
2009 U.S. CONSUMER TIRE MARKET SHARE

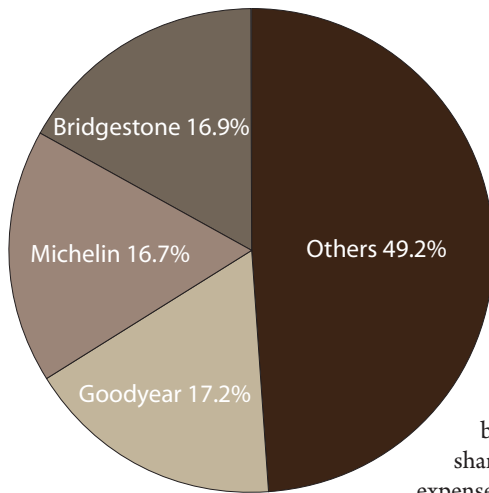
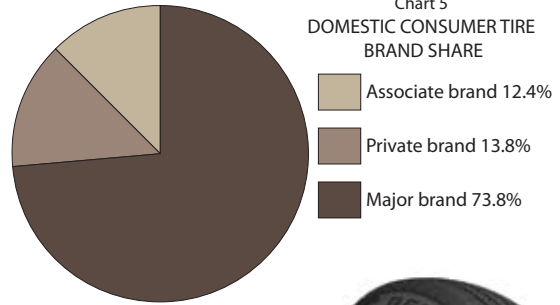


Chart 5
DOMESTIC CONSUMER TIRE BRAND SHARE



The Cooper Response Touring is a major brand tire sold exclusively through Sears.

Replacement consumer tires

As was the case last year, many of the major domestic brands held their own because they don't compete against low-cost radials manufactured in China. Major brands increased their consumer tire market share from 72.6% to 73.8% (see Chart 5) at the expense of private and associate brands.

"Major" brand tires are defined as a manufacturer's flagship brands, regardless of tier. They can include brands manufactured solely outside the U.S. (Imported brands represent close to 16% of the major brands.) Both Goodyear and Dunlop are examples of major brands.

"Private" brand tires are marketed and owned by a company or organization other than the one that manufactures it. Multi-Mile and Hercules are examples of private brands.

"Associate" brand tires are marketed by the manufacturer under a brand name other than the manufacturer's chief label or labels. Goodyear's Kelly line is an associate brand.

With nine brands, Goodyear (Goodyear, Dunlop and Kelly), Bridgestone (Bridgestone, Firestone and Dayton) and Michelin (Michelin, BFGoodrich and Uniroyal) accounted for 50.8% of the consumer tire market (see Chart 6).

TBC Corp. (Multi-Mile, Cordovan, Sigma and Big O) and Treadways Corp. (Laramie, Eldorado, Jetzon and Telstar), although run as separate units, are owned by Sumitomo Corp. of America, the largest wholly-owned subsidiary of Sumitomo Corp. Together, their private brands represent 8.5% of the consumer tire market in the U.S.

Hercules Tire & Rubber Co. holds a 2.5% share of the market with its Hercules, Merit and Signet private brands. Another private brand marketer, Del-Nat Tire Corp., accounts for 1.5% of the replacement market with its Delta, National and Akuret brands.

OE consumer tires

In one year, light vehicle production decreased from 10.4 million units in the U.S. and Canada to 6.9 million. The 33% drop curtailed OE tire shipments by 16 million units.

Suppliers to both General Motors Corp. and Chrysler LLC, which were kept afloat with government bail-out money, lost a significant number of units. Goodyear's OE shipments were further reduced by a substantial decrease in Goodyear-brand market share at Chrysler, which affected its overall share (see Chart 7).

Goodyear made up for some of the loss with an increase in market share at Ford Motor Co. (see Chart 8 on page 28).

Ford overtook GM in sales last year. Here are MTD's 2009 market share estimates by vehicle make in the U.S. and Canada (with 2008 shares in parentheses):

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|-----------------------------|-------------------------|
| Ford: 23.1% (18.1%) | Chrysler: 11.1% (15.2%) |
| General Motors: 22% (27.2%) | Nissan: 5.2% (5.3%) |
| Toyota: 16.7% (13.4%) | Hyundai: 2.8% (2.3%) |
| Honda: 13.9% (12.8%) | Others: 5.2% |

Chart 7
U.S./CANADIAN OE CONSUMER TIRE MARKET SHARE (excluding imported vehicles)

Brand	2009	2008
Goodyear	28.0%	31.2%
Michelin	22.6%	19.0%
Bridgestone	14.2%	15.3%
Continental	10.2%	10.0%
BFGoodrich	6.0%	5.9%
Firestone	5.2%	6.7%
Hankook	3.6%	3.3%
Pirelli	3.5%	2.7%
General	3.1%	3.2%
Dunlop	1.2%	1.2%
Kumho	1.0%	0.7%
Other*	1.4%	0.8%

* "Other" includes Yokohama (Chrysler, Mercedes-Benz), Uniroyal (General Motors) and Toyo (Toyota).

Chart 8
2009 OE BRAND SHARES: Ford
(U.S./Canada light vehicles,
excluding imports)

Brand	2009	2008
Michelin	29%	29%
Goodyear	19%	16%
Continental	14%	17%
BFGoodrich	12%	12%
Pirelli	11%	11%
Hankook	9%	9%
General	4%	4%
Kumho	2%	2%

Michelin is the only company to supply the top seven U.S./Canadian vehicle manufacturers with tires. It holds a 29% OE market share with its Michelin, BFGoodrich and Uniroyal brands, second only to Goodyear's 29.2% with Goodyear and Dunlop.

Helped by its contract to supply tires for the Ford Focus, Kumho Tire U.S.A. Corp. broke into the OE market share list with 1% market share.

Brands among the MTD 100

There were 82 different consumer tire brands listed in the MTD 100 in 2009. That is up from 67 last year.

Foreign imports made up 46% of the brands listed, up from 37% in 2008 and 29% in 2007. There were 17 private brands on the list, 14 major brands and 13 associate brands. The average number of brands per dealer was 8.5.

In 2009, the MTD 100 represented 4,921 outlets, or 17% of the independent tire dealers in the United States. The two largest dealers, Discount Tire Co. Inc. (744) and Tire Kingdom Inc. (733), accounted for 30% of the outlets.

Michelin and Goodyear were listed by the most dealers: 74. Michelin's dealers represented more outlets, however, 3,854 to 3,762 (see Chart 9).

Most of the brands listed in Chart 9 gained outlets in 2009 compared to the previous year's *Facts Issue* chart. Cooper posted the largest gain: It was sold through 68% more stores. Hankook's store count was 56% higher.

Kelly (23.5%), Yokohama (15.7%) and Pirelli (12.1%) also recorded double-digit gains.

Chart 9
2009 BRANDS LISTED BY OUTLETS
(Total outlets, MTD 100: 4,921)

Rank by number of dealers	Brand	Dealers/outlets
1.	Michelin	74/3,854
2.	Goodyear	74/3,762
3.	BFGoodrich	61/3,339
4.	Dunlop	52/3,130
5.	Bridgestone	51/2,549
6.	Firestone	46/1,747
7.	Continental	45/2,947
8.	General	41/1,946
9.	Yokohama	38/2,792
10.	Kelly	37/1,312
11.	Uniroyal	36/2,406
12.	Cooper	31/2,339
13.	Toyo	28/1,362
14.	Hankook	27/2,635
15.	Pirelli	26/2,621
16.	Kumho	20/1,306
17.	Falken	17/1,374
18.	Republic	15/398
19.	Dayton	15/397
20.	Sumitomo	10/1,009
20.	Mastercraft	10/259

Source: *The Modern Tire Dealer 100, 2009*

RETAIL/WHOLESALE TIRE DISTRIBUTION

The recession did not keep tire distributors from being aggressive in 2009. There were a number of major moves made and strategies undertaken that will affect the distribution channel for the next few years.

- Pep Boys-Manny, Moe & Jack purchased Florida Tire Inc., a 10-store dealership based in Orlando. The acquisition is part of the automotive parts retailer's strategy of growing its Service & Tire Centers.
- The American Automobile Association purchased Bob Sumerel Tire Co. Inc.'s 30 retail stores. The acquisition "will continue AAA's focus on strengthening its core automotive service offerings," said AAA Allied officials in a written statement.
- Kumho opened its first franchise outlet in the U.S. in Buena Park, Calif. The Tires 4U format has been successful in South Korea, China and Vietnam.
- Monro Muffler Brake Inc. acquired Tire Warehouse Central. With 46 stores in five New England states, Tire Warehouse was 21st on *Modern Tire Dealer's MTD 100* list of independent tire store chains. Monro is fourth with 221 tire stores.

American Tire Distributors Inc., the largest wholesale tire distributor in the U.S., also continued to evolve.

According to Ron Sinclair, ATD's senior vice president of marketing, the company will continue to expand its network of 82 warehouses.

"We've got opportunities (for growth) in the Great Lakes area — Illinois, Indiana, Michigan and Ohio," he says. "We don't have distribution in the Northeast (New Jersey up through New England). And we don't have distribution in Seattle and Portland in the Northwest."

In the past, ATD has not been shy about acquiring existing distributors in areas of interest. Sinclair says the company's strategy may be changing out of necessity.

"I think you will see more greenfield activity from us the next few years than you have in the last few years. It's a longer window to profitability."

ATD also used the Internet to grow its business by launching TireBuyer.com. Structured like other retail sites, the interactive Web site is designed to give consumers the information they need to make purchases, and ATD dealers all revenues earned, including the gross profit on tire and wheel sales. ATD charges the wholesale price on all tires.