INDEPENDENT TIRE DEALER PROFILE, 2009

Single-store owners make up two-thirds of the 29,000 independent retail, wholesale and commercial tire dealers in the U.S. The vast majority of locations offer consumer tires; close to 88% of the locations sell truck tires.

Independent retailers averaged $1.3 million per outlet. That's down from $1.5 billion in 2008. Replacement consumer tire purchases added up to $21.6 billion in sales. Dealers also performed $17 billion in automotive services.

A typical retail dealer handles nearly 11 different brands, and directly influences 85% of consumer tire purchases. Each commercial dealer carries an average of 4.5 brands.

In 2008, *Modern Tire Dealer* surveyed dealers about two controversial tire topics: recommended minimum tread depth and tire aging. According to *MTD*'s "Tire Removal Policies Study":

• 51% have a formal policy for tire removal based on a minimum tread depth. That depth for more than half (52.2%) of the respondents was 2/32nds-inch.

• 27% have a formal policy for tire removal based on age (in years). Removal after five to six years was cited most often by dealers with a formal policy.

The average tire dealer has owned his or her company for 21 years, and 38% have children in the business. The average number of employees per company is 18.

Seventy percent of tire dealers offer medical insurance to their employees.

Automotive service

Forty-one percent of a tire dealer's average sales volume comes from automotive service work. (See Chart 21 on page 42 for a more detailed breakdown of automotive service operations.)

The average number of service bays per outlet is five, which closely matches the average number of technicians at each location. So independent tire dealers control 145,000 bays in the U.S., and employ at least 145,000 techs, half of whom are certified.

Mounting and balancing service represents 25% of all automotive service dollars. In all, more than $4 billion was spent on mounting and balancing in 2009. Ninety-one percent of the dealers — nearly 100% of the retail dealers — performed this service, broken out per location as follows:

Average ticket price per job:	$50.75
Average number of jobs per month:	253
Average yearly sales:	$154,077
Average profit margin:	70%
Annual profit per location:	$107,854

Brake systems service represented $2.4 billion of dealer sales last year (see Chart 19), followed by chassis and suspension work ($1.6 billion) and alignment service ($1.35 billion). Tire dealers are also big players in the following service categories: oil and lube ($1.3 billion), shocks and struts ($1.2 billion) and engine diagnostics ($1.1 billion). Tire pressure monitoring system (TPMS) service is a $657 million business for dealers.

Oil and lube service may be the most competitive auto service out there. Whether it's promoted by time saved ("quick lube"), cost (the most advertised retail price for an oil change is $19.99) or value (it sometimes includes a "free" tire rotation and safety inspection), an oil change is used to bring people into a retail repair shop.

Some 80% of the independent tire dealerships offer oil changes. The average dealer performs 133 oil changes a month.

The cost of a standard oil (synthetic blend), lube and filter remained fairly steady over the course of the year (see Chart 20). The average advertised cost for an oil change was $19.83, compared to $18.99 in 2008.

Tire dealers source their non-tire parts from four main sources: automotive jobbers (56%), warehouse distributors (49.1%), retail parts stores (48.3%) and new car dealers (37.1%). They get their parts direct from the manufacturer 15.5% of the time.

Chart 19
BRAKE SERVICE WORK
(per tire dealer location)

Average ticket price per job:	$218.51
Average number of jobs per month:	38
Average yearly sales:	$99,641
Average profit margin:	52%
Annual profit/location:	$51,813
Percentage offering brake service:	82%

Chart 20
ADVERTISED OIL CHANGE PRICING

1Q09	2Q09	3Q09	4Q09	Full year
$19.38	$19.31	$18.19	$20.13	$19.33

Chart 21 AVERAGE INDEPENDENT TIRE DEALER'S AUTOMOTIVE SERVICE OPERATIONS	
Service as a percentage of total sales:	44%
Service bays per outlet:	5
Technicians per outlet:	5
Percentage of technicians certified:	51%
Percentage offering alignment service:	77%
Percentage offering TPMS service:	80%
Average TPMS jobs per month:	26
Percentage offering nitrogen inflation service:	18.3%
Average yearly employee turnover:	11%
Median number of tires in inventory:	600
Average gross tire margin:	28%

Inventory control

Results from *MTD*'s recently completed "2009 Inventory Control Survey" give some insight into the relationship between retailers and wholesale distributors.

The average retail tire dealer has 1,055 tires in inventory. More than half, 51%, carry an inventory 18% lower than five years ago. Another 47% carry an inventory 16% higher.

According to survey respondents, the average number of annual tire inventory turns per retailer is eight times (the median number is five times). The gross margin on each tire averages 28%.

Norm Gaither, president of Dealer Strategic Planning Inc., says successful retail tire dealers will turn their inventories at least seven times a year. In his experience, however, the average is closer to four.

"If you are getting inventory every day, and you're only getting four turns, then you are not (properly) managing your inventory."

He says most people determine inventory turns improperly by dividing sales by inventory dollars. "The most proper way is to take the annual cost of sales and divide them by the average inventory." Average inventory is determined by adding the inventory at the beginning of the year to the inventory at the end of the year and dividing by two.

The average wholesale tire dealer carries 22,500 tires per distribution center. The average number of brands in inventory is eight; the average number of SKUs is 2,117.

Two-thirds of the wholesale distributors say their inventories are an average of 20% higher than they were five years ago. The remaining one-third say their inventories are down by the same amount.

Wholesale distributors turn their inventories an average of seven times a year (the median number is six times). The gross margin on each tire averages 16%.

Chart 22 MOST POPULAR OE PASSENGER AND LIGHT TRUCK TIRE SIZES	
2008 OE P-metric/metric	
Size	**% of total**
P215/60R16	8.0%
P225/50R17	4.8%
P265/70R17	3.9%
P195/60R15	3.8%
P215/55R17	3.6%
P235/70R16	3.6%
P245/65R17	3.5%
P205/55R16	3.4%
215/60R16	2.9%
P215/60R17	2.3%
2007 OE P-metric/metric	
Size	**% of total**
P215/60R16	5.8%
P245/65R17	4.4%
P235/70R16	4.3%
P265/70R17	4.0%
P195/60R15	3.1%
P275/55R20	2.6%
215/60R17	2.5%
P225/50R17	2.4%
P255/70R18	2.4%
P275/65R18	2.3%
2008 OE light truck (LT)	
Size	**% of total**
LT245/75R16	36.8%
LT225/75R16	16.2%
LT265/70R17	9.4%
LT245/75R17	6.7%
37x12.50R16.5	4.8%
LT275/65R20	3.4%
LT255/75R17	3.2%
LT275/65R18	2.8%
LT265/75R16	2.8%
LT275/70R18	2.5%
2007 OE light truck (LT)	
Size	**% of total**
LT245/75R16	40.8%
LT225/75R16	16.3%
LT265/70R17	12.5%
LT245/75R17	5.4%
LT275/65R20	4.1%
LT215/85R16	3.3%
LT265/75R16	3.3%
37x12.50R16.5	2.6%
LT275/65R18	1.7%
LT255/75R17	1.6%
Source: Rubber Manufacturers Association	

Tire size proliferation

In 1935, there were 15 consumer tire sizes. The number grew to more than 150 sizes in 1977, when the top 10 sizes covered 88.6% of the market.

According to the Tire & Rim Association, there has been an increase of almost 42% in tire sizes in the last five years.

There were 324 passenger tire sizes alone in 2008. Another 195 were LT sizes, for a total of 519 consumer tire sizes. In 2004, the totals were 249 (P-metric), 117 (LT) and 366 (total), respectively.

If only controlling inventory was that easy. Total sizes almost pale in comparison to SKUs, or stock-keeping units. There are seven speed-rating categories each for P-metric and LT tires. Five of them — Q, R, S, T and H — overlap. Add to that B, C, D, E and F load ranges for light truck tires, and the number of SKUs grows to some 1,600 units.

"There are OE applications that specifically call for a euro-metric size, and it carries a higher load-carrying capacity than the P-metric size," says Todd Hershberger, senior vice president of marketing for Hankook Tire America. That's two SKUs for one size.

There are more sizes to come, including the first two 15-series tires: a 385/15R22 from Kumho and a 365/15R24 from Nexen Tire Corp.

Of course, every brand does not come in every size. But companies with multiple brands tend to have increased SKUs.

For example, Bridgestone Americas Inc. had 2,285 SKUs in its lineup last year. That is 2.3% less than in 2008. Bridgestone hopes to reduce that by another 12.5% in 2010.

"We've done a pretty good job of managing (size proliferation) by eliminating SKUs that are very low volume," says Dan MacDonald, Bridgestone's vice president of communications.

Dealers can choose from some 350 total consumer, commercial and specialty tire brands in the aftermarket.

Tire size popularity

The top 10 P-metric original equipment sizes in 2007 accounted for 33.8% of total sizes. That number increased to 39.8% in 2008, a sign that dealers may see fewer sizes in the future. (*MTD* lists the most popular OE sizes for 2008 and 2007 — and not 2009 — to give tire dealers a better idea of what to look for and stock in 2010.)

The top 10 OE LT sizes represented 88.3% of the market in 2007; that rose slightly to 88.6% in 2008.

Dealers will continue to see vehicles with size P215/60R16 tires roll into their dealerships. That size has been the most popular P-metric OE size since 2004. It not only gained popularity in 2008 (see Chart 22), but also accounted for 12% of 2009's OE shipments, followed by P265/70R17 (third in 2008) and P235/70R16 (sixth). Even its metric version was in the top 10 in 2008.

The only 20-inch passenger tire on the OE list in 2007, P275/55R20, dropped off the 2008 list. So did the two 18-inch sizes, leaving only 15- through 17-inch sizes. Additions to the 2008 list included P215/55R17 and P205/55R16.

The top three OE LT tire sizes in 2008 were once again LT245/75R16, LT225/75R16 and LT265/70R17. That changed in 2009, however.

The 2007-2008 increase in the fourth most popular size, LT245/75R17, has become a trend. In 2009, its shipments almost doubled, making it the second most popular OE LT size, with LT225/75R16 dropping to third.

One of the most popular LT sizes in 2007, LT215/85R16, dropped off the top 10 list in 2008. It was replaced by LT275/70R18.

On the replacement side, the top P-metric sizes in 2009 were:

P-metric, overall	**P-metric, passenger**	**P-metric,light truck/SUV**
1. P225/60R16	P225/60R16	P265/70R17
2. P235/75R15	P215/60R16	P235/75R15
3. P215/60R16	P205/65R15	P265/70R16

The top three replacement LT sizes in 2009 mirrored 2008: LT245/75R16, LT265/75R16 and LT235/85R16. ■