

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.

Chart 10
U.S. PASSENGER TIRE RETAIL MARKET SHARE
(Based on retail sales)

Distribution channel	2009	2008
Independent tire dealers	60.0%	60.0%
Mass merchandisers	14.5%	14.5%
Warehouse clubs	9.5%	9.0%
Tire company-owned stores	7.0%	7.0%
Auto dealerships	5.5%	5.5%
Service stations	2.0%	2.5%
Miscellaneous outlets	1.5%	1.5%

Independent tire dealers, 60%

Independent tire dealers continue to dominate tire distribution at the retail (see Chart 10) and wholesale levels. In 2009, they commanded 60% of the domestic retail passenger tire market, or 109.2 million tires. Thirty years ago, tire dealers represented 45% of the market.

When you take wholesaling into account, independent tire dealers have an even greater share — 75% — because they are the main suppliers to car dealer franchisees (often as part of an agreement between the vehicle manufacturer and the tire manufacturer) and service stations.

Consumer tire distribution channel market share

Channel	2009	2007	2005
Independent tire dealers	75%	74%	74%
Tire company stores	8.5%	8.5%	8.0%
Miscellaneous	16.5%	17.5%	18.0%

“Miscellaneous” includes mass merchandisers, warehouse clubs, auto parts chains, oil companies/service stations and other outlets that may supply tires to a retail store, or are involved in the supply line from the tire manufacturer to the end user.

Chart 11
WAREHOUSE CLUB GROWTH
Since 2005, the number of warehouse clubs in the United States has increased 12.7% (2.4% in 2009 vs. 2008). Costco Wholesale has grown the most, adding 63 stores in the last five years, an increase of 18.2%. BJ’s Wholesale (16.2%) and Sam’s Club (8.2%) also have expanded.

Club	2009	2008	2007	2006	2005
Sam’s Club	604	591	586	571	558
Costco Wholesale Corp.	409	400	385	355	346
BJ’s Wholesale Club Inc.	186	180	176	160	160
Total	1,199	1,171	1,147	1,086	1,064

Mass merchandisers, 14.5%

Wal-Mart Stores Inc. sells tires through its estimated 2,712 Supercenters and 820 Discount Stores in the U.S. Brands include BFGoodrich, Goodyear, Michelin, Uniroyal and Douglas, a Wal-Mart private brand made by Goodyear overseas.

In 2009, the company added Bridgestone tires. All tire brands are sold on www.walmart.com as well.

The company is increasing its number of Tire & Lube Express quick-service oil change and tire shops as it adds Superstores. Since 2007, the number of Superstores has increased 20%.

However, some of the growth is at the expense of the outdated Discount Stores, which have decreased by 23%. There are no Tire & Lube Express outlets in Canada.

Sears Holdings Corp. owns 859 Sears Auto Centers. Close to 91% of the dealerships, 782 of them, are associated with full-line stores. Another 27 are operated out of Sears Grand outlets, and 20 are paired with Kmart

stores. Thirty of the auto centers are free-standing.

In addition, Sears sells tires through its 122 full-line stores in Canada.

Sears offers nearly 20 brands, including Goodyear, Bridgestone and Michelin. Other major and associate brands include Dunlop, Continental, BFGoodrich, General, Firestone Uniroyal and Kelly.

Hankook, Kumho and Falken account for significant SKUs at both Sears Auto Centers and www.sears.com. Sears also sells brands imported from Asia, including Sumitomo, Nankang and Milestar.

In August of last year, Cooper began supplying Sears with two exclusive passenger tire lines. The Sears Guardsman Plus, a private brand tire, is offered in 18 sizes, while the Cooper Response Touring tire is available in 16 sizes.

Sears also sells three co-branded products: the Goodyear Weatherhandler (there’s also a Weatherhandler Fuel Max tire), Bridgestone Weatherforce and Michelin Weatherwise. They are private brands.

Pep Boys is the largest tire-selling auto parts chain with 580 stores representing 6,000 service bays in 35 states. It plans to open 40 Service & Tire Centers in fiscal year 2010 (ending Jan. 31, 2011) and 80 in fiscal 2011.

The stores offer Cornell, Futura, Definity, Goodyear, Hankook and Cooper tires.



Big 10 Tire Stores Inc. filed for Chapter 11 bankruptcy protection, closed some stores, and re-emerged as the “New Big 10.”

Warehouse clubs, 9.5%

Their domestic growth is undeniable. Warehouse clubs have grown steadily from 1,064 stores in 2005 to 1,199 stores in 2009 (see Chart 11 on page 30), and each of the three clubs has increased its store count.

Sam's Club, a subsidiary of Wal-Mart, is the leader with 655 stores in every state except Oregon and Vermont. (None of the warehouse clubs have locations in Vermont. There are no Walmart Supercenters or Pep Boys outlets in Vermont, either.)

Texas accounts for 11% of the club's total stores, which offer Michelin, Goodyear, Bridgestone, BFGoodrich and Dunlop tires. There are no Sam's Clubs in Canada.

Costco Wholesale Corp. owns 409 stores in 40 states, and another 77 in nine Canadian provinces. It sells Michelin and BFGoodrich tires.

BJ's Wholesale Club Inc. is a regional player in the U.S., with 186 stores in 15 states along or near the East Coast. The stores sell Michelin, BFGoodrich and Uniroyal tires.

Other distribution channels

Tire manufacturers have a 7% market share, thanks to their 2,735 company-owned retail tire stores in the U.S. Bridgestone has the most stores.

Bridgestone: 2,047

Goodyear: 671

Michelin (T3): 5

Nokian: 12

Total: 2,735

The 5.5% market share for car dealerships remained stable in 2009 despite turmoil in the ranks of GM, Chrysler and franchised dealerships in general.

GM wants to cut 2,500 dealers loose. Chrysler is breaking ties with 800.

The National Automobile Association estimates 1,200 dealers closed their doors last year, reducing the total number of dealerships in the U.S. to 18,500.

Ford Motor Co. seemed to prosper. It opened 100 new Quick Lane Tire & Auto Centers in 2009, bringing its total number of tire shops to almost 600.

According to a recent repair cost analysis conducted by the Automotive Aftermarket Industry Association, vehicle repairs (labor and parts) cost an average of 34% more at new car dealerships than at independent repair shops.

The study revealed "dramatic differences in the costs of parts and labor between domestic and import vehicle nameplates and from city to city."

For example, consumers in Los Angeles pay as much as 46.8% more at dealerships than independent repair shops for repairs.