



Major brands continue to gain market share

They account for nearly 180 million in passenger and light truck tire shipments

Major brands gained consumer tire market share in the U.S. at the expense of both private and associate brands in 2011 vs. 2010. Major brands jumped from 78.2% to 79.4%, while private brands fell from 11.9% to 10.8%. Associate brands dropped one-tenth of a percentage point (see Chart 7).

A number of factors contributed to the increase, despite the loss of overall market share by the Big Three manufacturers (see Chart 8). They included:

- the removal of low-cost tire production in the U.S. over the last 10 years. Labor costs made it hard for domestic tire makers to profitably manufacture low-cost radials here. So they farmed that segment out to countries with less expensive labor costs, and emphasized their flagship brands.

Chart 7
2011 U.S. CONSUMERTIRE BRAND SHARE
(by type; based on 226.6 million units)

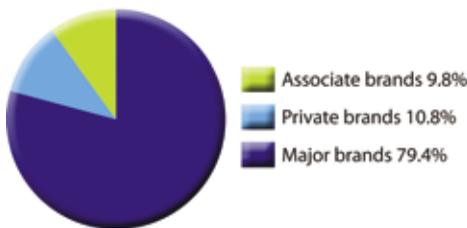


Chart 8
2011 U.S. CONSUMERTIRE MARKET SHARE
(by company, three top brands; based on 226.6 million units)

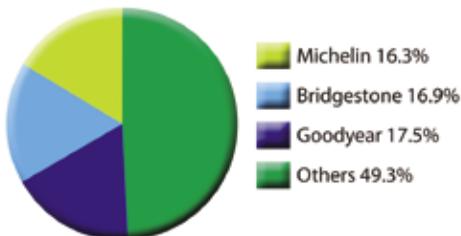


Chart 9
2011 U.S. REPLACEMENT CONSUMERTIRE BRAND SHARES

PASSENGER TIRES (based on 198.0 million units)		LIGHT TRUCK TIRES (based on 28.6 million)	
Brand	% of total	Brand	% of total
Goodyear	14.0%	Goodyear	11.5%
Michelin	8.5%	BFGoodrich	9.0%
Bridgestone	8.0%	Bridgestone	8.0%
Firestone	7.0%	Michelin	7.0%
BFGoodrich	5.0%	Firestone	6.5%
Cooper	5.0%	Cooper	6.0%
Hankook	5.0%	Multi-Mile	4.5%
General	3.5%	General	4.0%
Yokohama	3.5%	Yokohama	4.0%
Falken	3.0%	Hankook	3.5%
Kumho	3.0%	Toyo	3.5%
Pirelli	2.5%	Falken	3.0%
Uniroyal	2.5%	Kumho	2.5%
Continental	2.0%	Uniroyal	2.5%
Dayton	2.0%	Cordovan	2.0%
Dunlop	2.0%	Kelly	2.0%
Hercules	2.0%	Mastercraft	2.0%
Kelly	2.0%	Nexen	2.0%
Multi-Mile	2.0%	Pirelli	2.0%
Nexen	2.0%	Continental	1.5%
Toyo	2.0%	Dayton	1.5%
Cordovan	1.5%	Dunlop	1.5%
Mastercraft	1.5%	Hercules	1.5%
Sigma	1.5%	Maxxis	1.5%
Big O	1.0%	Big O	1.0%
Delta	1.0%	Delta	1.0%
Fuzion	1.0%	Eldorado	1.0%
Nitto	1.0%	Pro Comp	1.0%
Sumitomo	1.0%	Sigma	1.0%
Others	6.5%	Others	4.5%

Facts section: Market share

- rising raw material costs, which led to double-digit price increases and made all tires much more expensive. How many people simply said, “Well, as long as I’m spending this kind of money, I might as well spring for (fill in major brand here) tires”?

- tire tariffs, which significantly reduced consumer tire imports from China. A 35% tariff on passenger and light truck tire prices was added to the existing 4% duty on Sept. 26, 2009. The additional tariff has since dropped to 25%, and is scheduled to disappear on Sept. 26, 2012.

Since the tariff was implemented, Chinese passenger and light truck tire shipments to the U.S. have dropped 36.5%. It took awhile for other countries to pick up the slack (not all the Chinese imports were low-cost radials), but consumer tire imports to the U.S. reached a record 144 million units last year, up 2% from the previous year.

China had the tariffs to blame for its decrease in imports. Japan had a natural disaster, the Great East Japan Earthquake, and a strong yen versus the U.S. dollar with which to deal. The result was a 9.2% decrease in consumer tire imports from the Land of the Rising Sun.

Yokohama Tire Corp. was able to increase market share anyway, thanks to added capacity at its Salem, Va., plant. The Bridgestone brand gained share as Bridgestone Americas Inc. grabbed from Peter (Firestone) to pay Paul (Bridgestone). Toyo Tire U.S.A. Corp. struggled with supply (see Chart 9 on page 28 for U.S. market share by brand).

Survival of the fittest

Private brands are defined as tires marketed and owned by a company or organization other than the one that manufacturers them. (A gray area exists where a tire manufacturer and private brand marketer market the same generic tire. This is more prevalent with less popular sizes or smaller market segments because it is cost-effective to the private brand company that wants to fill out its line.)

In 2011, they had a 10.8% replacement consumer tire market share in the U.S., broken out as follows: 10.5% passenger, 13% light truck.

In 1991, private brands accounted for 27.5% of the passenger tire market.

Chart 10
2011 U.S./CANADIAN
OE CONSUMER TIRE
BRAND SHARE
(excluding imported vehicles;
based on 48.1 million units)

Brand	2011	2010
Goodyear	27.5%	28.8%
Michelin	22.9%	22.2%
Bridgestone	14.5%	14.3%
Continental	9.9%	9.8%
BFGoodrich	5.5%	5.8%
Firestone	5.0%	4.9%
Hankook	4.3%	3.9%
Pirelli	3.4%	3.4%
General	2.5%	3.0%
Kumho	2.0%	1.5%
Dunlop	1.2%	1.2%
Others*	1.3%	1.2%

* “Others” includes Yokohama (Chrysler, Mercedes-Benz), Uniroyal (General Motors), Nexen (Kia) and Toyo (Toyota).

The largest private brand was Sears, with 5.5%, and that was down from 11% in 1978. Last year, Sears private brand tires held less than a 1% share of the market.

As major brands have increased in strength — 11% since 2007 — private brands has suffered. Here is the combined passenger and light truck tire market share differential over the last four years.

Major vs. private: U.S. market share

Brands	2008	2009	2010	2011
Major	72.6%	73.8%	78.2%	79.4%
Private	14.4%	13.8%	11.9%	10.8%

The four largest domestic private brand marketers have increased their brand share since 1991. They are TBC Corp. (Multi-Mile, Cordovan, Sigma, Big O), Treadways Corp. (Eldorado, Jetzon, Telstar), Hercules Tire & Rubber Co. (Hercules, Ironman) and Del-Nat Tire Corp. (Delta, National). TBC and Treadways, although run as separate units, are owned by Sumitomo Corp. of America, the largest wholly-owned subsidiary of Sumitomo Corp.

OE market share

Just to keep up with market share at the original equipment level, an OE supplier had to increase its shipments in the U.S. and Canada by 4.3% last year. In the U.S. alone, it was 5.2%.

The major OE brand share gainers in 2011 were Michelin, Bridgestone, Continental, Firestone, Hankook and Kumho (see Chart 10).

As part of its Industrial Plan and Vision to 2015, Pirelli & Cie SpA has changed its approach to supplying OEMs in North America. The new strategy is to slightly increase brand share by taking a selective approach to European OEM transplants while reducing sales to mass market vehicles.

Our “2011 Retail Tire Customer Survey” addressed the original equipment loyalty issue brand by brand for both the first and second replacement sets.

Michelin is number one in customer loyalty. Vehicle owners replace Michelin OE tires with the same brand 32.3% of the time for the first replacement. No other OE brand in our study received loyalty ratings close to that percentage.

Goodyear is second at 24.3%, meaning nearly one-quarter of domestic vehicle owners replace their Goodyear OE tires with the same brand the first time around.

Bridgestone is third at nearly 23%, followed by Firestone (19%), BFGoodrich (17.6%), Yokohama (13.2%), Continental (12.7%) and Toyo (11.8%).

Rounding out the OE brands are Hankook (11.1%), Dunlop (11%), Pirelli (10.2%), Kumho (10.2%) and General (9.1%).

When customers replace their tires for the second time, all the OE brand loyalty percentages are lower — except for Hankook (11.7%) and General (9.3%).

Light vehicle sales

Light vehicle sales in the U.S. totaled close to 12.7 million units in 2011, up 10% from the year before. LMC Automotive, part of LMC International Ltd., projects sales to reach 13.8 million in 2012.

Tim Rogers, president of the Polk business unit of R.L. Polk & Co., told 2011 SEMA (Specialty Equipment Market Association) Show attendees that light vehicle sales will grow to nearly 16 million units by 2015.

“We believe the relatively new CUV segment — the crossover SUVs like

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the Chevy Equinox or the Ford Edge, will be a main part of what drives new vehicle sales over the next several years. Not only do these vehicles meet the size requirements of the typical family, but technology changes in four-cylinder engines gives the owner the desired fuel efficiency while not sacrificing much in the way of power.”

Despite the increase in new vehicle sales, Rogers said the aftermarket stands to gain more than \$3 billion in do-it-for-me business over the next three to four years, in part because vehicles are outlasting their warranties.

“Even as new vehicle sales come back, there are simply fewer cars and light trucks on the road likely to be repaired in the OEM channel.”

According to the National Automobile Dealers Association, General Motors Corp. was the sales leader with 19.7% of the market.

Ford Motor Co. was second at 15.9%, although the Ford F-Series pickup once again was the best-selling light truck with sales of nearly 585,000 vehicles. Toyota Motor North America Inc. was third, with the Camry the best-selling car in 2011.

Here are some other fast-facts from NADA:

- The CUV segment was the largest segment in the industry at 24.6% on sales of 3.1 million. Volume increased 10.3% for the year.
- The SUV segment experienced the largest volume increase: 24.6% on sales of 998,000 units (led by the new Ford Explorer and the Jeep Grand Cherokee).
- BMW for the first time claimed the title as the largest luxury brand with sales of 247,907, edging out Mercedes by just more than 2,000 units. Lexus had been the top-selling brand for the last 11 years.

Canadian shipments: down

After a 5.5% increase in 2009 compared to 2008, Canadian replacement consumer tire shipments decreased 15.8% in 2010 and 1% in 2011. Passenger tire shipments fell 3% last year, with winter tires accounting for about 35% of the 16 million units shipped. Light truck tire shipments rose 11.1%

Motomaster, a private brand produced for Canadian Tire Corp., is the most popular replacement brand in Canada (see Chart 11). It owns 13% of the passenger and 10% of the light truck tire market share.

Canadian Tire is one of two mass

Walmart Canada Corp. has approximately 300 outlets that sell tires, including 156 Super Centres with Tire & Lube Express Auto Centres. Walmart Canada promotes six brands: Nexen, Firestone, Goodyear, Dunlop, Bridgestone and Rovelo, a winter tire from Dynamic Tire Corp.

Costco Wholesale Canada Ltd. has 82 outlets in Canada. It became the only warehouse membership club in the country when Walmart closed its six Sam's Club warehouses in 2009. Costco offers three brands: Michelin, BFGoodrich and Bridgestone.

The largest independent dealer in Canada is Kal Tire Inc., with more than 230 locations. Kal Tire offers 13 passenger and light truck tire brands: BFGoodrich, Bridgestone, Falken, Firestone, Goodride, Michelin, Multi-Mile, Nitto, Nokian, Pirelli, Sonny, Uniroyal and Yokohama. It also sells Bridgestone, Continental, Double Coin, Firestone, Kumho, Michelin and Yokohama truck tires.

The largest independent tire dealer group in Canada is OK Tire Stores Inc., with more than 270 outlets. Each store is individually owned and operated. OK Tire sells 13 brands: Bridgestone, Continental, Dayton, Durun, Firestone, Fuzion, General, Hankook, Kumho, Pirelli, Primewell, Winterquest (TBC) and Toyo.

The next largest independent tire dealer groups are Alliance Tire Professionals, a Canadian network of certified Michelin locally

owned independent dealers (more than 160 stores; Michelin, BFGoodrich and Uniroyal brands) and Fountain Tire Ltd. (148 stores, including three in Ontario; Goodyear, Dunlop and Kelly brands). Goodyear Canada Inc. has a minority interest in Fountain Tire. ■

PASSENGER TIRE (based on 16.0 million units)		LIGHT TRUCK TIRE (based on 3.0 million units)	
Brand	% of total	Brand	% of total
Motomaster	13.0%	Goodyear	16.0%
Michelin	12.0%	Michelin	12.0%
Goodyear	10.0%	Motomaster	10.0%
Bridgestone	8.0%	BFGoodrich	9.0%
BFGoodrich	6.0%	Bridgestone	8.5%
Hankook	6.0%	Firestone	5.5%
General	4.0%	Yokohama	5.5%
Firestone	3.5%	Hankook	5.0%
Nexen	3.5%	General	4.5%
Toyo	3.5%	Toyo	4.0%
Yokohama	3.5%	Kumho	3.0%
Cooper	3.0%	Uniroyal	3.0%
Kumho	3.0%	Dayton	2.0%
Uniroyal	3.0%	Hercules	2.0%
Continental	2.5%	Kelly	2.0%
Dayton	2.0%	Pirelli	2.0%
Dunlop	2.0%	Dunlop	1.5%
Falken	2.0%	Continental	1.0%
Hercules	2.0%	Multi-Mile	1.0%
Kelly	1.5%	Others	4.0%
Nokian	1.5%	Motomaster is the largest private brand tire in Canada, with 13.4% of the replacement consumer tire market. It is sold by Canadian Tire Corp.	
Delta	1.0%		
Pirelli	1.0%		
Others	4.0%		

merchandisers in Canada that sell tires. Each of its 485 stores is operated by an independent business owner. In addition to Motomaster, Canadian Tire offers 10 brands: Goodyear, Michelin, Continental, Pirelli, BFGoodrich, Dunlop, General, Uniroyal, Hankook and Fierce.