



FACTS ANALYSIS 2013

Modern Tire Dealer uses 11 pages and 23 charts to break down the U.S. marketplace in 2012

Tire shipments: 36, 38

U.S. replacement tire sales
Replacement and OE tire shipments
Chinese imports

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Signs say it will all be good in 2013

Tire and automotive service sales should go up

By Bob Ulrich

In 2012, tire demand was down. As a result, shipments dropped compared to 2011. Early-year price increases didn't stick, either, influenced not only by the lack of demand but also low raw material costs.

What can we expect in 2013? Most of the signs point to plenty of business.

There is no more 25% tariff on consumer tire imports from China. Tariff 421 (the nickname for the tariff because it was implemented in 2009 based on Section 421 of the Trade Act of 1974) ran its course on Sept. 26, 2012. Prices on Chinese imports didn't immediately drop, but they are expected to fall.

Yes, there were more cars built in North America last year than in 2011 (and more car sales, as well). According to Wards Auto InfoBank, light-duty vehicle production in the United States was up 19.2%; overall vehicle production in North America was up 17.1%.

However, consumers are holding on to their vehicles longer. According to R.L. Polk & Co., the average age of light-duty vehicles on the road stands at a record 10.8 years. For passenger cars, it's 11.1 years; for light trucks, it's 10.4 years.

"The increasing age of the vehicle fleet, together with the increasing length of ownership, offers significant business growth opportunity for the automotive aftermarket," says Mark Seng, Polk's global aftermarket practice leader.

The U.S. Department of Energy predicts domestic crude oil production in 2013 will reach its highest annual average rate of production since 1992. With that comes an expected drop in the average price of a gallon of gas from \$3.63 in 2012 (up from \$3.53 in 2011) to \$3.43 in 2013.

Miles driven were up by 10 billion miles, too. In 2012, U.S. drivers almost reached the 3 trillion mark. That has happened only twice, according to the U.S. Department of Transportation. In 2006, miles driven totaled 3 trillion; in 2007, they hit a record 3.03 trillion.

Miles driven on U.S. roads, all vehicles

2012 = 2.972 trillion 2009 = 2.978 trillion
 2011 = 2.962 trillion 2008 = 2.974 trillion
 2010 = 2.999 trillion 2007 = 3.030 trillion

Sources: U.S. Department of Transportation, MTD

Fact:

2.97 trillion

The number of miles driven in the U.S. in 2012.



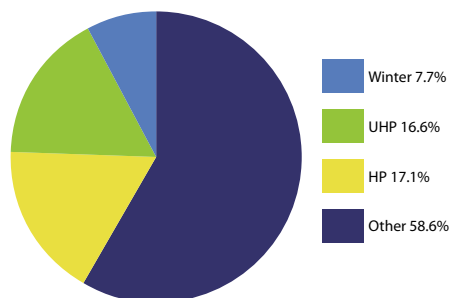
Chart 1
2012 U.S. REPLACEMENT TIRE SALES
 (a \$37.8 billion industry)

Passenger tires:	\$24.7 billion
Light truck tires:	\$5.1 billion
Truck tires:	\$6.8 billion
Farm tires:	\$570 million
OTR tires:	\$639 million
In 2011, U.S. replacement tire sales totaled \$38.2 billion.	

Chart 2
U.S. UNITS SHIPPED
 2008-2012 (in millions)

PASSENGER TIRES		
Year	Replacement	OE
2012	192.7	40.7
2011	196.5	36.0
2010	198.7	34.6
2009	184.0	25.0
2008	195.0	39.0
LIGHT TRUCK TIRES		
2012	28.3	4.2
2011	28.6	4.1
2010	28.0	3.5
2009	26.0	2.6
2008	30.0	3.0
MEDIUM/HEAVY TRUCK TIRES		
2012	16.0	5.3
2011	17.0	4.9
2010	15.3	3.0
2009	12.7	2.1
2008	15.5	4.3

Chart 3
2012 REPLACEMENT PASSENGER TIRE MARKET
 (based on 192.7 million units shipped)



Facts section: Tire shipments

RMA predicts the future

The increase in vehicle miles traveled coupled with anticipated economic growth should lead to a nearly 2% increase in total passenger, light truck and truck tire shipments in 2013, says the Rubber Manufacturers Association (RMA).

Here is a breakdown of what the RMA's Tire Market Analysis Committee forecasted for the domestic replacement and original equipment markets in 2013.

Replacement passenger tires: After a decrease of more than 4 million units in 2012, the RMA expects this segment to rebound, and projects an increase of 3 million tire units.

Replacement light truck (LT) tires: "Little or no growth is forecast for 2013 as the economy remains soft and new light truck sales further weaken demand for replacement tires."

Replacement medium/wide-base/heavy truck tires: The RMA expects shipments to increase nearly 4%, or approximately 400,000 units.

Original equipment passenger tires: In 2013, OE passenger shipments are expected to increase more than 4%, or 1.7 million units. The increase is anticipated "due to projected total light vehicle sales of greater than 15 million in 2013 — about a 700,000 unit increase above 2012 vehicle sales."

Original equipment LT tires: This category is forecast to grow by 2.8% to nearly 4.4 million units.

Original equipment truck tires: "A sluggish forecast for the 2013 Industrial Production Index should limit growth in 2013 commercial OE shipments to approximately 2%, or nearly 5.3 million total units."

The replacement market will represent more than half of the projected 6 million tire increase based on projected growth in the Gross Domestic Product and the Industrial Production Index "for both the consumer and commercial sectors."

Chinese imports

Consumer tire imports totaled 148 million units in 2012, up 4.6% over the previous year. They made up 55.6% of the 287.2 million replacement and OE passenger and light truck tire units shipped in the U.S. in 2012.

The top 10 countries accounted for 51% of the total consumer tire shipments, and 91.7% of the overall imports (see Chart 5). China was once again ranked number one, followed by South Korea and Canada. Thailand jumped from seventh to fourth; Chile replaced Germany on the list (Germany placed 11th).

Chinese consumer tire imports totaled 32 million units, up 18.5% compared to 2011 (see Chart 4). The elimination of Tariff 421 aided the increase, although there wasn't much of a price difference between pre-tariff shipments and post-tariff shipments through October.

Global passenger imports were up 9% to 132 million units. Chinese passenger imports were up 28% to 28.7 million units.

China also is the top exporter of truck tires to the U.S., both radial and bias. Its radial shipments were up 28% to 5.8 million, while its bias shipments were up 21.3% to 445,000 (see Chart 6).

Overall truck tire imports were up 6.8% to 11 million units, or 51.6% of total truck tire shipments in the U.S. Radial imports were up 6%; bias imports were up 18.4%.

China accounted for 56.7% of all U.S. truck tire imports. ■

Chart 4
U.S. CONSUMER TIRE IMPORTS FROM CHINA
(in millions of units)

Year	Units	Yr./yr. change
2012	32.0	+18.5%
2011	27.0	-12.9%
2010	31.0	-27.9%
2009	43.0	-7.5%
2008	46.5	+14.8%

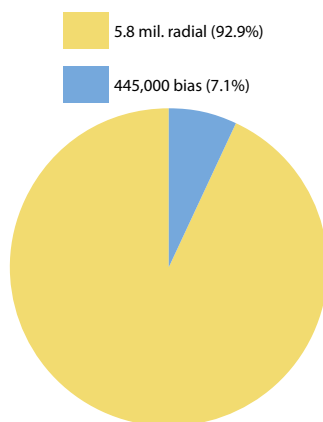
Sources: U.S. government, MTD figures

Chart 5
U.S. CONSUMER TIRE IMPORTS BY COUNTRY

2012 rank/ Country	2011 rank	% change vs. 2011
1. China	1	+18.5%
2. S. Korea	2	+7.2%
3. Canada	3	-1.0%
4. Thailand	7	+26.6%
5. Japan	4	-27.0%
6. Mexico	6	+14.3%
7. Indonesia	5	-1.0%
8. Taiwan	8	+9.0%
9. Chile	11	+60.0%
10. Brazil	9	-16%

The top 10 countries account for 91.7% of all consumer tire imports in the U.S.
Sources: U.S. government, MTD figures

Chart 6
2012 U.S. TRUCK TIRE IMPORTS FROM CHINA



Sources: U.S. government, MTD figures

As the *MTD 100* dealers go...

Top independents help determine market share

The entrepreneurs on the *Modern Tire Dealer 100* list represent nearly 5,500 tire outlets. That's 18.3% of the independent dealer universe.

They average 11 tire brands each, although the top 10 dealers average closer to 16 each. The dealers listed a total of 94 brands.

A breakdown of the top 100 domestic independent dealers list shows the dominance of major brands (see Chart 7). Michelin was sold by 79% of the 104 dealers (there was a six-way tie for 99th place). Goodyear was sold by 73%, while BFGoodrich was sold by 68%.

Although those three brands were up in terms of the outlets their dealers represented compared to 2010, none of them were the biggest gainers (see Chart 8).

A deeper analysis of the brands sold by the *MTD 100* dealers reveals how the top two brands from Bridgestone Americas Inc., Goodyear Tire & Rubber Co. and Michelin North America Inc. are marketed.

Of the 82 dealers who sell Michelin, 69 of them also sell BFGoodrich. So 84% of the time a dealer sells Michelin, he or she also sells BFGoodrich. If you include the company's Uniroyal associate brand, 46 dealers (56%) sell all three brands.

Forty-eight of the dealers who sell Goodyear also sell Dunlop (63%); 36 of them sell Goodyear, Dunlop and Kelly (47%).

The Bridgestone and Firestone brands are sold by 52 dealers, or 85% of the number of dealers who sell Bridgestone (the company has de-emphasized the marketing and production of its Dayton associate brand the last few years).

Of the 54 dealers who sell the Continental brand, 40, or 74%, also offer General. Of the 38 dealers who sell Hankook, 17 of them, or 44%, also offer Kumho.

Looking at the entire consumer tire market (see Chart 9, page 42), the top two brands from Bridgestone, Goodyear and Michelin represent 43.1% of the consumer market.

Six brands, 43.1% of the U.S. market

1. Bridgestone and Firestone: 14.9%
2. Goodyear and Dunlop: 14.4%
3. Michelin and BFGoodrich: 13.8%

Major brands accounted for 80.2% of the 221 million replacement passenger and light truck tire market share, up from 79.4% last year. Private brand market share also was up: from 10.8% in 2011 to 11.1% in 2012.

Fact:
27.6%

The OE market share for Goodyear in the U.S. and Canada, the most of any tire brand.

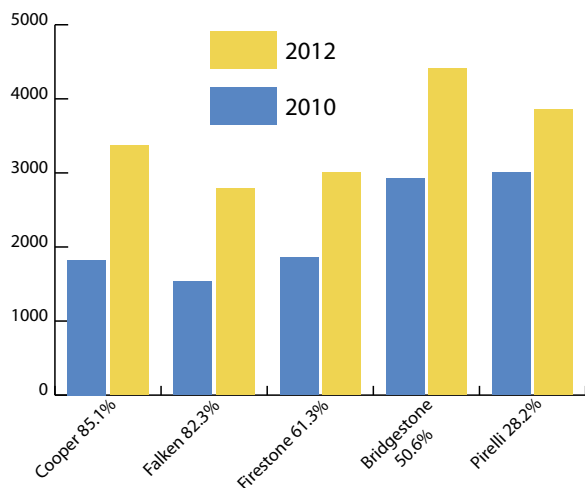
Chart 7
2012 BRANDS LISTED BY THE *MTD 100*
(Total outlets: 5,493)

Rank by number of dealers	Dealers/outlets
1. Michelin	82/4,455
2. Goodyear	76/4,234
3. BFGoodrich	71/4,065
4. Bridgestone	61/4,409
5. Continental	54/3,312
6. Firestone	54/3,003
7. Yokohama	51/3,784
8. Dunlop	49/3,557
9. Uniroyal	47/2,180
10. Cooper	46/3,375
11. General	46/2,166
12. Kelly	45/1,739
13. Hankook	38/3,429
14. Pirelli	36/3,855
15. Toyo	31/1,494
16. Kumho	25/1,783
17. Falken	23/2,792

Chart 8

MTD 100 MOVERS AND SHAKERS

From 2010 to 2012, the biggest brand gainers on the *MTD 100* list in terms of outlets represented were:



Compared to 2010: Only the Uniroyal, General and Toyo brands were down in outlets.

Facts section: Market share

Associate brand market share suffered in 2012, dropping from 9.8% to 8.7%.

According to MTD's "Retail Tire Customer Survey," Michelin ranks number one among original equipment brands when customers replace the vehicle's original tires. Dealers said they replaced the Michelin OE brand with the same brand

32.3% of the time. Goodyear was second at 24.3%, followed by Bridgestone at 22.8% and Firestone at 19%.

Year-over-year global sales were down or misleading for some of the top overseas tire manufacturers (see Chart 10), in part because the U.S. dollar was stronger against the euro, yen, won and Taiwanese dollar. ■

Chart 9
2012 U.S. REPLACEMENT CONSUMER TIRE
BRAND SHARES

PASSENGERTIRES (Based on 192.7 million units)		LIGHT TRUCK TIRES (Based on 28.3 million units)	
Brand	% of total	Brand	% of total
Goodyear	13.0%	Goodyear	12.0%
Michelin	8.5%	BFGoodrich	9.0%
Bridgestone	8.0%	Bridgestone	8.0%
Firestone	7.0%	Michelin	7.0%
Cooper	5.5%	Firestone	6.5%
BFGoodrich	5.0%	Cooper	6.0%
Hankook	4.0%	Multi-Mile	4.5%
Falken	3.5%	General	4.0%
General	3.5%	Yokohama	4.0%
Kumho	3.5%	Hankook	3.5%
Yokohama	3.5%	Toyo	3.5%
Nexen	2.5%	Kumho	2.5%
Pirelli	2.5%	Falken	2.0%
Continental	2.0%	Mastercraft	2.0%
Hercules	2.0%	Nexen	2.0%
Multi-Mile	2.0%	Pirelli	2.0%
Toyo	2.0%	Uniroyal	2.0%
Uniroyal	2.0%	Big O	1.5%
Dunlop	1.5%	Continental	1.5%
GT Radial	1.5%	Cordovan	1.5%
Kelly	1.5%	Dunlop	1.5%
Mastercraft	1.5%	Eldorado	1.5%
Big O	1.0%	Hercules	1.5%
Cordovan	1.0%	Kelly	1.5%
Delta	1.0%	Maxxis	1.5%
Fuzion	1.0%	Delta	1.0%
Nitto	1.0%	GT Radial	1.0%
Sears	1.0%	Sears	1.0%
Sigma	1.0%	Others	5.0%
Sumitomo	1.0%		
Others	7.0%		

Because numbers are rounded to the nearest one-half percent, the total may not equal 100%. Brands must have at least 1% of the market in shipment numbers to be listed at 1%.

Chart 10
WORLD LEADERS IN NEW TIRE SALES
(fiscal year 2012; in billions of U.S. dollars)

Company	2012	2011
Bridgestone Corp.	\$31.1	\$31.8
Groupe Michelin	\$26.2	\$27.4
Goodyear Tire & Rubber Co.	\$21.3	\$22.7
Continental AG	\$12.2	\$12.2
Pirelli & Cie SpA	\$7.7	\$7.8
Sumitomo Rubber Industries Ltd.	\$7.3	\$7.4
Hankook Tire Co.	\$6.7	\$5.9
Yokohama Rubber Co.	\$5.8	\$5.7 ¹
Cooper Tire & Rubber Co.	\$4.2	\$3.9
Cheng Shin Rubber Ind. Co. Ltd. ²	4.5	\$4.1
Kumho Tire Co. Inc.	\$3.6	\$3.4
Toyo Tire & Rubber Co. Ltd. ³	\$3.0	\$2.7

U.S./CANADIAN LEADERS IN NEW TIRE SALES
(fiscal year 2012; in billions of U.S. dollars)

Company	2012	2011
Bridgestone Americas Inc.	\$9.2	\$9.9
Goodyear Tire & Rubber	\$9.1	\$9.1
Michelin North America Inc.	\$7.9	\$8.2
Cooper Tire & Rubber	\$3.0	\$2.7
Continental Tire the Americas LLC	\$2.7	\$2.7
Yokohama Tire Corp.	\$1.5	\$1.5 ¹
Sumitomo Rubber Industries ⁴	\$1.3	\$1.3
Hankook Tire America Corp.	\$1.3	\$1.2
Kumho Tire U.S.A. Inc.	\$0.86	\$0.81
Pirelli Tire North America	\$0.61	\$0.61
Toyo Tire Holdings of America Inc. ³	\$1.3	\$1.2

¹ Yokohama's fiscal 2011 was nine months long so it could change to a January-December fiscal year in 2012. Total includes January-March 2011 sales.

² Doing business as Maxxis International.

³ Fiscal years 2011 and 2010. Toyo's fiscal 2012 was nine months long so it could change to a January-December fiscal year in 2013.

⁴ Sumitomo Corp. of America is run independently of Sumitomo Rubber Industries.

Facts section: North American plant capacities

Capacity falls less than 1%

3 more plants will open in 2013

Tire capacity, not production, in North America totaled 306.3 million tires at 52 plants as of Jan. 1, 2013. Despite an additional plant compared to a year ago, that's down 1.2 million tires, or 0.3%. (The total does not include race or aviation tires.)

In the United States, annual capacity dropped by 1.5 million tires, or 0.6%. That will change dramatically over the next few years, however.

Following the opening of Mitas Tires North America Inc.'s \$52 million radial farm tire plant in Charles City, Iowa, last year, no less than three new tire plants will begin producing tires in 2013.

1. Michelin North America Inc.'s OTR plant in Anderson, S.C.
2. Bridgestone Americas Inc.'s OTR plant in Aiken County, S.C.
3. Continental Tire the Americas LLC's consumer tire plant in Sumter, S.C.

In addition, the three tire manufacturers announced a number of expansions at existing U.S. plants. Michelin began upping capacity at its OTR tire facility in Lexington, S.C., last October.

The expansions of Bridgestone's farm tire plant in Des Moines, Iowa, and OTR tire plant in Bloomington, Ill., will be completed this year. The company also is increasing production capacity at its Aiken County, S.C., consumer tire plant by 12,000 tires a day.

When Continental's \$224 million expansion at its Mount Vernon, Ill., plant is completed, the facility will be able to produce an additional 3.7 million consumer tires and 3.15 million truck tires annually.

The three companies will spend nearly \$2.7 billion to build the new plants and complete their expansion projects.

Pirelli Tire North America Inc.'s new consumer tire plant in Guanajuato, Mexico, was up and running last year. Chairman and CEO Paulo Ferrari says the plant will be able to produce 5.5 million high and ultra-high performance tires a year by 2015. ■

Chart 11
NORTH AMERICAN TIRE PLANT CAPACITIES
As of Jan. 1, 2013 (in thousands of units)

Plant location/ Year constructed	Non-union	ISO ¹	QS ²	Passenger per day:	Light truck per day:	Truck per day:	Others per day:	Total
Bridgestone Americas Inc.								
La Vergne, Tenn., 1972		x	x	0.0	0.0	6.2	0.0	6.2
Warren County, Tenn., 1990		x	x	0.0	0.0	8.9	0.0	8.9
Bloomington, Ill., 1965		x	x	0.0	0.0	0.0	0.26	0.26
Des Moines, Iowa, 1945		x	x	0.0	0.0	0.0	4.51	4.51
Wilson City, N.C., 1974 ³	x	x	x	30.5	3.5	0.0	0.0	34.0
Aiken County, S.C., 1999	x	x	x	18.8	8.4	0.0	0.0	27.2
Joliette, Quebec, 1966		x	x	9.3	7.2	0.0	0.0	16.5
Monterrey, Mexico, 2007	x			8.0	0.0	0.0	0.0	8.0
Cuernavaca, Mexico, 1980		x	x	11.0	4.4	0.0	0.0	15.4
Total:				77.6	23.5	15.1	4.77	120.97
Carlisle Tire & Wheel Co.								
Jackson, Tenn., 2009	x			0.0	0.0	0.0	26.0	26.0
Clinton, Tenn. (Dico), 1974	x	x		0.0	0.0	0.0	15.0	15.0
Total:				0.0	0.0	0.0	41.0	41.0
Continental Tire the Americas LLC								
Mount Vernon, Ill., 1973	x	x	x	28.0	3.0	5.0	0.0	36.0
Cooper Tire & Rubber Co.								
Findlay, Ohio, 1917		x		7.0	16.0	0.0	0.0	23.0
Texarkana, Ark., 1964		x		24.0	8.0	0.0	0.0	32.0
Tupelo, Miss., 1984/1960	x	x		42.0	0.0	0.0	0.0	42.0
Total:				73.0	24.0	0.0	0.0	97.0
Goodyear Tire & Rubber Co.								
Buffalo, N.Y., 1923			x	4.3	3.4	1.75	4.55	14.0
Danville, Va., 1966		x	x	0.0	0.0	13.0	0.0	13.0
Fayetteville, N.C., 1969		x	x	30.5	10.5	0.0	0.0	41.0
Gadsden, Ala., 1928		x	x	14.5	11.5	0.0	0.0	26.0
Lawton, Okla., 1978	x	x	x	66.0	0.0	0.0	0.0	66.0
Topeka, Kan., 1945		x	x	0.0	1.0	4.5	1.5	7.0
Medicine Hat, Alberta, 1960		x	x	14.0	0.0	0.0	0.0	14.0
Napanee, Ontario, 1990	x	x	x	19.0	0.0	0.0	0.0	19.0
Total:				148.3	26.4	19.25	6.05	200.0
GTY (General/Yokohama)								
Mount Vernon, Ill., 1988	x	x	x	0.0	0.0	3.9	0.0	3.9
Michelin North America Inc.								
Ardmore, Okla., 1969	x	x	x	40.5	3.5	0.0	0.0	44.0
Dothan, Ala., 1979	x		x	1.0	4.0	0.0	0.0	5.0
Fort Wayne, Ind., 1961				21.0	9.5	0.0	0.0	30.5
Greenville, S.C., 1975	x		x	28.0	0.0	0.0	0.0	28.0
Greenville, S.C. (C3M), 1997	x	x	x	7.0	0.0	0.0	0.0	7.0
Lexington, S.C., 1981	x		x	19.0	5.0	0.0	0.0	24.0
Lexington, S.C., 1998	x	x		0.0	0.0	0.0	0.09	0.09
Spartanburg, S.C., 1978	x		x	0.0	0.0	7.0	0.0	7.0
Tuscaloosa, Ala., 1945			x	23.0	7.0	0.0	0.0	30.0
Bridgewater, Nova Scotia, Canada, 1973	x		x	11.0	3.0	0.0	0.0	14.0

Plant location/ Year constructed	Non-union	ISO ¹	QS ²	Passenger per day:	Light truck per day:	Truck per day:	Others per day:	Total
New Glasgow, Nova Scotia, Canada, 1971	x		x	7.0	1.0	0.0	0.0	8.0
Waterville, Nova Scotia, Canada, 1982	x		x	0.0	0.0	0.0	4.5	4.5
Queretaro, Mexico	x			6.0	0.0	0.0	0.0	6.0
Total:				163.5	33.0	7.0	4.59	208.09
Mitas Tires North America Inc.								
Charles City, Iowa, 2012				0.0	0.0	0.0	0.5	0.5
Pirelli Tire North America Inc.								
Rome, Ga., (MIRS), 2002	x	x		1.2	0.5	0.0	0.0	1.7
Guanajuato, Mexico, 2011	x			2.8	1.2	0.0	0.0	4.0
Total:				4.0	1.7	0.0	0.0	5.7
Specialty Tires of America Inc.								
Indiana, Pa., 1915	x			0.0	0.4	0.0	4.6	5.0
Unicoi, Tenn., 1997	x			0.0	0.0	0.0	1.6	1.6
Total:				0.0	0.4	0.0	6.2	6.6
Titan Tire Corp.								
Bryan, Ohio, 1967		x	x	0.0	0.0	0.0	0.33	0.33
Des Moines, Iowa, 1943		x		0.0	0.0	0.0	11.25	11.25
Freeport, Ill., 1964		x	x	0.0	0.0	0.0	8.1	8.1
Total:				0.0	0.0	0.0	19.68	19.68
Toyo Tire North America Manufacturing Inc.								
White, Ga., 2005	x	x		7.5	7.5	0.0	0.0	15.0
Yokohama Tire Corp.								
Salem, Va., 1968 ⁴				25.7	1.1	0.0	0.0	26.8
Grupo Carso/Euzkadi (Continental AG)								
San Luis Potosi, Mexico				15.0	5.0	0.0	0.0	20.0
JK Tyre & Industries (formerly CIA Hulera Tornel)								
Mexico City, Mexico				0.5	1.0	1.5	0.64	3.64
Tultitlan, Mexico				7.0	1.5	0.5	0.4	9.4
Tacuba, Mexico				2.5	2.5	0.0	0.0	5.0
Total:				10.0	5.0	2.0	1.04	18.04
Corporacion de Occidente SA de CV (Cooper Tire)								
Guadalajara, Mexico, 2005	x	x	x	10.0	7.2	2.8	0.0	20.0
U.S. Totals				439.5	103.8	50.25	78.29	671.84
Canadian Totals				60.3	11.2	0.0	4.5	76.0
Mexican Totals				62.8	22.8	4.8	1.04	91.44
TOTAL:				562.6	137.8	55.05	83.83	839.28
2013 vs. 2012				-2.8%	+7.7%	+5.5%	+0.5%	-0.3%
2012 vs. 2011				-3%	-6.7%	-0.7%	0%	-3.2%
2011 vs. 2010				+0.6%	+2.4%	0.0%	-1.2%	+0.8%

Footnotes:

¹ Plants that are ISO (International Organization for Standardization) 9001:2000 certified (www.iso.org).

² QS (Quality System) 9000 certification, required by suppliers to Ford Motor Co., General Motors Corp. and Chrysler LLC (www.qscertification.com).

³ ISO 50001 (Industrial Energy Management Systems). ⁴ ISO 14001 (Environment Management Systems).



The first tire on Michelin's expanded production line in Lexington was manufactured last October.



Pirelli began shipping tires from Mexico to the U.S. in 2012.



Bridgestone increased capacity at its Warren County plant by 900 truck tires a day.



The expansion project at the Continental tire plant in Mount Vernon is ahead of schedule.

Facts section: Commercial tires

The Bridgestone Commercial Solutions Group, which oversees Bandag retreading, owns 42% of the domestic truck tire retreading market share (see Chart 12 on page 48). Marangoni Tread N.A. Inc. and “Others” gained share at the expense of Goodyear Tire & Rubber Co.

ContiLifeCycle retreaded tires from Continental Tire the Americas LLC fall in the “Others” category. The company estimates it will produce 300,000 flat treads at its Mexican plant in 2013 for its licensed dealers in North, Central and South America.

The combined sales of replacement truck and retreaded truck tires totaled more than \$10 billion last year. More new truck tires were sold (16 million, at a cost of \$6.8 billion) than there were retreaded truck tires (14.8 million, at a cost of nearly \$3.4 billion, including casings). That has been the case every year since 2004, the last time more retreaded truck tires were produced than new truck tires (see Chart 13 on page 48).

The Rubber Manufacturers Association (RMA) expects replacement medium, heavy and wide-base truck tire shipments to pick up in 2013. The RMA’s Tire Market Analysis Committee estimates a 4% increase to 16.3 million units shipped. Steady growth through 2016 also is expected.

At the OE level, the RMA says “a sluggish forecast for the 2013 Industrial Production Index should limit growth in 2013 commercial OE shipments to approximately 2%.”

Another good sign is the expected drop in the retail price of diesel fuel. The U.S. Department of Energy’s Energy Infor-



mation Administration predicts the average price per gallon of on-highway diesel fuel will drop from \$3.97 in 2012 to \$3.84 in 2013.

The farm tire market was comparatively down in 2012. Farm tire shipments, including small or implement farm tires, dropped from 3.2 million units shipped in 2011 to 3.1 million last year. Replacement shipments were down 6.6%. Here is the 2012 breakdown by segment:

Segment	OE	Replacement
Bias rear	330,000	470,000
Radial rear	338,300	282,800
Small	445,000	1.25 million

OE farm tire shipments were up 3.2% despite a 5% drop in bias rear OE shipments. The move to radialization in the rear farm tire market has grown faster at OE than it has at the replacement level. In 2007, radials made up 40% of the OE shipments and 27.7% of the replacement shipments. Last year, the numbers were 51% and 37.6%, respectively. ■

Is size proliferation over?

It's not hard to believe, unless you need a P285/30R20

Has the proliferation of tire sizes plateaued? In the last five years, the number of radial passenger and light truck tire sizes has increased less than 3%, from 519 in 2008 to 533 in 2012.

From 2004 to 2008, the number of sizes increased 42%, according to the Tire & Rim Association (TRA). Executive Vice President Joe Pacuit says there is room for more.

"In 2005, in order to develop a plan to 'harmonize' passenger car tire loads and dimensions in our organizations, TRA, ETRTO (European Tyre and Rim Technical Organisation) and JATMA (Japan Automobile Tyre Manufacturers Association Inc.) developed a matrix of existing and conceivable tire sizes.

"There are 2,561 tire sizes in that list. Since then, we have expanded the list to include larger rim diameters and some wider section widths."

In Chart 15, we have listed the most popular OE P-metric and LT sizes for 2011 and 2010 to give tire dealers a better idea of what to look for and stock in 2013. Original equipment size popularity tends to change slowly year-to-year, especially in LT sizes.

There are dramatic exceptions, however. For example, the top original equipment size from 2004 to 2011 was P215/60R16, the base size on the Toyota Camry, the best-selling car in the United States.

The 2012 and 2013 model-year Camrys are fitted with size P205/65R16 tires. In 2012, P215/60R16 dropped to third on the most popular OE size list (see Chart 16), while P205/65R16 cracked the top five. That's hardly a coincidence.

A corresponding change in the replacement market will occur as the OE tires on the new Camrys are replaced. In Chart 16, P215/60R16 was the fourth most popular replacement size, behind P235/75R15, 205/55R16 and 225/60R16.

The top three replacement and OE LT sizes remained the same in 2012 vs. 2011 (see Chart 17).

In 1935, there were 15 consumer tire sizes. The number grew to more than 150 sizes in 1977, when the top 10 replacement radial passenger tire sizes covered more than 90% of the radial market. In 2012, the top 10 P-metric/metric sizes represented only 18% of the replacement market, according to the Rubber Manufacturers Association. ■



New sizes in 2013

P285/30R20	P305/35R19	LT275/55R20 LRD
P205/50R18	P165/70R14	40x15.50R24LT LRE
P335/30R19	P175/60R15	7.50R15LT LRE
P295/30R18	LT355/65R18 LRE	7.00R16LT LRE

Source: Tire & Rim Association

Chart 15

MOST POPULAR DOMESTIC OE PASSENGER AND LT TIRE SIZES

2011 OE P-Metric/metric		2011 OE Light truck (LT)	
Size	% of total	Size	% of total
P215/60R16	9.1%	LT245/75R17	22.3%
P265/70R17	5.1%	LT245/75R16	15.6%
P215/55R17	4.2%	LT225/75R16	11.9%
P235/70R16	3.2%	LT265/70R17	7.8%
P275/65R18	3.0%	LT265/70R18	7.0%
2010 OE P-Metric/metric		2010 OE Light truck (LT)	
Size	% of total	Size	% of total
P215/60R16	7.0%	LT245/75R16	19.5%
P265/70R17	5.8%	LT245/75R17	18.4%
P215/55R17	4.1%	LT225/75R16	11.7%
P235/70R16	3.5%	LT275/65R18	8.2%
P275/55R20	3.1%	LT265/70R17	7.9%

Source: Rubber Manufacturers Association

Chart 16

TOP U.S. PASSENGER TIRE SIZES, 2012

Replacement	OE
1. P235/75R15	1. P265/70R17
2. 205/55R16	2. P215/55R17
3. 225/60R16	3. P215/60R16
4. 215/60R16	4. P225/50R17
5. P225/60R16	5. P275/65R18
5. P265/70R17	5. P205/65R16

Chart 17

TOP U.S. LIGHT TRUCK TIRE SIZES, 2012

Replacement	OE
1. LT245/75R16	1. LT245/75R17
2. LT265/75R16	1. LT245/75R16
3. LT265/70R17	3. LT225/75R16
4. LT235/85R16	4. LT265/70R18
5. LT225/75R16	5. LT265/70R17

Independent tire dealers rule

They dominate the replacement market on two levels

There are close to 30,000 independent tire dealers in the United States. As a group, they sell more than 60% of all replacement consumer tires shipped, or 134.8 million units (see Chart 18).

If you take wholesaling into account, independent tire dealers have an even greater share: 77% (see Chart 19). They are main suppliers to car dealer franchisees (Dealer Tire LLC is the largest supplier to this distribution channel), muffler shops and service stations.

Although they come in all shapes and sizes, the average independent tire dealer is a Caucasian male in his 50's.

He carries 12 different brands and averages nearly \$1.8 million in tire purchases annually. More than 70% of them run one-store operations. Each location averages seven bays.

Tech support

The average tire dealership has five technicians. Sixty-five percent of the dealers claim that at least half of their techs are ASE-certified; 21% boast 100% of their techs are ASE-certified.

The way the average tech is compensated varies. Here is a breakdown of how tire dealers pay their techs.

Hourly: 39.6%

Salary and commission: 34.9%

Commission only: 15.7%

Salary only: 9.8%

The highest level technician — an ASE Master Tech — is paid an average annual salary of \$53,936. A mid-level tech averages \$38,963 a year, while an entry level tech averages \$27,425 a year.

Automotive service

The average retail tire dealer expects 47.5% of his total

sales to come from automotive service, according to results from MTD's "2012 Tire Dealer Automotive Service Survey." The most common services are mounting and balancing and brake work.

The average ticket price per mounting and balancing job is \$53.79. The profit margin is 64%. Based on the number of jobs per month (see Chart 21), mounting and balancing service accounts for \$161,370 of the average dealer's annual sales, and \$103,270 of his annual gross profit.

A job ticket for brake service work averages out to \$244.58.



13.6%

Difference in price between a V-rated P215/60R16 tire (\$140.85) and a non-V-rated tire in the same size (\$123.91).

The average profit margin is 52%, so the average annual sales per tire dealer are \$132,073, while the average annual gross profit is \$68,678.

According to Lang Marketing Resources Inc., do-it-for-me products and services for foreign nameplate vehicles will increase by more than \$11 billion in the next five years.

"Foreign nameplate cars and light trucks will generate over 46% of light vehicle aftermarket product sales by 2017," says President Jim Lang.

Oil ch-ch-changes

Since 2007, the average *advertised* price of a synthetic blend oil change has risen 27.5% (see Chart 22). That takes into account newspaper, direct mail and Web advertising. If that

Chart 18
U.S. CONSUMER TIRE RETAIL MARKET SHARE
(based on retail sales)

Distribution channel	2012	2011
Independent tire dealers	60.5%	61.0%
Mass merchandisers	14.0%	14.0%
Warehouse clubs	8.5%	8.5%
Tire company-owned stores	7.5%	7.5%
Auto dealerships	7.0%	6.5%
Miscellaneous outlets	2.5%	2.5%

Chart 19
CONSUMER TIRE DISTRIBUTION CHANNEL MARKET SHARE

Initial channel	2012	2010	2008	2006
Independent tire dealers	77.0%	76.0%	75.0%	74.0%
Tire company stores	8.0%	8.0%	8.5%	8.5%
Miscellaneous*	15.0%	16.0%	16.5%	17.5%

* "Miscellaneous" includes mass merchandisers, warehouse clubs, car dealers, auto parts chains and oil companies/service stations.

seems high, keep in mind that in addition to the oil (up to five quarts), lube (if needed) and filter, the service typically includes a “free” tire rotation and safety inspection.

The average ticket per oil/lubrication service job is \$37.51 with a 34% profit margin. If you multiply the average number of oil changes per month (135) by the ticket and profit margin, the average annual profit per dealer totals \$20,660 — not bad for a “loss” leader.

Tire dealers purchase their oil from multiple sources, according to MTD’s “2012 Auto Parts Survey.” The majority (79.6%) purchase their motor oil from warehouse distributors. Jobber stores (think NAPA) are the second most frequented source at 31.3%, followed by automotive retail stores like AutoZone Inc. at 14.4%. Car dealerships account for 4% of sales, while online specialty wholesalers represent 1% of the market.

Is the 3,000-mile oil change a thing of the past? It may be if a class action lawsuit filed in California Superior Court for the County of Los Angeles last year proves successful.

According to the “Lube Report,” the suit accuses Jiffy Lube International Inc. of “false and misleading advertising and unfair

competitive practices in its recommended (3,000 miles) engine oil change intervals for passenger cars and light trucks.” The plaintiffs’ attorneys claim 3,000 miles is much shorter than the interval recommended by vehicle manufacturers; they are asking for nearly \$5 million in restitution.

Tire pricing

Tire ads in newspapers are no longer commonplace. You are more likely to see an ad offering to buy gold than to sell tires. And the ones that do run are not price-heavy anymore; Sears Holdings Corp., for one, doesn’t list prices in its Sears Auto Centers ads.

Maybe tire prices rose too high too fast. The average advertised price of size P155/85R13 tire in 2012 was \$67.47 (see Chart 20); only five years ago, it was \$32.20.

Newspaper advertising as a whole has decreased dramatically in the last five years: Print advertising dropped more than 55%, from \$46.6 million in 2006 to \$20.7 million in 2011, according to the Newspaper Association of America. In contrast, online ad revenue has increased 22%, to \$3.2 million. ■

Chart 20
2012 AVERAGE ADVERTISED TIRE PRICES
(in the U.S.)

Size	Price
P155/80R13	\$67.47
P185/65R14	\$88.32
P195/60R15	\$102.07
P215/60R16	\$129.68
LT245/75R17	\$219.14

Chart 21
AVERAGE AUTOMOTIVE SERVICE
JOBS PER MONTH

Service	No. of jobs	Profit margin
Air conditioning:	18	50%
Alignment:	67	65%
Batteries/electrical:	28	33%
Bearings/seals:	12	49%
Brakes:	45	52%
Chassis/suspension:	23	50%
Cooling systems:	19	49%
Electronic diagnosis:	23	61%
Exhaust systems:	9	42%
Mounting/balancing:	250	64%
Oil/lubrication:	135	34%
Shocks/struts:	11	45%
TPMS:	21	40%

Source: MTD 2012 Tire Dealer Automotive Service Survey

Chart 22
2012 AVERAGE ADVERTISED OIL CHANGE PRICING
(in the U.S.)

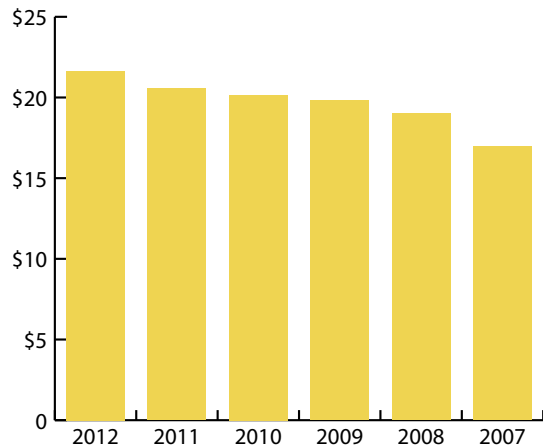


Chart 23
WAREHOUSE CLUB STORE COUNT

Warehouse Club	2012	2011	% increase
Sam’s Club	620	608	1.9%
Costco Wholesale Corp.	444	429	3.5%
BJ’s Wholesale Club Inc.	199	192	3.6%
Total	1,263	1,229	2.7%