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ATD emerges from Chapter 11 bankruptcy

By Don Detore
Tire Business Staff

HUNTERSVILLE, N.C. — American Tire Distributors Inc. has emerged from Chapter 11 bankruptcy protection less than three months after initiating the process.

The announcement was made Dec. 21, two days after the U.S. Bankruptcy Court for the District of Delaware approved a reorganization plan that ATD said will reduce its debt by $1.1 billion and give it renewed financial flexibility.

As part of the latest move, ATD said it is issuing payment for all pre-petition obligations due. North America's largest tire distributor said it has $1 billion of financing "arranged by Wells Fargo Capital Finance to support operations and future growth initiatives."

On Dec. 17, ATD's voting stakeholders — including 100 percent of voting term lenders and voting shareholders and 98 percent of voting bondholders — "overwhelmingly" approved ATD's reorganization plan. ATD filed for Chapter 11 bankruptcy protection on Oct. 4.

Under the terms of the agreement, the term-loan lenders agreed, among other things, to:

- Provide half of the $250 million in new financing to support ATD's operations;
- Extend the maturity of the term loan facility by three years; and
- Participate in exit financing upon ATD's completion of the court-supervised process.

As part of the agreement, bondholders will receive 95 percent of new equity in the recapitalized company, and existing equity holders will receive 5 percent of the new equity.

ATD CEO Stuart Schuette called it a new beginning.

"We are a stronger company with the financial flexibility to build on an 80-year history of leadership and innovation," Mr. Schuette said. "We are laser-focused on delivering greater value for our customers and manufacturer partners, with differentiated capabilities based on advanced analytics. Our ongoing transformation means that ATD will remain the most connected and insightful automotive solutions

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Year in review

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Year ahead

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Top stories of the year

Wholesale changes abound in 2018

By Don Detore
Tire Business Staff

The last 12 months seemed like an alphabet soup full of changes in the wholesale tire business.

NTW. TBC. TCi. ATD.

From January, when Michelin North America Inc. (MNA) and Sumitomo Corp. of Americas (SCOA) announced the formation of National Tire Wholesale (NTW) — a 50-50 joint venture that combines Michelin's TCi wholesale business with the Carroll Tire wholesale assets of TBC Corp. (an SCOA company) — 2018 was off and running.

#1

In the deal, valued at $1.52 billion, Michelin acquired a 50-percent stake in TBC with a $630 million cash payment along with its TCi assets. NTW now ranks as the second-largest player in the U.S. wholesale tire market, combining Michelin's 85 TCi and TBC's 59 Carroll Tire wholesale distribution locations. Don Byrd, president and COO of TCi since 2014, was named president and COO of NTW.

The wholesale news didn't stop until the days right before Christmas. First, American Tire Distributors Inc.'s voting stakeholders "overwhelmingly" approved of the company's reorganization plan. Then, two days later, the U.S. Bankruptcy Court for the District of Delaware approved its plan, paving the way for ATD to emerge from Chapter 11 bankruptcy protection.

It's been that kind of year. Those changes, and numerous others in the wholesale business, rank collectively as *Tire Business'* Top Story of the Year.

Within that, the story of ATD dominated. Soon after Michelin and Sumitomo launched NTW, two other Tier 1 tire makers and competitors,

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INSIDE

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T	800	A	B
H&V	800	A	A

Rim Diameter	Aspect Ratio	Speed Rating
13" - 19"	45 - 70	T, H and V

1. Compared to Continental TrueContact™
2. Based on internal wet braking test results (low μ) of Continental TrueContact™ Tour and Pirelli P4 Four Seasons Plus in size 205/65R16. On road results may vary.
3. Based on average internal snow traction test results of Continental TrueContact™ Tour and Michelin Defender T + H in size 205/65R16. On road results may vary.

VISIT **CONTINENTALTIRE.COM** FOR COMPLETE DETAILS.

Valvoline franchisee adds 31 stores in California

COSTA MESA, Calif. — Valvoline Instant Oil Change (VIOC) franchisee Henley Pacific LA L.L.C. has acquired 31 Synfast Oil Change quick-lube locations in Southern California and converted them to the VIOC brand.

The stores are located in cities stretching from Bakersfield in the north to San Diego. Financial terms were not disclosed.

Henley Pacific LA is an operating unit of Boston-based Henley Enterprises, the largest VIOC franchise nationwide with more than 100 stores in California and 100-plus more in 11 Eastern Seaboard states.

Henley CEO Don Smith said the acquisition makes Henley Pacific the "dominant player in this huge market."

It expanded into California in 2012 with the acquisition of 72 EZ Lube locations and now has 101 locations with this latest acquisition and the recent opening of VIOC centers in Menifee, Novato, San Francisco, San Rafael and Santa Rosa, Calif. The latter four previously were 10 Minute Oil Change locations.

The Synfast chain featured Castrol-brand lubricants.

Henley also opened a VIOC center recently in Weymouth, Mass., and another Henley unit, Henley Gulf Coast L.L.C., opened its first VIOC center in New Orleans, in a converted three-bay auto service outlet. Henley has stores in Delaware, Florida, Massachusetts, Maryland, New Hampshire, New Jersey, Pennsylvania, Rhode Island and Virginia.

Henley sold 56 VIOC stores in Michigan in late 2017 to Valvoline in order to concentrate on its Eastern Seaboard and California operations

The Henley Enterprises deal is one of 20-plus involving new Valvoline oil change locations announced in the past several months.

Others involving franchisees include:

- Phoenix 27 L.L.C. opened a VIOC center in Lawrenceburg, Ky., its fifth in the suburb of Frankfort, Ky.
- Ivy Lane Corp. opened a VIOC center in Melrose Park, Ill., its 10th in the Chicago area.
- Earl Erdmann acquired three existing quick-lube stores, in Canyon, Plainview and Abilene, Texas, and converted them to the Valvoline Express Care platform. The locations — previously Scott Oil Change and Kwik Kar Lube & Tune — expand Mr. Erdman's holdings to 25 Express Care locations in Texas.
- Wesley Cronheimer and Greg Price opened an Express Care location in Kingsville, Ontario, the franchisees' first jointly owned outlet. Each has one other wholly owned store in the Kingsville area.
- Galena Companies opened a pair of VIOC centers, in Rochelle Park, N.J., and Uniondale, N.Y., in converted commercial buildings. The Rochelle Park center — in a former 10 Minute Oil Change Place outlet – is Galena's fifth VIOC location in Bergen County, N.J., while the shop in Uniondale — in a former Flash Lube location — is the franchisee's seventh VIOC on Long Island.
- Ivy Lane Corp. acquired a Havoline Express Lube in Alsilp, Ill., and converted it to a VIOC center, its fifth location in the Chicago market.

Valvoline Inc. also opened a dozen company-owned VIOC centers in seven states: Greenwood, Ind.; Kettering, Lewis Center and Plain City, Ohio; Coraopolis, Pa.; Morristown, Tenn.; Houston; Johnson City and Oak Ridge, Tenn.; and Hampton, Virginia Beach and Waynesboro, Va.

These latest openings push the Valvoline oil change center network to nearly 1,200 locations throughout the U.S. and Canada.

Tri State Shell photo

The front office of Tri State Shell features a collection of memorabilia, including signs depicting iconic auto service-related companies.

Curb appeal, cleanliness, collectibles

Pa. service station offers customers more than gas, auto repair

By Dave Zielasko
Tire Business Staff

MATAMORAS, Pa. — "Our business starts all the way out by the curb."

That's one of the lessons Les Strickler passed down to his son Jeff, who now owns the full-service gas station, towing service and tire shop his father ran for more than 40 years, located just off the last exit on I-84 East in Pennsylvania.

"A lot of people forget that," Les said. "They never clean up. They never do anything. Your business starts from the curb, and it has to look professional from the outside, from the curb all the way in."

It doesn't take long to see that this philosophy has permeated Tri State Shell in Matamoras. Walk into the small convenience store located next to the three service bays, and the area is spotless.

Look closer and you'll see a collection of Danbury Mint 1/24-scale automobiles displayed on a shelf, historical clocks from oil companies mounted on walls as well as signs from companies such as Goodyear and Sinclair.

And there's not a speck of dust anywhere.

Tire Business photo by Dave Zielasko

Les Strickler, left, and son Jeff Strickler in front of Tri State Shell.

Peek into the service bays and you'll find a traffic stoplight hanging from the ceiling with the lights — red, orange and green — repetitively going through their sequences as technicians work on vehicles below.

It's another reminder this is not your usual service station.

But to really appreciate that you've entered a unique facility, you have to step into the restrooms. They are antiseptically clean, both men's and women's, like you might find in a fine restaurant or hotel.

Not fancy, mind you, just pleasant, clean and tastefully decorated with framed puzzles, put together by Les, in the ladies' room, and nostalgic pictures from "America Remembered" calendars by artist Ken Zella in the men's.

The men's room features one of Les' prized possessions, a 1956 Chevy Belair taillight mounted on the wall. Open it and you'll find where owners at one time filled these vehicles with gas.

Tri State Shell is a service station thriving on its reputation as a unique, fun, professional customer-focused operation in an area pocketed with formidable tire and service competitors including Walmart Inc., Jack Williams Tire Co., Mavis Discount Tire and Kost Tire & Auto Care.

The interesting memorabilia, which Les has collected and showcased over the years, is one reason for its success. Cleanliness is another.

Like father, like son

Jeff, 46, bought the service station from his father four years ago, after working there since he was a teenager. He literally grew up in the business. His parents took him to work each day as a baby, keeping him in a crib in the office.

He said he knows Tri State Shell

See **Tri State**, *page 23*

Icahn buying Florida auto repair chain

JACKSONVILLE, Fla. — Icahn Automotive Group L.L.C. is buying RPM Automotive Inc., a Jacksonville-based auto repair chain with 10 outlets throughout northeastern Florida.

The deal is subject to customary closing conditions but was expected to close by year-end 2018, Icahn said. Terms were not disclosed.

The business traces its roots to the 1980s when President and CEO Colley Stowell opened his first independent Exxon-branded service station in Jacksonville.

Throughout the 1980s and '90s, Gary Ledford, Gus Shage, John Morin and Bobby Thomas came aboard and the partners started looking at stand-alone auto repair shops operating under a "Car Care with Integrity" banner.

The first RPM Automotive location opened in 2001, and the business has grown to 10 outlets since. Seven of the outlets are in Jacksonville proper; the others are in Fleming Island, Jacksonville Beach and St. Johns.

"The acquisition of RPM Automotive complements Icahn Automotive's existing footprint in the region and will accelerate our growth in an important market for us," said Icahn Automotive CEO Dan Ninivaggi. He cited RPM's "remarkable" growth over the past two decades as a "testament to the quality of its team members and service model."

Southfield, Mich.-based Icahn Automotive did not say whether it will retain the RPM Automotive name or convert the stores to one of its existing auto repair and maintenance brands: Pep Boys, AAMCO or Precision Tune Auto Care.

Icahn has eight Pep Boys outlets in Jacksonville.

Icahn Automotive President Brian Kaner noted that acquisitions such as this help increase the "breadth and density" of the firm's service center coverage.

"We're well positioned to capitalize on the growing demand for automotive service by individuals and fleets as vehicles become more technologically complex and the vehicle population grows," he said.

Icahn Enterprises L.P.'s automotive segment — comprising Pep Boys, IEH Auto Parts Holding and franchise businesses — trimmed its operating loss in the quarter ended Sept. 30 to $13 million on 4.7-percent higher sales of $733 million, according to the company's third-quarter 10-Q filing with the Securities and Exchange Commission.

Wanli sets up U.S. unit to handle TBR sales

ONTARIO, Calif. — Wanli Tire Corp. Ltd., China's 19th largest tire maker, has established a U.S. sales office — in partnership with Aufine Group Co. Ltd. — in Ontario to handle sales of Wanli-brand truck and bus tires in the U.S., Canada and Mexico.

The new office, Wanli Commercial Tire North America Inc., coordinates shipments to customers with either container loads directly from Wanli's factory in Hefei/Anhui, China, or smaller lots from the company's warehouse in Ontario, according to Anna Gao, the new company's top executive.

The new company has set up a dedicated website — wanlitiresus.com — that outlines the products available and provides background on Wanli Tires. The site mentions a three-year warranty on "qualified" products.

Aufine Group is a Qingdao, China-based distribution company with representative offices in 130 countries. It markets a full range of tires under its own brand as well.

Wanli's decision to open a U.S. office comes against a backdrop of potential import duties on tires of up to 25 percent as proposed by the Trump administration.

In 2017, the tire maker's parent company, Guangzhou Vanlead Group Co. Ltd., proposed investing up to $1 billion to build a plant in the U.S. It put those plans on hold indefinitely this past summer.

With fiscal 2017 sales of $522 million, Wanli is the 47th largest tire maker worldwide.

Marangoni expanding U.S. plant, wide-base Ringtread capacity

MADISON, Tenn. — Marangoni Tread North America is expanding tread rubber capacity at its plant in Madison to meet growing demand for its products.

The project, for which no investment sum was disclosed, includes adding capacity to produce the company's XP Extreme Performance Ringtread treads for wide-base single truck tires, Marangoni said.

"With unit sales up this year, production had to be increased right away," Marangoni Tread NA President and CEO Bill Sweatman said. "Independent retreaders' business remains strong and we expect demand to continue to increase as we move into 2019."

The new production line, expected to be in operation in the second quarter of 2019, will produce spliceless Ringtreads up to and including 500mm widths, Marangoni said.

Marangoni offers four products for the wide-base sector: RDA-One and RTA-One for long-haul applications; RZ12 for regional applications; and RSSY3 for on/off-road applications.

"Our primary goal, every day, is to provide our customers with the best in class products at the time they need them," said Chanthavy Vongsamphanh, vice president operations.

The project will boost the 14-year-old plant's overall capacity by 20 percent, Marangoni said, and expand the workforce by 10 percent.

Marangoni opened the Madison plant in 2004 and has expanded it a number of times since, including a $10 million project in 2012.

Marangoni Tread N.A. is a subsidiary of Rovereto, Italy-based Marangoni S.p.A., which recently disclosed plans for a global partnership with Borrachas Vipal S.A. of Brazil in what Marangoni said could become the largest global independent player in the retreading sector.

Goodyear to boost Slovenia plant capacity 25%

KRANJ, Slovenia — Goodyear is planning to expand capacity at its plant in Kranj by about 25 percent by 2022 with the addition of equipment for building larger-rim-diameter tires.

The expansion, valued at $107 million, will add more than 58,000 square feet to the factory that Goodyear has owned since 1998. The expansion will boost capacity by 1.8 million units a year and create up to 160 jobs, Goodyear said.

Henry Dumortier, vice president consumer, Europe, said the expansion will help Goodyear keep pace with growing demand for premium larger-rim-diameter tires throughout Europe, the Middle East and Africa.

Production will focus on replacement tires with 17- to 19-inch rim diameters, Goodyear said. Current annual capacity is listed at about 8 million units with 1,600 employees.

The first phase of construction will begin in January, Goodyear said, with additional phases planned for 2020 and 2021 to reach full capacity.

The decision to invest in the Kranj plant "reflects the company's trust and confidence in our local team's high-quality production and is a great recognition of our performance over the last 20 years," said Matej Zavrl, managing director of Goodyear Dunlop Sava Tires d.o.o.

Since buying into Sava Tires in 1998, Goodyear has invested more than $300 million to develop the Kranj facility and produce more than 130 million tires there.

The factory itself was built in 1956 by the Yugoslav state-owned company operating under the Sava name. Starting in the late 1960s it was partnered with the Austrian tire maker Semperit and then later with Continental A.G. after Conti purchased Semperit.

That relationship lasted into the 1990s, when Goodyear opened talks with local management and then took a 60-percent shareholding in 1998. It secured 100-percent control in 2004.

Goodyear photo

Goodyear is planning to expand capacity at its tire plant in Kranj, Slovenia.

Community Wholesale Tire Inc. photo

Community Wholesale Tire Inc. has opened a warehouse in Peoria, Ill.

Community Wholesale Tire opens 1st warehouse in Ill.

PEORIA, Ill. — Community Wholesale Tire Inc. has opened a fourth warehouse, a 77,000-sq.-ft. facility in Peoria the company said will allow it "to better service our existing northern and central Illinois and Iowa customers and expand our overall marketing area."

According to company President Andy Berra, Community Wholesale Tire purchased the building from LexisNexis Group and made "significant upgrades" to the warehouse, including electricity, lighting and fire systems prior to opening the facility in early December.

Total cost of the investment is $3.2 million. The new facility will have 15 employees, including 12 new hires.

Family-owned Community Wholesale, which operates three warehouses in Missouri (Kansas City, Springfield and St. Louis), now has nearly 600,000 combined square feet of warehouse space.

Community Wholesale distributes tires to 3,500 tire dealers in Missouri, Iowa, Indiana, Kansas, Kentucky, Nebraska, Arkansas and Oklahoma, offering an inventory of more than $30 million.

Dunn Tire to move Buffalo-area store to larger location

AMHERST, N.Y. — Dunn Tire L.L.C. has started renovation work on an existing commercial structure in Amherst, a suburb of Buffalo, that will replace an existing, smaller store a mile away when it opens this summer.

Dunn Tire filed plans for the store in May 2017, but construction on the store renovation began only recently. The renovation costs are estimated at $1.5 million, according to the filing.

The structure, which sits on a site of slightly less than one acre, occupies 10,500 square feet, large enough to accommodate 10 service bays for vehicles, Dunn said in its 2017 filing with the Town of Amherst. That's about 50-percent larger than the existing store.

The property owner of the existing store on Sheridan Road is clearing the land there to make way for a Whole Foods store and related retail, Dunn Tire said.

Amherst is considered an "inner ring"-suburb of Buffalo with a population of about 122,000.

The Sheridan Drive store is one of 10 Dunn Tire stores in the greater Buffalo area and one of 26 in New York. Dunn Tire also has three retail stores in the Erie, Pa., area.

Dunn Tire is among the 35 largest independent retail tire dealerships in the U.S., according to *Tire Business* research.

NEWS IN BRIEF

AAPEX 2018 enjoyed sell-out

LAS VEGAS — The Automotive Aftermarket Products Expo (AAPEX) had a sold-out trade show in November with 2,511 exhibiting companies from around the world displaying products and parts in 5,539 booths.

Organizers of AAPEX 2018, which was held Oct. 30-Nov. 1 at the Sands Expo in Las Vegas, said the event drew 48,603 targeted AAPEX buyers among 161,938 automotive aftermarket professionals who were in town during AAPEX and the concurrent Specialty Equipment Market Association (SEMA) Show at the Las Vegas Convention Center, which ran Oct. 30-Nov. 2.

The SEMA Show, which exhibits automotive aftermarket parts and accessories, off-road, racing, restyling and collision repair equipment, featured more than 2,400 exhibiting manufacturing companies and drew about 70,000 targeted buyers.

The Global Tire Expo powered by TIA (Tire Industry Association) was held at the SEMA Show.

AAPEX and SEMA are trade-only events and not open to the general public.

AAPEX is co-owned by the Auto Care Association and the Automotive Aftermarket Suppliers Association, the light vehicle aftermarket division of the Motor & Equipment Manufacturers Association.

AAPEX 2019 will be held Nov. 5-7 at the Sands Expo, while the SEMA Show will be held Nov. 5-8 at the Las Vegas Convention Center.

AWRS buys Midwest franchise

NORCROSS, Ga. — Alloy Wheel Repair Specialists L.L.C. (AWRS) has acquired AWRS Midwest, a franchisee with operations in Arkansas, Louisiana, Missouri, Kansas, Oklahoma and Texas.

The acquisition, for which financial terms were not disclosed, will grow the AWRS footprint significantly, both geographically and financially, Norcross-based AWRS said, thereby expanding upon AWRS Midwest's successes and exploring more in-depth capabilities.

AWRS Midwest COO Mike Riley will continue to oversee daily operations of the Independence, Mo.-based operation.

This acquisition fits into the AWRS growth strategy espoused following its purchase in November 2015 by Soundcore Capital Partners L.L.C., a New York-based private equity firm.

AirBoss boosts mixing capacities

NEWMARKET, Ontario — AirBoss of America Corp. is expanding custom-mixing capabilities at its facilities in North Carolina and Ontario in response to growing demand from customers.

New tire manufacturing and retreading are two of the industries AirBoss serves.

The firm plans to double capacity at its 150,000-sq.-ft. Scotland Neck, N.C., facility with a new rubber compounding line. AirBoss said it expects the expansion to be fully operational by July.

The firm received a performance-based grant valued at $125,000 from One North Carolina Fund to help facilitate the expansion.

AirBoss intends to add dedicated white and color rubber mixing lines at its 1-million-sq.-ft. site in Kitchener, Ontario, to help it increase its market penetration in these key areas. The lines are expected to be fully operational by March.

The moves are part of AirBoss' overall strategy to build greater regional capacity in the U.S. The firm said its overall processing capacity is 400 million pounds of rubber annually.

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Online tire sales pioneer starts portal for U.S. retailers

MIAMI — Mike Welch, founder of the Blackcircles.com online tire-buying service acquired by Group Michelin in 2015, is bringing his "click and fit" style of online tire sourcing to the U.S. with the establishment of Tirescanner.com.

Welch

Mr. Welch, who was a strategic adviser to online tire retailer Simple-Tire L.L.C. during the second half of 2017, claims Tirescanner.com will be North America's first "online portal for brick-and-mortar tire retailers."

"Tirescanner is a platform that celebrates and showcases the very best of the brick-and-mortar retail stores the United States has to offer," Mr. Welch said, calling his new platform a "real strength-in-numbers opportunity for the traditional retailers."

Mr. Welch, who sold Blackcircles.com to Michelin for $75.5 million, planned to launch Tirescanner.com on Christmas Day and invited U.S. retailers to sign up before then to be part of the launch.

Tirescanner.com likely will launch with more than 60,000 tire sizes, 3 million prices, 60 retailers and a handful of key manufacturer partners, Mr. Welch said.

"Our goal is to deliver an easy-to-use whole-of-market platform for customers and a low-cost high-performance solution for retailers to ensure they protect and grow their share of the market in the face of growing online competition," Mr. Welch said.

Retailers who use the platform will be charged a few dollars per transaction, Mr. Welch said, adding that dealers pay only for qualified leads.

Noting that tire makers and large wholesalers alike are becoming more active in the online sales sector, Mr. Welch said, "It is important that the brick-and-mortar retailers are able to keep hold of the tire margin as well as the installation fee …

"The 'pure play' operators are farming out the tire installation to the brick-and-mortar guys and keeping control of the tire buying," he said. "That means they can control sell-out prices, which ultimately results in prices going down."

The net effect of eroding prices is the brick-and-mortar dealers then need to follow suit with their in-store prices, he said, noting the irony of the situation in that traditional retailers enabled the "pure players" to get into that position in the first place.

As for the issue of posting tire prices online, Mr. Welch said his experience has shown him that it's the combination of price and service that seals the deal, not price alone.

"Tirescanner is here to preserve value for the retailer and deliver value to the customers," he said.

"(Being) great online is not about driving down price — any fool can do that — it is about reinforcing and showcasing to customers the value propositions of our partners."

Mr. Welch has extensive experience in the online tire business, launching his first effort in the sector in 1995 in Liverpool, England, at the age of 17. He sold that business to United Kingdom-based fast fit chain Kwik-Fit and joined them before leaving in 2002 to launch Blackcircles.com.

He built that business to the point it was generating more than $30 million annually by 2013, before Michelin offered to buy the business.

Michelin works on transitioning Scottish factory

European Rubber Journal

DUNDEE, Scotland — Group Michelin and Scottish authorities have agreed to a plan concerning the future of the tire maker's Dundee factory after the 845-employee plant ceases operations in 2020.

Under terms of an agreement signed Dec. 17, the French tire maker will collaborate with Scottish Enterprise, Dundee City Council and other stakeholders on a site-transformation plan designed to help turn the facility into a location for new economic and employment opportunities, according to Scottish Enterprise, Scotland's main economic development agency and a non-departmental public body of the Scottish government.

The strategic partnership, called the Michelin-Scotland Alliance, will develop the Michelin-Scotland Innovation Parc, which will open opportunities in manufacturing and remanufacturing.

A "program office" already has been established to help drive the first phase of Michelin-Scotland Alliance projects forward, in cooperation with local, regional and national organizations.

Dereck Mackay, Scotland's economy secretary, welcomed "Michelin's formal commitment to work in partnership to develop the next phase of their presence in Scotland, including the skills and the capacity of their workforce and the transformation of the site."

The Scottish government will "support the repurposing of the site, which will become a key location for manufacturing, remanufacturing, recycling and low carbon transport in Scotland," Mr. Mackay said.

Michelin Secretary General Remi de Verdilhac said the alliance would help ensure the "best possible outcome for all those affected by the intended closure of Michelin's tire manufacturing operations in the city."

The Michelin executive went on to highlight how the Dundee site workforce had "reacted with great dignity and professionalism" following the news of the tire plant's closure.

"Their future is our priority," Mr. de Verdilhac said, adding that the Michelin-Scotland Innovation Parc would "leverage the strengths of the local economy to pave the way for a vibrant, innovation-led future for Dundee."

Michelin told employees at the Dundee plant the week of Nov. 5 it intends to close the factory by mid-2020.

Opinion

2019 promises to be another good year

TIRE BUSINESS OUR VIEW

Independent tire dealers should find 2019 similar in many ways to the year that just ended.

Talking with industry experts and tire dealers about the coming year, *Tire Business* found the general consensus is the economy will remain strong, unemployment low, vehicle miles driven will grow — albeit slowly — and the sweet spot for independent repair shops (i.e., vehicles out of manufacturers' warranties) will continue to expand.

Sounds like 2019 has the makings of a good year for independent tire dealers and auto service shops.

But like the year that just ended, dealers will face significant challenges as more baby boomers retire and millennials become the largest consumer-buying segment, more new vehicle technology is introduced, auto makers shift production to more CUVs and SUVs and away from traditional sedans, and marketing and communication via social media and smartphones become more prevalent in the tire and auto service world.

While tire dealers historically have been able to adapt and adjust to evolving competitive environments (and there's no reason to think that has changed), it's the speed of change today that is making it difficult not only for them but also for all businesses in what has become an increasingly disruptive business and consumer world.

Here are some of the challenges and opportunities tire dealers are likely to face this year:

• Find a way to communicate with two very different consumer groups — baby boomers, who are retiring in increasing numbers and whose peak driving years are behind them, and millennials, who are just entering their peak driving years. Baby boomers prefer face-to-face and traditional service and marketing communications, while millennials prefer communicating online. Dealers who develop a strategy to market and communicate effectively to both groups should do well.

• Develop an online strategy to take advantage of tire manufacturers and other online tire sellers, such as Amazon.com, which have introduced direct-to-consumer sales programs that bypass the traditional retailer. While online tire sales remain relatively small, they are growing annually. Dealers can ill afford to let their suppliers and other online competitors take business from them. Creating their own online strategy and presence is one way dealers can take advantage of this new way of tire selling.

C&D Tire, with five locations in Tennessee, is doing just that. It recently launched a program that provides real-time pricing to consumers. "Our hope is that this program will allow consumers to compare and decide quickly on tires from the computer or mobile device and speed up the buying process," said Sales Manager David Ogle. What might work at your dealership?

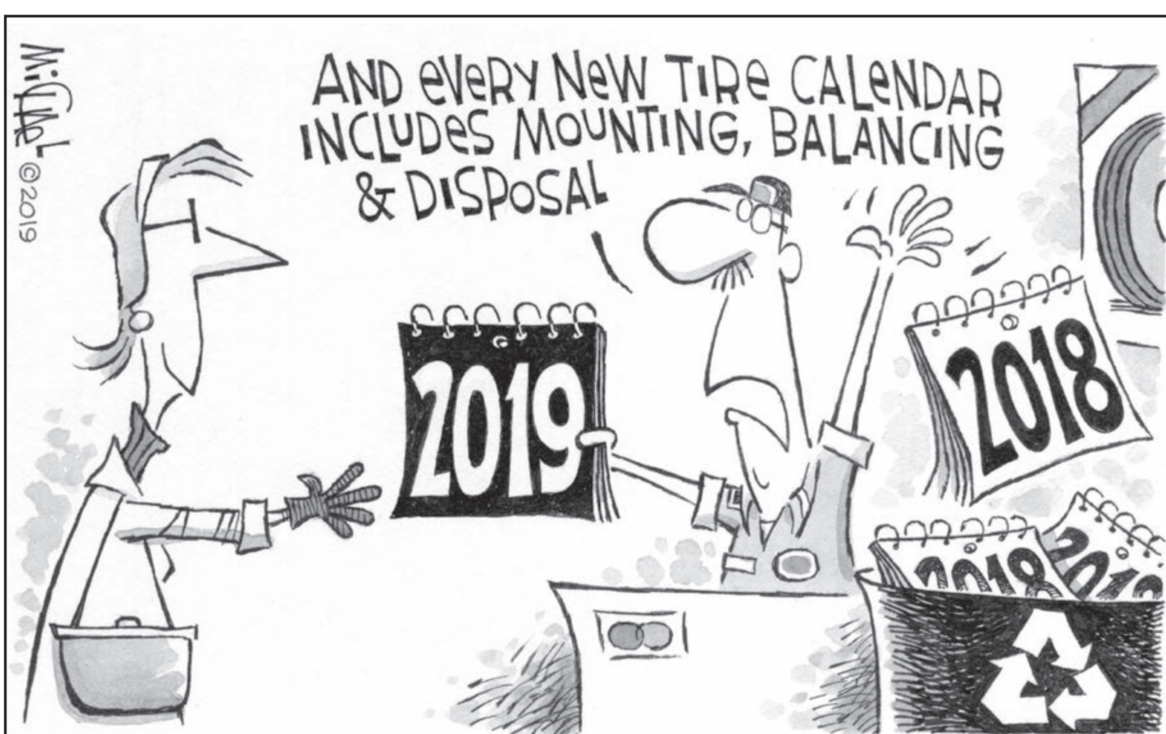
• Take time to study the impact that consolidation is having on wholesale tire distribution and develop a strategy that protects your dealership. In 2018 alone, two huge wholesalers were formed — Goodyear and Bridgestone Americas got together to create TireHub while Michelin North America and Sumitomo Corp. of America creating National Tire Wholesale — and American Tire Distributors Inc., North America's largest tire wholesaler, entered and exited bankruptcy protection. Few expected such rapid and monumental happenings, which sent the industry into a frenzy.

In reviewing and analyzing their supplier situation, dealers might consider a concern voiced by Mathew Riechers, manager of Riechers Tire & Auto in Washington, Mo.: What happens "if the wholesalers like TireHub and Amazon start funneling tires to company-owned stores or influencing where these tires are delivered for installation? Independent tire dealers are going to suffer," he said. Being prepared for any and all potential situations is the name of the game.

• Make sure your sales team understands the products and services you're offering. Today's consumers research tires online before coming to the dealership to purchase them. Once in the store, they tend to ask many questions. Store personnel must be knowledgeable to service customers properly and provide the correct tires. This will build trust and enhance the dealership's reputation as a knowledgeable tire location.

• Consider what the aging U.S. auto parc means to your auto repair operation and how to take advantage of this. In 2018, there were 69 million vehicles aged 16 years and older in the U.S. By 2023 that number is expected to reach 84 million. Repair opportunities change as vehicles get older, according to Mark Seng of IHS Markit, and shops may be dealing with the second or third owner of an older vehicle who might not want to spend as much on repairs and maintenance. Knowing this, he recommended independent repair shops consider introducing "good-better-best" repair options for these owners.

If 2018 is any guide, 2019 will be a good year for independent tire dealers and repair shops, especially those that take time to study how the tire industry, auto service, consumers and technology are changing, then react accordingly.



Letters to the Editor

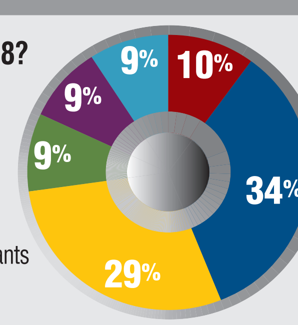
Tire Business encourages letters to the editor on any subject of interest to independent tire dealers. Send a letter to: Editor, Tire Business, 1725 Merriman Road, Suite 300, Akron, Ohio 44313-5283. Letters also can be emailed to tirebusiness@crain.com.

Letters must be signed and may be edited for length and clarity. Please include a daytime phone number for verification purposes. Letters also may be published on *TB*'s website: www.tirebusiness.com.

TIRE BUSINESS Online Poll

Question: What was the most interesting story from 2018?

- Michelin, Sumitomo form tire distribution joint venture, NTW.
- Bridgestone, Goodyear form tire distribution joint venture, TireHub.
- ATD cuts staff, declares bankruptcy as result of wholesale market disruption.
- Trade war escalates and NAFTA is replaced.
- Disruption in auto industry as Ford eliminates most sedans, GM to shutter 3 plants
- Michelin continues to grow, acquires Camso, Fenner.



Total Votes: 211 Poll dates: Dec. 13 - Jan. 3, 2018

TIRE BUSINESS/Michael McCrady

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Toyo reorganizing structure, changing name

HYOGO, Japan — Toyo Tire & Rubber Co. Ltd. is set to launch a major reorganization and management reshuffle in 2019, which will coincide with the previously announced change in the corporate name to Toyo Tire Corp.

The reorganization will focus on the reinforcement of the headquarters function and strengthen the company's technological capabilities.

It also coincides with Toyo's recent decision to establish a "strategic partnership" with Japanese conglomerate Mitsubishi Corp., one Toyo said will enhance its global distribution assets, help it compete more effectively in the evolving mobility sector and fund capacity expansions.

The new organization layout will include a corporate headquarters and a business HQ, an R&D HQ, a production HQ as well as a sales HQ, Toyo said.

Additionally, the company's "fundamental production engineering headquarters" will be dissolved and the production engineering division will be transferred to the new production HQ.

As part of the revamp, Toyo will dissolve its "business strategy division" and create a new supply-chain management (SCM) division within its business headquarters.

In terms of R&D, the company will dissolve its "R&D Division No. 1" and "R&D Division No. 2" and replace them with three divisions of advanced process development, technology development and product development.

Also, a production method development department will be established under the advanced process development division.

Among the executive changes, Kiyohito Hasumi, senior vice president, Toyo Tire Holdings of Americas Inc., will take on the additional responsibility of division general manager, Americas Business Development.

In addition, James Hawk has concluded his role as chairman of Toyo Tire Holdings of Americas, giving way to Iori Suzuki, CEO and president of the same entity.

Mr. Hawk has vacated his roles as CEO of Toyo Automotive Parts (USA) Inc. and chairman of Toyo Tire North America OE Sales L.L.C., and has become a senior adviser to Toyo Tire.

Mr. Suzuki, CEO and president of Toyo Tire Holdings since January 2018, succeeds Mr. Hawk as chairman while also keeping his current duties.

Kiyohito Hasumi was appointed executive vice president and chief financial officer of Toyo Tire Holdings of Americas. Mr. Hasumi was the unit's senior vice president and held positions previously at Toyo Tire Canada Inc. and Nitto Tire Canada Inc.


Bellissimo


Duda

Goodyear promotes 2 executives

AKRON — Goodyear has promoted Jon Bellissimo to senior vice president, global operations and technology, and Laura Duda to senior vice president, global communications, and chief communications officer.

Both appointments were effective Jan. 1.

Mr. Bellissimo, previously vice president, Americas product development and head of Goodyear Chemical, will provide executive leadership for Goodyear's global engineering, quality, procurement, manufacturing and environmental, health, safety and sustainability, sales and operations planning and project management duties, the tire maker said.

He succeeds Joe Zekoski, who will retire after nearly 40 years at Goodyear.

Mr. Bellissimo brings 40-plus years of experience in the design, development and manufacturing of Goodyear products, having served in a variety of roles at the regional and global levels. He also was director of Goodyear's Innovation Center in Akron and has played a role in manufacturing plant startups around the world.

Under his leadership, the tire maker said, "Goodyear North America developed, industrialized and manufactured some of the most successful tires in its history, including the Assurance WeatherReady."

Ms. Duda, vice president, Americas communications since 2016, will succeed Paul Fitzhenry, who plans to leave Goodyear after the first quarter.

Mr. Fitzhenry is returning to the East Coast to join his family, Goodyear said. He joined Goodyear in 2012.

In her new role, Ms. Duda will lead all aspects of Goodyear's global communications, including media relations, associate communications, corporate reputation, philanthropy, community relations and the company's fleet of airships.

Ms. Duda joined Goodyear in 2016 after almost 20 years of experience in strategic communications in the energy industry. Before joining Goodyear, she led corporate, utility and commercial communications for Chicago-based Exelon Corp.

Both leaders will report directly to Richard Kramer, chairman, CEO and president.

Mr. Kramer called Mr. Bellissimo and Ms. Duda "proven leaders who will bring both innovative thinking and deep industry knowledge that will position Goodyear for the future."

He thanked Messrs. Zekoski and Fitzhenry for "their tireless work and commitment to Goodyear," which he said "has had a lasting impact on our associates and helped position our company for ongoing success."

A look at new shop tools for auto aftermarket

The following are among new tools released during Automotive Aftermarket Industry Week, held recently in Las Vegas:

Shop aids

Apex Tool Group L.L.C. is offering several accessories to help auto shop technicians in the service bay, including:

• Gearwrench Professional Rechargeable Lighting with five different lighting options: The 83139 3,000 Lumen Rechargeable Area Light with five levels of illumination ranging from 600 to 3,000 lumens and the 83124 1,000 Lumen Rechargeable Area Light with 500 or 1,000 lumens. Both feature COB technology, a rechargeable lithium-ion battery providing up 10 hours of run time and a USB port for charging other devices.

The Ultra-Thin Flex-Head Work Lights come in two sizes: the 83135 500/250 lumen model and the 83134 150/75 lumen model. Both feature fold-away hooks for hanging and a magnetic base for positioning.

The 83138 Rechargeable Work Light features a front-facing dual 500/250 lumen LED with COB technology and an additional 150 lumen top inspection light.

• Gearwrench 86995 Mechanics Creeper which provides access to any low-clearance overhead work application. It features six offset thermoplastic copolyester casters, a concave custom-molded composite tub and ethylene-vinyl acetate padding for comfort.

• Gearwrench 86994 Work Seat and 86992 Shop Stool are air shock height adjustable and made to stand up to the hard demands of auto shop environments.

• Gearwrench 86996 Kneel Pad for working on hard or rough floors features a built-in grab handle, three layers of high-density solvent-resistant foam for cushioning and a magnetized recess to hold spare parts.

For more information, visit www.gearwrench.com.

A/C recovery

Mahle Service Solutions has introduced its next generation lineup of ArcticPRO A/C handling systems to process R134a and R1234yf refrigerants.

The newly designed machines include four units (ACX2180, ACX2180H, ACX2150 and ACX2120H) to recover, recycle and recharge vehicles equipped with R134a refrigerant.

Two new units (ACX2280 and ACX2250) are available to service vehicles that are factory filled with the new R1234yf refrigerant.

"These sleek, newly designed high-performance units are smaller in size than previous models taking up less space in automotive repair shops," said Rich Wolf, Mahle general manager.

Mahle offers a 7-inch capacitive LCD touch screen and an intuitive user interface so technicians can navigate menus. Each unit is fully automatic, so the machine can run virtually unattended to allow technicians extra time to perform other duties, the company said. An LED indicator light at the top of the unit comes on when the service is completed.

An IOS- and Android-capable phone app allows technicians to remotely mirror A/C service sessions and other advanced functions, like push notifications

Wi-Fi capability ensures that the software on each unit is up-to-date with all the latest functional software enhancements available, the company said. A remote technician feature allows Mahle's technical support team access to a unit over Wi-Fi for advanced troubleshooting and support.

For shops that need data management and reporting metrics, the new ACX models can log and monitor services allowing for analytics for proactive service reminders, refrigerant use optimization and warranty reporting.

A built-in refrigerant identifier to ensure that the proper refrigerant is being serviced is standard on the ACX2280, while an internal identifier with a separate sample hose is available on the ACX2250. Both units service R1234yf vehicles.

Several models have an oil system management function to provide automatic weighing of recovered oil, allowing replenishment of oil removed during service. Built-in network printing allows full-page service reports for customers. Optionally, built in thermal printers are also available.

For more information, visit www.servicesolutions.mahle.com.

AUTOMOTIVE SERVICE

Careless maneuver damages car's door-lock assembly

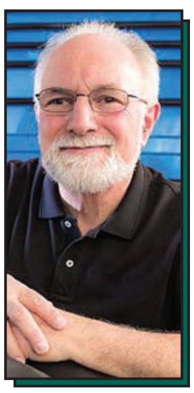
By Don Marinucci

Experience shows that dry lubricants containing Teflon do a fine job of rejuvenating balky automotive locks — especially on vehicles in the snow belt.

A careless step during a routine lubrication could damage a customer's door-lock assembly. Here's how to avoid this potentially costly mistake.

Readers probably would agree that lubricating a common automotive door lock doesn't require great technical skill.

Nonetheless, I have watched an experienced but impatient technician permanently damage a door lock assembly. Patience is the key to performing this valuable little service without incident.



Dan Marinucci is a freelance automotive service writer and former editor of two automotive service magazines.

Some tire dealers and service shop operators add value to a job by lubricating a balky or sticking door lock on a customer's vehicle.

One technique is treating the lock with a type of aerosol product called "dry lube," which lubricates without leaving a wet residue. (Reportedly, the wetter the lubricant's residue, the more readily it attracts and holds dirt.)

What's more, experience shows that dry lubricants containing Teflon do a fine job of rejuvenating balky automotive locks — especially on vehicles in the snow belt.

An aerosol can of lubricant usually comes with a thin, plastic tube that snaps into its spray nozzle. The tube directs or aims spray lubricant into the desired place — in this instance, the door lock.

Typically, sliding this plastic tube about one-eighth inch or so into the lock assembly is adequate. Usually, two squirts into the lock and repeatedly operating that lock with the key does the job.

I have seen people ram this tube into a door lock and then struggle to extract it. In my experience, a small, hinged flap in the lock has snagged the tube.

Usually, you can disengage this flap — releasing the plastic tube — by cautiously slipping the proper tool into the lock alongside the tube.

Gently sliding the tip of a seal pick or a straightened paper clip into the lock assembly usually releases the hinged flap, enabling you to remove the plastic tube harmlessly.

Remember: Only slide the pick or paper clip in just deep enough to free the plastic tube.

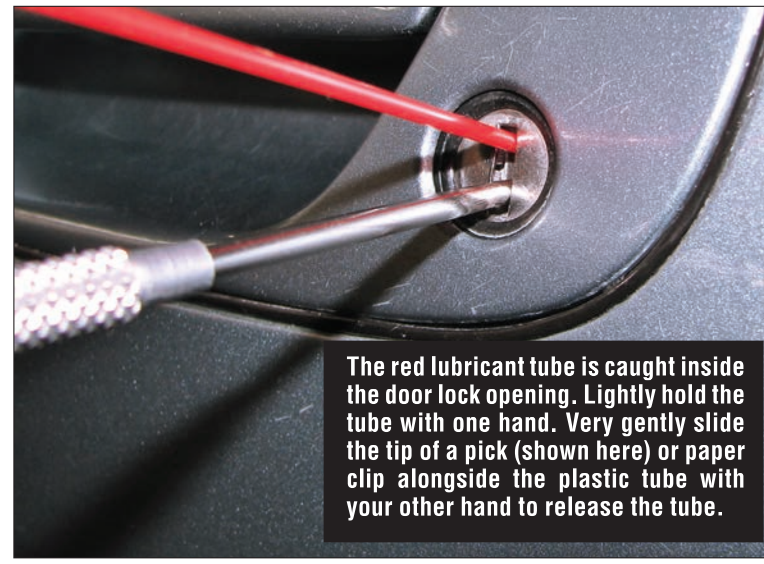
One time, I saw a tech jam one of these lube tubes in a door lock assembly. When the tube didn't come out easily, he yanked it out with a pair of pliers.

Afterward, the key would not slide completely into the door lock. Because a local locksmith couldn't repair this lock assembly, the fellow had to replace it.

Mind you, this brief summation cannot and should not be a comprehensive treatise on automotive door locks.

On the other hand, it's a firm reminder that old-fashioned patience and care save time, money and aggravation.

Dan can be reached via e-mail at tirebusiness@crain.com. His previous columns are available at www.tirebusiness.com.



The red lubricant tube is caught inside the door lock opening. Lightly hold the tube with one hand. Very gently slide the tip of a pick (shown here) or paper clip alongside the plastic tube with your other hand to release the tube.

TireHub among wholesale shakeups

#1

Continued from page 1

Bridgestone Americans Inc. and Goodyear, announced the formation of their own 50/50 JV, TireHub L.L.C., to distribute Bridgestone, Goodyear and their respective associate brand tires through 80-plus distribution centers nationwide.

TireHub, a $600 million stand-alone company based in Atlanta, began operations on July 3. CEO Peter Gibbons, a veteran business and supply chain executive, was named to lead the new JV.

"It's critical for U.S. tire dealers and retailers to be able to get the right tires on time to meet the needs and expectations of their customers," said TJ Higgins, president, integrated consumer tire group, U.S. and Canada, Bridgestone Americas.

"With the ability to deliver the full portfolio of Goodyear products and a dedicated focus on driving logistics and customer service excellence, TireHub creates a winning proposition for us, our customers, Goodyear's company-owned retail outlets and consumers ... ," Goodyear Americas President Steve McClellan said.

It wasn't long afterward when Bridgestone and Goodyear said they would be ending supply ties with ATD, eliminating two of the wholesaler's largest suppliers. Goodyear accounted for 12 percent of ATD sales, according to ATD CEO Stuart Schuette.

The moves jolted the Huntersville, N.C.-based tire distributor, which had estimated sales of $5.2 billion in 2017. In a matter of weeks, Moody's Investor Services delivered another blow to ATD, downgrading the company's ratings and telling investors "the magnitude of the associated earnings and cash flow decline will compound an already levered financial risk profile, rendering a pre-emptive debt restructuring increasingly likely."

With the year just beyond its halfway point, ATD announced a major reorganization plan. About 100 positions were eliminated, 40 others were added, and a renewed emphasis was made on increasing the number of franchises that are part of ATD's Tire Pros program. ATD said the moves would save $20 million annually.

Less than two months later, ATD reached an agreement in principle with holders of 75 percent of its bonds on terms of a recapitalization transaction, which would reduce the company's debt by up to $1.1 billion.

The low point, however, came in early October when ATD filed for Chapter 11 bankruptcy protection, a court-supervised process that was the next logical step toward reducing debt. ATD said it had secured a commitment for $250 million in new financing to fund the process.

Through it all, Mr. Schuette maintained it was "business as usual," for ATD, its employees and customers.

"ATD is — and will continue to be — the leader in the replacement tire business because of our commitment to focusing on innovation to deliver the very best experience for our customers," Mr. Schuette said.

"We know we can achieve that through the continued dedication of our associates. We can't wait for tomorrow."

ATD, he maintained, is stronger today than it was a year ago.

"And we'll be stronger a year from now than we are today," he said. "ATD embarked on a journey of transformation 20 months ago. We're leading change in the industry and will continue to do so. I have no reason to be anything but optimistic as we continue on this journey."

Some of the other changes in the wholesale market — many of which would have been big news items themselves in any other year — include:

- Max Finkelstein Inc. and Treadmaxx Tire Distributors Inc. formed a wholesale buying group, Tire Distributors of the Americas L.L.C. Finkelstein and Treadmaxx said the new company is structured as a "strategic membership group," which provides opportunities for additional members to join. The partners will continue to operate independently in the marketplace.

Atlanta-based Treadmaxx formerly traded under the Kauffman Tire Inc. banner, before Millwood, N.Y.-based Mavis Discount Tire acquired Kauffman's retail assets in January.

- Tire and auto parts wholesaler U.S. AutoForce, a division of U.S. Venture Inc., bought Tire's Warehouse Inc. (TWI) in June, expanding westward into Arizona, California and Nevada. The deal includes TWI's eight warehouses in California and Nevada. U.S. AutoForce operates 24 warehouse distribution centers in 10 states.
- K&M Tire Inc. opened its 27th distribution center in June, a 21,000-sq.-ft. structure in Milwaukee. The company also broke ground in July on a 15,000-sq.-ft. distribution center in Beresford, S.D.
- Atlantic Tire Distributors added D/Cs in High Point, N.C., and Lynchburg, Va., with combined capacity of 105,000 square feet, expanding the Colony Tire subsidiary's network to six warehouses.
- Wholesale Tire Distributors opened a D/C in Grand Prairie, Texas.
- Community Wholesale Tire opened a D/C in Peoria, Ill., its fourth warehouse.
- Monro Inc. expanded its wholesale business in May with the acquisition of Johnson City, Tenn.-based Free Service Tire, whose holdings included four wholesale distribution centers, 12 retail stores and one retread plant. It operates as part of Monro's Tires Now business unit.
- Tire Distributors of Georgia added a D/C in Statesboro, Ga., its third warehouse.
- ATD opened a 1-million-sq.-ft. mixing warehouse in Blakesle, Pa., designed to supply other ATD warehouses in the northeast and mid-Atlantic U.S. as well as eastern Canada.

Meanwhile, the Canadian wholesale market was disrupted in November when Montreal-based Groupe Touchette Inc. acquired Atlas Tire Wholesale Inc. The acquisition gives Groupe Touchette, Canada's largest tire distributor, extended reach, particularly in Ontario, where Atlas operates three distribution centers and has a fourth under construction.

With both companies privately owned, financial details were not released. Groupe Touchette only said it acquired "the totality" of Atlas shares. The deal will boost Groupe Touchette's sales revenue to between $420 million and $500 million annually.

Trade, tariffs affect tire industry

#2

It was a year fraught with trade and tariff tribulations across most every industry, including the tire and automotive service industry.

True to his campaign promise to end the 24-year-old North America Free Trade Agreement (NAFTA), U.S. President Donald Trump joined Canadian Prime Minister Justin Trudeau and outgoing Mexican President Enrique Pena Nieto in signing a new agreement, called the U.S.-Mexico-Canada Agreement (USMCA).

The agreement, reached on Nov. 30, will need congressional approval before it goes into effect.

Meanwhile, the Trump administration initiated its first round of import tariffs on solar panels and washing machines last January, then imposed tariffs on steel and aluminum from most countries.

In June, tariffs were extended on the European Union, Canada and Mexico.

Mr. Trump then took aim at China in July, setting a tariff of 25 percent on 818 categories of goods imported from China worth $50 billion. More could follow in the year ahead, predicated on the outcome of negotiations between China and the U.S. for a trade agreement.

Most in the industry have praised the USMCA agreement and criticized the tariffs, while others are skeptical of both.

(*For more on the year in political news, see story on page 16.*)

Import duties debated

#3

Import duties — both antidumping and countervailing — imposed by the U.S. government grabbed headlines in 2018.

The biggest news came in early November, when the U.S. Court of International Trade (CIT) remanded to the International Trade Commission (ITC) its February 2017 negative injury determination on truck and bus tires from China.

The ITC now must reconsider its decision that Chinese truck and bus tire imports were not causing material injury to the U.S. tire industry.

The reversal was prompted by an appeal lodged by the United Steelworkers union, which originally petitioned the ITC in January 2016 for countervailing and antidumping duties against Chinese truck and bus tires.

The CIT ruled the commission erred in finding neither price dampening nor threats to U.S. tire production.

Advocacy group Retread Instead applauded the remand as well, arguing that cheap Chinese truck tires that are both non-retreadable and cheaper than retreads threaten the U.S. retread industry.

In addition, CIT granted the U.S. Department of Commerce's motion to dismiss a case brought against it by Zhongce Rubber Group Co. Ltd.

Commerce levied a 119.46-percent countervailing duty rate against Zhongce in March 2018. Zhongce appealed, but a CIT judge agreed with Commerce that Zhongce had failed to exhaust its administrative remedies before filing for an injunction against the agency.

Meanwhile, the ITC is set to hear a case on Jan. 8 on proposed antidumping and countervailing import duties on certain steel commercial vehicle wheels from China.

The Commerce Department proposed antidumping duties ranging up to 231.7 percent and countervailing duties ranging from 48.75 to 172.51 percent on on-the-road steel wheels, discs and rims for tubeless tires with nominal rim diameters of 22.5 and 24.5 inches, regardless of width.

The Commerce investigation into this category is in response to a petition brought in April by Accuride Corp. of Evansville, Ind., and Maxion Wheels Akron L.L.C. of Akron. Such wheels generally are used on Class 6, 7, and 8 commercial vehicles. including tractors, semi-trailers, dump trucks and buses.

Commerce also is scheduled to release in early January a preliminary determination on imports of 12- to 16.5-inch steel wheels for trailers from China, in a case filed by Dexstar Wheel Co. Ltd., an Elkhart, Ind.-based steel wheel manufacturer.

(*For more on the top litigations of 2018, see story on page 16.*)

Michelin strengthens OTR biz

#4

The big man with the rolls — otherwise known as Bibendum, or the Michelin man — got bigger in 2018. And who knows what might happen in 2019.

Group Michelin made two major acquisitions in the past year, both with huge implications for the OTR sector.

First, the French tire maker acquired conveyor belt and polymer goods maker Fenner P.L.C. in a cash deal worth about $1.7 billion.

Fenner, a producer of conveyor belt and reinforced polymer products for the mining and general industrial markets, posted revenues of more than $900 million for its most recent fiscal year ended Aug. 31, 2017.

Fenner operates two divisions: Engineered Conveyor Solutions (ECS) and Advanced Engineered Products (AEP). ECS is a producer of heavy conveyor belts and AEP is a producer of diversified polymer-engineered products.

With the ink barely dry on that deal, Michelin announced in July that it was purchasing OTR/industrial tire and wheel producer Camso Ltd.

The $1.45 billion deal closed in late December, allowing Michelin to begin the process of melding its own OTR tire activities (farm, earthmover, off-road truck, etc.) with Camso's into a new division to be based in Quebec that will oversee a global business with 26 plants, roughly 12,000 employees and annual sales exceeding $2 billion.

Michelin said it has identified significant opportunities to increase sales and reduce costs, thereby unlocking up to $55 million in synergies by 2021.

By acquiring Camso, among the top three players in the construction market in track and tire solutions for small heavy equipment, Michelin's annual sales could increase by $900 million or more, putting Bibendum in a position to challenge Bridgestone Corp.'s 10-year reign at the top of the global tire rankings.

In addition to creating National Tire Wholesale (*see story on page 1*), Michelin in 2018 also:

- Announced that Florent Menegaux, senior executive vice president and chief operating officer, will succeed Jean-Dominique Senard as CEO when Mr. Senard's term expires in 2019;
- Resumed production of giant mining tires at its 5-year-old earthmover tire plant in Starr, S.C., which was suspended in late 2015 because of slowing global sales;
- Unveiled a high-performance resin adhesive that will replace resorcinol as its material of choice for bonding textiles to rubber;
- Stopped production at its 49-year-old truck tire plant in Ballymena, Northern Ireland, two months ahead of the factory's scheduled closing;
- Partnered with the World Wildlife Fund program as part of a campaign to reinvigorate the Uniroyal tire brand that aims to double the number of tigers in the wild by 2022;
- Began a campaign, under #thetruthaboutworntires, that it hopes sparks a dialogue among tire companies to provide consumers with more information about how tires will perform over time;
- Set tire-recycling targets for the next three decades, including a 2048 deadline to manufacture tires using 80 percent recycled materials; and
- Acquired Tablet Inc., an online travel agency that specializes in offering "unforgettable and original experiences" at boutique and luxury hotels.

2018 Year in review

Big year for mergers

#5

By Bruce Davis
Tire Business Staff

Merger-and-acquisition activity soared to unprecedented heights in 2018, especially in the North American wholesale and retail sectors.

Among wholesalers, M&A affected nearly half of the 15 largest U.S. wholesalers, from perennial No. 1 American Tire Distributors Inc. (ATD) on down.

ATD made headlines throughout the year, but not for reasons ATD management had much influence over.

Here's the 30-second elevator pitch version of what happened:

Two of the biggest competitors in the market — Goodyear and Bridgestone Americas — agreed to form a wholesale distribution partnership, TireHub L.L.C., a deal that allowed them both to end distribution agreements with ATD. TireHub opened for business in July with more than 80 warehouses under its wing.

Parallel to the ATD/Goodyear/Bridgestone news, Michelin North America Inc. and Sumitomo Corp. of Americas formed their own distribution partnership, National Tire Wholesale (NTW), combining Michelin's TCi Tire Centers wholesale distribution activities with the Carroll Tire wholesale assets of TBC Corp.

In unrelated dealings:

A "new" wholesaler — Treadmaxx Tire Distributors Inc. — arrived on the scene early in the year, the result of an acquisition in the retail sector: Mavis Tire Supply of Millwood, N.Y., bought Kauffman Tire Co.'s 69 retail stores in Florida and Georgia in January, leaving Kauffman's Treadmaxx wholesale activities as a stand-alone business.

A group of Coker Group executives, led by President and CEO Wade Kawasaki and with backing from Irving Place Capital, acquired the supplier of collector car and motorcycle tires and wheels. The acquisition includes Coker Tire Co. Inc., Wheel Vintiques, Universal Vintage Tire, Phoenix Race Tires, Specialty Wheel and Roadster Wire Wheel brands.

Meanwhile China's Sailun Jinyu Tyre Co. Ltd. took over wholesaler Dynamic Tire Inc. and converted Dynamic's Husky Tire Corp. affiliate to Sailun Jinyu International and moved it to separate quarters in Brampton, Ontario. The revamped distributor handles the Blacklion, RoadX and Ironhead brands, sourced from Sailun Jinyu factories in China and Vietnam.

Among retailers:

Mavis Tire Supply of Millwood, N.Y., set the pace this past year. In addition to buying the Kauffman Tire retail stores in January, it merged with Express Oil/Tire Engineers in February, adding the Birmingham, Ala.-based company's 400-plus company-run and franchised locations to its ledger.

It also acquired Sun Tire & Automotive Service of Jacksonville, Fla., and a handful of smaller dealerships that added up to more than 300 new points of sale, increasing its reach to nearly 650 stores, plus 118 more Express Oil/Tire Engineers franchised locations.

Monro Inc., the industry's M&A leader of the past several years, and Icahn Enterprises L.P. (Pep Boys) were active in the acquisitions arena as well, albeit at a slower pace than in previous years.

Monro added 43 locations in 13 separate transactions, including:

- Seven Appalachian Tire retail stores in Kentucky, Ohio, Virginia and West Virginia were rebranded as Mr. Tire Auto Service Centers, representing roughly $7 million in annualized sales.
- Jeff Pohlman Tire & Auto Service Inc., a five-store chain with $5 million in annual sales, located in southwest Ohio that Monro is converting to its Car-X and Mr. Tire names.
- Steele-Guiltner Inc., four stores, in Arkansas and Tennessee, since converted to Car-X outlets.
- Quality Tire & Auto Inc. in Willowbrook, Ill., and C&R Auto Service Inc. of Illinois (since converted to Car-X outlets); and Walton's Automotive L.L.C. in Columbia, S.C. (now Treadquarters).

Icahn added 35 locations in 14 transactions, the largest of which were its purchases of Elliott Tire & Automotive Service Inc., a Seattle-based independent dealership with 10 stores in Washington, and RPM Automotive, a Jacksonville-based auto repair chain with 10 outlets in northeastern Florida.

GB Auto Service, a unit of Greenbriar Equity L.P., emerged on the U.S. tire retailing scene with a trio of acquisitions — Ramona Tire Inc. of Hemet, Calif. (17 locations), Tire Works Total Car Care of Las Vegas (15 stores) and Brake Max Car Care Centers of Tucson, Ariz. (14 locations).

Nevada Tire Holdings, which operates as Superior Tire & Rubber Co. in the Las Vegas area, acquired most of the assets of Miracle Tire & Auto Care in Boise, Idaho, and converted the dealership's four locations to its Superior Tire brand, raising the total to 17 stores. More deals are in the works.

Leeds West Groups expanded its holdings to 100 stores with the

See ***Growth****, page 22*

BKT expansion heads plant activity

#6

It certainly didn't have the panache of 2017, when China's Triangle Group Co. Ltd. announced it was building a plant in the U.S. and Nokian Tyres P.L.C. broke ground on its first North American plant, but 2018 did have its moments for tire manufacturers revealing plans regarding new plants.

The biggest reveal came in Las Vegas on the evening of Oct. 29, when Balkrishna Industries Ltd. (BKT) Chairman and Managing Director Arvind Poddar — as part of his acceptance speech for being named to the Tire Industry Association Hall of Fame — announced his company was making plans to build its first North American plant.

The new factory, which will be a $100 million investment, will be the off-road tire manufacturer's first factory outside of India and fifth tire plant overall. BKT is India's fifth largest tire maker and No. 39 worldwide, based on fiscal 2017-18 sales of $692 million.

As part of the plan, BKT will establish a new subsidiary in the U.S., whose first task will be to select an appropriate site for the plant and acquire the land.

The company expects the plant to open in the first half of 2021 with a capacity of 20,000 metric tons per year. That's smaller than any of the company's four plants in India. By comparison, the company's newest factory, in Bhuj, Gujarat, India, is rated at 130,000 tons per year.

At the same time, BKT is investing more than $200 million to upgrade and expand capacity for tires and carbon black at its plants in India.

As for Triangle, workers were in the last stages of site preparation in late September as the company moved closer to breaking ground on its $580 million plant, located near Rocky Mount, N.C. The Chinese tire maker expects both phases of the passenger and light truck tire facility to be operational by 2023.

Meanwhile, in mid-year, it was learned that China's Guangzhou Vanlead Group Co. Ltd. had put on hold indefinitely plans it announced a year ago to invest $1 billion in a tire plant in South Carolina. Guangzhou Vanlead, a China state-owned entity that controls Wanli Tire Group, had proposed building a tire plant in Orangeburg County, S.C., capable of producing 6 million consumer tires annually in the eight-year project's first phase.

Sources at the Orangeburg County Development Commission (OCDC) confirmed the project is in "neutral," although the OCDC hasn't ruled out completely that it may still come to fruition. A Wanli source in China said the company is evaluating alternative locations in Southeast Asia and Middle/Eastern Europe.

In the meantime, Wanli — in partnership with Aufine Group Co. Ltd. — has established a business office in Ontario, Calif., to handle sales of Wanli-brand truck and bus tires in the U.S., Canada and Mexico.

While work continued on Nokian's plant in Dayton, Tenn., the Finnish tire maker relocated its North American headquarters closer to the facility, opening an office in Nashville, Tenn. Nokian is still maintaining some operations in Colchester, Vt., where its headquarters was located previously.

Specialty tire manufacturer Global Rubber Industries Pvt. Ltd. officially opened its state-of-the-art manufacturing plant in Badalgama, Sri Lanka, the first facility in the country to produce pneumatic agricultural tires.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2018 Year in review

Dealers survive effects of hurricanes

#7

While hurricanes this past year failed to cause severe damage as Hurricanes Harvey, Irma and Maria did in 2017, the tire industry still had to grapple with several natural disasters in 2018.

Tire dealers and manufacturers in some parts of Virginia and North Carolina faced the wrath of Hurricane Florence, which caused massive flooding.

Here's how John Allen of Hughes Bros. Inc. in Wilmington, N.C., described the aftermath of the mid-September disaster: "This town looks like a bomb went off."

One of Mr. Allen's two tire stores in Wilmington lost part of its roof during the storm and suffered water damage. The shop was closed for eight days as employees tried to dry out and clean up the facilities; the other store wasn't damaged but was closed for three days due to power outages.

Hughes Bros. was one of the unlucky dealerships in the hurricane's path. Fortunately, several tire dealerships contacted by *Tire Business* reported minimal or no damage due to being located away from the flooding rivers or on high ground.

Black's Tire Service, which operates more than 45 stores in North and South Carolina, said eight of its stores in North Carolina suffered structural damage during the storm and some were flooded.

Hester Tire Pros photo

Flood waters inundate Bladenboro, N.C., after Hurricane Florence hit the state in mid-September.

"We were right in the path of the storm," Rick Benton, vice president of Black's Tire, said of the dealership's four stores in Wilmington, two in Jacksonville, north of Wilmington, and one each in New Bern and Lumberton.

"We're not even in flood zones," Mr. Benton said, noting that this storm was "absolutely worse" than the flooding from Hurricane Matthew two years ago.

Several tire manufacturers and large tire chains survived the hurricane and subsequent flooding.

Nearly all in the affected areas were slammed with flat tire repairs traced primarily to roofing nails from shingles blown off houses and buildings in their areas.

Meanwhile, dealerships in Puerto Rico, leveled by Hurricane Maria on Sept. 20, 2017, were still struggling to get back to normal last year.

Josue Correa, president of Correa Tire Distributors in San Juan, said a boon in business had been offset by frustrations over delayed product deliveries, unreliable electric service and stalled scrap tire disposal.

High winds and rains damaged buildings and equipment, forcing some small tire shops to shutter permanently. Others were operating but still waiting for insurance money to make repairs.

"It's a different Puerto Rico," said Primo J. Delgado, owner and president of World Wide Tires Inc., a tire retailer and wholesaler.

"We lost long-time shops, mom-and-pop tire shops. They closed down, never to open again.

"There are a lot of small businesses down on the island that just went away and some of them they just closed because they didn't have any power and they moved to the states."

Convenience, mobility motivate market

#8

As more customers demand convenience from tire dealers, more companies are taking steps to react to that trend — whether that involves buying and/or installing tires or servicing vehicles.

Over the last 12 months, several companies made moves to leverage the convenience of online tire buying and mobile tire installation and service, either through collaborations or new initiatives.

The largest online entity of them all, Amazon.com Inc., has been a prime example.

This year, Amazon forged agreements with three automotive service providers — Sears Holding Co.'s Sears Auto Centers, Icahn Automotive Group's Pep Boys retail network and Monro Inc. — to provide installation and balancing at those brick-and-mortar retailers for customers who purchased tires on Amazon.com.

Sears Auto Centers in all 50 states — nearly 300 stories nationwide — now install tires from Amazon, as do nearly 1,000 Pep Boy locations. Monro expanded its collaboration with Amazon.com to provide online customers tire installation services at its automotive service locations in 10 Eastern states.

Among the other big news in the online/mobile tire buying services in 2018 were:

• Dealer Tire L.L.C., an independent replacement tire distributor for car dealerships, invested in SimpleTire, a business that links independent tire distributors across the country in an e-commerce network that includes more than 3,000 independent supply points.

"The business of selling tires continues to evolve," Scott Mueller, partner and CEO of Cleveland-based Dealer Tire, said.

"We've built our business by consistently driving innovation in the tire distribution business and by providing automotive dealers with the tools and services they need to be successful selling tires."

SimpleTire's national partners include Pep Boys, Monro and Mavis Discount Tire.

• Icahn Automotive Group L.L.C. and TBC Corp. announced initiatives to go after the larger corporate/fleet business, which are in addition to a mobile tire-installation program being tested by Goodyear along with dozens of independents active across the country.

Icahn Automotive rolled out its Pep Boys Mobile Crew rig, a 28-foot, dual-axle trailer with a service bay equipped with mobile lifts, tire-changing and diagnostic tools and equipment and staffed by ASE-certified automotive technicians.

TBC initiated a mobile tire-installation service in early October in the Dallas and West Palm Beach, Fla., areas through its NTB Tire & Service Centers and Tire Kingdom Service Centers, respectively.

TBC also launched TireAmerica.com, a direct-to-consumer online platform that leverages the company's wholesale and retail assets.

• Goodyear launched its "Roll by Goodyear" retail tire concept at four locations in the Washington, D.C., area. The concept brings a retail tire showroom to vibrant lifestyle areas, such as outdoor malls, where consumers can stop in to purchase tires and schedule appointments to have them mounted and balanced at their convenience.

The new stores — which in most cases offer no tire services on site nor have service bays — address consumers' shopping preferences such as simplicity, convenience and flexibility, qualities many of today's consumers seek when making purchases. The idea is to give buyers the opportunity to control the tire-buying process from start to finish.

• In a mid-year decision that some say will help to level the playing field somewhat for brick-and-mortar stores, the Supreme Court ruled, in a 5-4 decision, that states have the right to require Internet businesses to collect sales taxes on all sales within the state, even if the businesses have no physical presence there.

The National Governors Association, as well as trade groups such as the Tire Industry Association, Auto Care Association and National Retail Federation, said the decision has restored fairness to retail sales.

• Late in the year, Hankook Tire Co. Inc. said it was revamping its global corporate structure to enhance competitiveness, a process that will include efforts to accelerate the company's digital transformation.

The restructuring took effect Jan. 1 and includes the creation of an IT Strategy Department and a "Car Life Business" headquarters. The IT Strategy Department will oversee efforts to accelerate the company's digital transformation, including developing a group IT policy function.

• Bridgestone Corp. acquired a minority ownership stake in the holding company for the Pitstop auto service chain active in Germany as part of a plan to expand its cooperation with Pitstop.

• Nitto Tire U.S.A. expanded its focus on customers' digital experiences, adopting a policy to be more responsive to social media.

Advances in technology

#9

Each year, it seems, something new, something different, something innovative shakes up an industry in some way or another.

While nothing such as the development of the pneumatic tire, radial tire or the tire pressure monitoring system (TPMS) hit the market in 2018, plenty of innovations did.

In one special mid-year issue alone called "Tech4Tomorrow," *Tire Business* highlighted a number of impending industry changes, not the least of which is the rush to produce a non-pneumatic tire that offers pneumatic-based properties such as comfort, load-bearing capacity and braking/handling/grip. Such a tire could reduce, if not eliminate, the pneumatic tire's Achilles heel: Pressure loss.

While that development seems to be a long way off, some of the innovative changes in the industry that occurred in 2018 include:

• Group Michelin entered into an agreement with the Hyundai Motor Corp. to develop tires for electric and luxury vehicles;

• Goodyear participated in autonomous vehicle and intelligent tire testing at Mcity, a University of Michigan-led public-private partnership designed to advance connected and automated vehicles and supportive technologies;

• Continental A.G. developed a wheel concept to meet specifications for electric vehicles (EVs), consisting of two aluminum parts, an inner aluminum carrier with an aluminum brake disc and an outer aluminum rim well with the tire;

• Tire manufacturers report significant upgrades to the radio frequency identification (RFID) technology that some say could alter the tire industry by supporting improvement of the overall quality and gather reams of data for future improvement;

• Politicians continued to debate the merits of the industry-supported AV START act, which calls for the establishment of a technology-neutral regulatory framework to advance autonomous vehicle research and development;

• NASA scientists aboard the International Space Station conducted experiments on Goodyear's behalf to see how the station's microgravity environment might affect the formation of silica particles. Goodyear said it hopes the experiments will help its engineers and scientists "determine if further investigation of unique forms of precipitated silica should be considered in tires;"

• Retread industry supplier Marangoni S.p.A. is collaborating with fellow Italian firm Directa Plus S.p.A. on developing a range of graphene-based rubber compounds for truck and bus tread rubber, working together to develop a propriety version of Directa's Graphene Plus (G+) technology to improve the performance of Marangoni's retreading compounds;

• Bridgestone Americas Inc. formed a strategic partnership with Italian polymer producer Versalis S.p.A. to develop technology to commercialize guayule in the agricultural, sustainable rubber and renewable chemical sectors, combining Bridgestone's knowledge in guayule agricultural and production technologies with Versalis' expertise in commercial-scale process engineering and market development for renewables; and

• Bridgestone Corp. adopted a Global Sustainable Procurement Policy that will apply to all of the tire maker's purchased materials and services, as well as to its suppliers globally, with three goals: help identify and evaluate qualified suppliers; promote best practices; and serve as a communication and improvement tool for the tire industry.

Demise of the sedan

#10

The landscape of the automotive aftermarket and tire industry promises to change in the coming two decades, thanks to decisions that two of the Big Three domestic auto makers made in 2018.

With the unprecedented surge in sales of light trucks, SUVs and CUVs, Ford Motor Co. and General Motors Co. both announced they were discontinuing production of most of their sedans in 2019.

By 2020, almost 90 percent of Ford's North American model lineup will consist of trucks, SUVs, CUVs and commercial vehicles.

Ford will discontinue five key models: the Fiesta, C-MAX, Focus, Fusion and Taurus. By 2020, the auto maker will sell just two sedans in North America: the Mustang, a high-performance pony car, and the forthcoming Focus Active, which has a higher ground clearance than the current Ford Focus, similar to a crossover.

GM, meanwhile, will cut production of the Chevrolet Volt, the auto maker's first plug-in EV hybrid; the Cadillac CT6; the Cadillac XTS and Buick LaCrosse luxury sedans; the Chevrolet Cruze; and the Chevrolet Impala.

The auto maker also announced it was reducing 15 percent of its 54,000 North American salaried jobs, including a quarter of its global executives, and close two unidentified plants in the world by the end of next year.

GM did not say definitively it would close three North American plants — in Oshawa, Ontario; Lordstown, Ohio; and Hamtramck, Mich. — but rather that it would end production there and not designate them any new vehicles to build.

Meanwhile, Fiat Chrysler Automobiles N.V., which announced in late 2016 that it no longer would make the Chrysler 200 and Dodge Dart, said its U.S. plants will be focusing entirely on pickups and SUVs for the Ram and Jeep brands.

Other sedans will be made abroad.

While the aftermarket figures to continue to produce parts for those discontinued models for the foreseeable future, it stands to reason that the percentage of trucks, SUVs and CUVs needing service will continue to increase.

2018 Year in review

A look at top executive changes in 2018

Here are some of the executive changes that occurred in the tire and automotive service industries during the past year:

Alliance Tire Americas Inc.

Dhaval Nanavati to president, succeeding James Clark, who left the firm; was vice president of aftermarket sales and president of South American sales.

Seth Walters to vice president of aftermarket sales, East.

Allen Lyons to vice president of aftermarket sales, West and Canada; was director of sales and marketing, fuel systems, for Cummins Inc.

Bridgestone Americas Tire Operations

Amber Holm to vice president, marketing, consumer and customer engagement, U.S. and Canada; was vice president, consumer brand marketing, U.S. and Canada.

Dave Nientimp to vice president of marketing and merchandising for Bridgestone Retail Operations, succeeding *Jeffrey Lack*, who was promoted to vice president, marketing, consumer tire, U.S. and Canada.

Eric Higgs to president of truck, bus and retread tires, U.S. and Canada, succeeding *Joseph Saoud* who was named president of BATO Latin America; was vice president of marketing, commercial group.

Steve Sutherland to vice president of marketing, commercial group, succeeding Eric Higgs; was executive director, sales, distribution and global accounts, Firestone Ag.

BKT USA Inc.

Doug Kershaw to vice president; was associate vice president.

Carlisle Companies L.L.C.

Mike Arnold to vice president/general manager of Accella Performance Materials' tire fill systems division; was head of global sales for Accella Tire Fill Systems.

Carlstar Group L.L.C.

Jacob Thomas to CEO, succeeding *John Salvatore*, who retired; was group president of Clarcor Air Filtration Products' engine mobile filtration business.

Continental Tire the Americas

Pavel Prouza to head of sales and marketing for the commercial specialty tires unit, succeeding *Federico Jimenez*, who was named a key account manager for the unit's Europe, Middle East and Africa region; was head of controlling for commercial specialty tires.

Cooper Tire & Rubber Co.

Phil Kortokrax to senior vice president, global operations; was senior vice president and president of North America Tire Operations.

Christopher Ball to senior vice president and president of North America Tire Operations, succeeding Mr. Kortokrax; was global vice president for Whirpool Corp.'s KitchenAid business.

Todd Pickens to vice president, sales, Mickey Thompson Tires & Wheels; formerly with Goodyear's consumer replacement sales organization.

Giti Tire Group

Tim Fulton to COO of Giti Tire (USA) Ltd.; was vice president of BFGoodrich global operations at Group Michelin.

Jim Mayfield to senior executive vice president of sales and marketing; was executive vice president of sales and marketing at Kumho Tire USA Inc.

Lou Monico to vice president of sales and marketing for Canada; was national sales manager, Canada.

Global Rubber Industries Pvt. Ltd.

Gary Stevens to president of sales, materials-handling tires, in the U.S.

Mahesha Ranasoma to CEO; was managing director of Dipped Products P.L.C.

Harris Premaratne to chairman.

Goodyear

Darren Wells to CFO, succeeding *Laura Thompson*, who retired; was executive in residence and MBA coach at University of South Florida's Muma College of Business.

Hankook Tire Co. Inc.

Soo Il Lee to president and CEO; was executive vice president and COO of its China operations.

Kumho Tire USA Inc.

Samuel Choi to CEO, succeeding Hai Eok Choi; was head of Kumho Mexico.

Shawn Denlein to executive vice president of sales and marketing; was senior vice president of tire merchandising for Monro Inc.

Les Schwab Tire Centers

Jack Cuniff to CEO, succeeding *Dick Borgman*, who retired; was CFO.

Monro Inc.

Deborah Brundage to senior vice president of marketing and merchandising; was with Procter & Gamble Co.

Evan Naylor to COO; was vice president of sales and operations at Murphy USA Inc.

Jerry Alessia to senior vice president of tire merchandising, succeeding *Shawn Denlein,* who left for Kumho Tire USA; was general manager of multi-category retailers and business development at Goodyear.

Myers Industries Inc.

Kevin Brackman to CFO and executive vice president, succeeding Matteo Anversa who left the company; was chief accounting officer.

Pirelli & C. S.p.A.

Ning Gaoning to chairman, in addition to chairman of China National Chemical Corp., succeeding *Ren Jianxin*, who retired.

Marco Crola to CEO of the NAFTA region, succeeding *Pierluigi Dinelli* who left the company; was senior vice president of global OE and prestige business.

Prinx Chengshan Tire Co. Ltd.

John Aben to president, Prinx Chengshan North America Inc.; formerly with Giti Tire (USA) Ltd. and Nexen Tire America Inc.

Prometeon Tyre Group

Murilo Fonseca to CEO of the Americas region; was COO.

Smithers Rapra

Brad Wurst to tire engineering consultant; formerly with Bridgestone Americas and Cooper Tire & Rubber Co.

Toyo Tire & Rubber Co. Ltd.

Iori Suzuki to CEO of Toyo Tire Holdings of Americas Inc. in addition to president; succeeding *Jim Hawk*, who continues as chairman.

Tomoshige Mizutani to president and CEO of Toyo Tire North America OE Sales L.L.C., in addition to chairman of Toyo Tire U.S.A. Corp. and chairman and CEO of Nitto Tire U.S.A. Inc.

Donald Bunn to CEO of Toyo Tire North America Manufacturing Inc., in addition to president.

Triangle Tire Co. Ltd.

Ding Mu to chairman, succeeding his father *Ding Yuhua*, who died June 13.

Yokohama Rubber Co. Ltd.

Jeff Barna to president of Yokohama Tire Corp. (YTC), was COO.

Hideto Katsuragawa to chairman of YTC, in addition to president and CEO of Yokohama Corp. of North America.

Shinichi Takimoto to CEO of YTC, Yokohama Tire (Canada) Inc. and Yokohama Tire Mexico S de R.L. de C.V.

Humberto Gomez to president of Yokohama Tire Mexico, succeeding *Gary Nash*, who retired; was director general.

Zafco International

Chris Tolbert to vice president of sales, East Zone, North America; was director of business development, automotive, for American Kenda Rubber.

Zhongce Rubber Group Co.

Craige McFerrin to vice president of sales for the Arisun brand at ZC Rubber Americas Inc.; was East U.S. sales manager with ZC Americas.

Other 2018 highlights

Other significant stories of 2018 include:

• Discount Tire/America's Tire opened its 1,000th retail store, a facility in northern Phoenix, 58 years after its late founder, Bruce Halle, opened the dealership's first store in Ann Arbor, Mich. The new store, opened in the fall, was built about 20 miles northwest of the firm's headquarters in Scottsdale, Ariz.

• ATV Inc. opened three American Tire Depot locations in July, in Tulare, Hollywood and West Covina, Calif., expanding the independent tire dealership chain to 107 locations throughout Southern California.

• TBC Corp. converted its remaining 46 Merchant's Tire & Auto stores to its NTB Tire & Service Centers brand and announced plans to open 20 more NTB locations throughout 2018 and into early 2019. TBC operates roughly 740 NTB and Tire Kingdom stores in 24 states.

• Belle Tire Distributors Inc. targeted Indiana for growth, with plans to open 20 stores there through year-end 2019.

• VIP Tires & Service opened its first retail store in Vermont, expanding the dealership's network to 58 retail locations throughout Northern New England.

• TravelCenters of America L.L.C. added retreading to its portfolio, converting an idled retread plant in Bowling Green, Ohio, to an authorized Goodyear Retread Network plant.

• Bridgestone Americas Inc. unveiled its Retail Showroom Program, designed to help affiliated retail dealers improve their showroom design and the in-store shopping experience.

• Shaesta Waiz, the youngest female pilot to complete a solo flight around the world in a single-engine aircraft, christened Goodyear's newest blimp, Wingfoot Three, at its Ohio hangar.

• The Tire Industry Association (TIA) introduced a new health-care insurance benefit during the Specialty Equipment Market Association show, addressing one of the membership's top concerns.

• Japanese conglomerates Mitsubishi Corp. and Toyo Tire & Rubber Co. Ltd. established a wide-ranging strategic partnership that will enhance Toyo's global distribution assets, fund capacity expansions and help Toyo compete more effectively in the mobility sector.

• Most tire manufacturers announced North America price hikes — in some cases, two prices increases within months — up to 8 percent in some cases.

• Continental A.G. announced plans to reorganize into a holding company by 2020, with three business sectors, rubber, automotive and powertrain, with powertrain being set up as an independent, publicly held company.

• Continental Tire the Americas' Best Drive L.L.C. opened two commercial vehicle service locations in Texas, with plans to open in seven more states before year-end 2019.

• Kumho announced plans to streamline its sales strategy in 2019, focusing on independent dealers and a less redundant product portfolio.

• Cooper Tire & Rubber Co. and Sailun Vietnam Co. Ltd. agreed to set up a joint venture in Vietnam to oversee construction of a radial truck/bus tire plant rated at more than 2 million units annually.

• Jose and Luis Lopez, father and son owners of Lopez Tires L.L.C. in Salt Lake City, are beaten in what authorities believe may have been a racially motivated assault.

• U.S. tire shipments are expected to increase 2.7 percent over 2017, 1.7 percent higher than the U.S. Tire Manufacturers Association forecast in mid-year. Truck-bus tire shipments increased 7.8 percent.

• Formula One Management approved Pirelli Tyre as the designated tire supplier for the FIA Formula 1 World Championship for the 2020-23 seasons.

• Ohio approved a bill that makes it illegal to mount unsafe used tires on vehicles within the state, becoming the third state to do so, after Colorado and New Jersey. A similar bill in Indiana was voted down by the state senate.

• Oriente Tire USA, a new independent company created by tire industry veterans Gus Lima and Marco Zigni, became the exclusive U.S. distributor for tires manufactured by Turkey's Petlas Tire Corp.

• Prometeon Tyre Group S.r.L said it will invest $115 million over the next two years to upgrade capacity at its truck, bus, agricultural and OTR tire plant in Izmit, Turkey.

• After flirting with a move to nearby Cleveland, Myers Industries Inc. decides to keep its headquarters in Akron.

• Shandong Linglong Tire Co. Ltd., China's third largest tire maker, committed $1.7 billion to build two plants, one each in China and in Serbia, which will boost Linglong's production capacity by 50 percent.

• Jiffy Lube International expanded further into vehicle maintenance, launching Jiffy Lube Multicare, a franchise option that adds brake service and automotive diagnostics to the Jiffy Lube portfolio.

• Aftermarket giant Tenneco Inc. acquired Federal-Mogul L.L.C.

• Fairmount Tire & Rubber Inc. celebrated its 60th anniversary.

• Cooper Tire relaunched a Cooper-brand truck and bus tire line, 11 years after phasing it out and making the Roadmaster brand its sole truck/bus product.

• Conti launched its first two standard ag tires, the Tractor 70 and 85, a little more than two years after the tire maker re-entered the farm tire market.

• ATD's Tire Pros launched several initiatives, including a Tire Pros marketing campaign with a simple message: "Hassle Free. Guaranteed."

• Bridgestone adopted a global sustainable procurement policy that will apply to all of the tire maker's purchased materials and services, as well as to its global suppliers.

• Light truck tire retreader Tread-Wright Inc. upgraded manufacturing at its Houston plant, supporting a shift in production to 100-percent bead-to-bead as part of its "America Made" marketing message.

2018 Year in review

Renegotiated, renamed trade agreement highlights year

By Miles Moore
Senior Washington Reporter

WASHINGTON — Tariffs and trade dominated the political news in 2018, especially for tires and the automotive aftermarket.

The year ended with two major trade developments — the revamped North American Free Trade Agreement (NAFTA) and the promise of renewed trade talks between the U.S. and China.

On Nov. 30, U.S. President Donald Trump, Canadian Prime Minister Justin Trudeau and outgoing Mexican President Enrique Pena Nieto signed the United States-Mexico-Canada Agreement (USMCA), the NAFTA successor pact.

One day later, the White House announced that Mr. Trump and Chinese President Xi Jinping had agreed to suspend all new tariffs on goods traded between the countries for 90 days pending the results of new trade talks.

The U.S. agreed to postpone raising tariffs on some $200 billion worth of Chinese goods, including tires, rubber and rubber chemicals, to 25 percent from 10 percent. In return, China reportedly agreed to buy unspecified amounts of U.S. goods in the energy, agricultural, industrial and other sectors.

Though Mr. Trump touted the USMCA as the biggest trade deal in history, some of the exact details of the agreement were unclear at the time of signing, and some opponents of the president expressed doubt as to whether the USMCA would protect domestic jobs, labor rights and the environment as much as he said it would.

The legislatures of the three nations must ratify the agreement before it can take effect.

The U.S. Tire Manufacturers Association (USTMA) said the USMCA "reconfirms the importance of free and fair trade among the three countries."

However, the United Steelworkers (USW) union, which also organizes tire workers, said the new agreement "is only another step in the process to reform NAFTA."

According to fact sheets from the Office of the U.S. Trade Representative, the USMCA will require that 75 percent of a vehicle be manufactured in USMCA-member countries to receive duty-free status, up from the 62.5 percent required by NAFTA.

It also requires that 40 to 45 percent of a vehicle must be assembled by workers making $16 or more per hour.

Even more controversial within many U.S. industries, including tires and the auto aftermarket, were the steep tariffs instituted by the Trump administration throughout 2018.

In March, citing threats to national security under Section 232 of the Trade Expansion Act of 1982, the Trump administration announced tariffs of 25 percent against imported steel and 10 percent against imported aluminum.

The domestic steel industry and the USW were enthusiastic at news of the tariffs. However, organizations such as the USTMA and the Association of International Automobile Dealers condemned the tariffs as harmful to their industries.

USTMA members faced special problems from the steel tariffs. The grade of steel needed for making reinforcing steel cord is not manufactured in the U.S., and the USTMA argued that tariffs on such imports would only serve to punish domestic tire manufacturers.

The U.S. Department of Commerce later established procedures for U.S. companies to apply for exemptions from the tariffs, and in May the administration granted permanent exemptions from the tariffs for steel and aluminum imports from several countries.

These countries included Brazil, which accounts for 56 percent of the tire-grade steel imported to the U.S., and South Korea, which accounts for 8 percent.

However, the existence of the steel and aluminum tariffs still caused concern among U.S. auto makers, which were disappointed when the USMCA did not exempt Canada and Mexico from them.

The announcement of the new U.S.-China trade talks, including the tariff suspension, briefly excited financial markets, but their enthusiasm faded when details of the deal weren't forthcoming. The Dow Jones Industrial Average was down nearly 800 points, or by more than 3 percent, on Dec. 4, three days after the agreement was announced.

With Washington concentrating on trade and elections, legislation was a relatively small part of the federal government year. The AV START Act (S. 1885), which would have created a framework for regulating autonomous vehicles on public roadways, languished in the Senate in 2018 despite a similar bill, H.R. 3388, having passed the House of Representatives by voice vote in 2017.

"The AV START Act … would protect against an unworkable patchwork of state and federal laws and regulations that could stifle innovation, job growth and the development of safety technologies," the Alliance of Automobile Manufacturers said in September.

Some congressional Democrats, however, said the AV START Act gave the auto industry too much leeway to ignore basic safety standards in the face of unproven technology.

Among tire-related state legislation, the most notable was passage of Ohio Senate Bill 223, which sets penalties of $1,000 per violation for installing bald, damaged or otherwise unsafe used tires on vehicles.

With this action, Ohio became the third state to enact USTMA-backed used tire legislation, after Colorado and New Jersey. Arizona has its own used tire law not devised by the USTMA.

The Texas legislature passed the USTMA bill, but Gov. Greg Abbott vetoed it, and a bill passed by the Indiana state legislature failed in that state's senate.

Antidumping and countervailing duties, as always, figured prominently in 2018.

On Nov. 1, the U.S. Court of International Trade (CIT) remanded to the International Trade Commission (ITC) its February 2017 determination that there was no material injury to the U.S. truck and bus tire industry because of Chinese imports.

The USW union, which had petitioned the ITC in 2016 for countervailing and antidumping duties on truck/bus tires from China, appealed the determination to the CIT. Interested parties had until Dec. 11 to comment on the matter.

In another, related matter, the U.S. Department of Commerce proposed antidumping duties of up to 231.7 percent and countervailing duties of 48.75 to 172.51 percent against Chinese on-the-road steel commercial vehicle wheels, rims and discs for tubeless tires with diameters of 22.5 to 24.5 inches.

The ITC scheduled a hearing on the issue for Jan. 8.

The tire retailing and retreading industries increased their lobbying of Capitol Hill in 2018, concerned over key issues such as import duties, health care, right-to-repair, infrastructure funding, scrap tires and the estate tax.

On June 20, the Tire Industry Association hosted TIA Federal Lobby Day, during which TIA members spoke to elected officials and their staff members about issues important to tire retailers and retreaders.

Among the congressional offices TIA members visited included those of Sens. Lamar Alexander, R-Tenn.; Rand Paul, R-Ky.; Robert Menendez, D-N.J.; Marco Rubio, R-Fla.; Chris Van Hollen, D-Md.; Kirsten Gillibrand, D-N.Y.; and Tim Kaine, D-Va., as well as those of Reps. Eleanor Holmes Norton, D-D.C.; Andy Harris, R-Md.; Bill Johnson, R-Ohio; and Dave Brat, R-Va.

Eight of the attendees represented Retread Instead, an organization devoted to advancing the message that retreading is a reliable, economical and environmentally responsible technology.

Goodyear case among ongoing litigation

By Miles Moore
Senior Washington Reporter

WASHINGTON — As in most years, litigation was a constant for the tire industry in 2018. Government court actions on trade and product quality vied for industry attention with lawsuits involving product liability, alleged trademark violations and alleged patent infringement.

One of the biggest court-related stories of 2018 came to light in January when the National Highway Traffic Safety Administration's Office of Defect Investigation (ODI) opened an investigation of approximately 40,000 Goodyear G159 commercial vehicle tires manufactured between 1996 and 2003, some of which are tied to a series of Class A motor home crashes.

The Office of the Inspector General (OIG) of the U.S. Department of Transportation disclosed in July it was conducting an investigation of allegedly defective Goodyear G159 tires installed on Class A motor homes.

The information on which OIG and ODI based their actions came from a court case filed in 2005 in Arizona federal district court by a family seriously injured in the tire-related crash of their motor home.

The case culminated in November 2012 with the judge ordering the release of Goodyear documents to NHTSA.

Two decisions from later in the year came out of the U.S. Court of International Trade (CIT).

On Nov. 1, the CIT remanded to the International Trade Commission (ITC) its February 2017 negative injury determination on truck and bus tires from China.

The remand meant that the ITC had to reconsider its decision that Chinese truck and bus tire imports were not causing material injury to the U.S. tire industry.

The United Steelworkers (USW) union, which originally petitioned the ITC for countervailing and antidumping duties against Chinese truck and bus tires, appealed the ITC decision to the CIT in April 2017. The commission erred in finding neither price dampening nor threats to U.S. tire production in its determination, and the CIT agreed.

As well as the USW, the retread advocacy group Retread Instead was pleased with the CIT remand. The U.S. retread industry, Retread Instead argued, is threatened by cheap Chinese truck tires that are both non-retreadable and cheaper than retreads.

Later in November, the CIT granted the U.S. Department of Commerce's motion to dismiss a case brought against the agency by Zhongce Rubber Group Co. Ltd.

Commerce levied a 119.46-percent countervailing duty rate against Zhongce in March 2018. Zhongce appealed, arguing that Commerce's application of "adverse facts available" against the company during the countervailing duty review was not supported by substantial evidence.

A CIT judge, however, agreed with Commerce that Zhongce had failed to exhaust its administrative remedies before

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Halle among notable deaths in tire industry

Among tire industry veterans who died in 2018 were, in chronological order:

Bruce Halle, founder and chairman of Discount Tire/America's Tire, Scottsdale, Ariz.

Don Blythe, former president and executive director of the Western Canada Tire Dealers association.

Joyce Newton, co-founder of Hoosier Racing Tire Corp.

Sheldon D. Schmucker, co-founder of Millersburg Tire Service in Millersburg, Ohio.

Sheldon R. Salzman, former president of Uniroyal Tire Co. and former co-chairman of Uniroyal Goodrich Tire Co.

Stephen D. LaFerre, a former member of BFGoodrich Co.'s tire division public relations group.

Olive Storey, former executive director of the Western Canada Tire Dealers.

Barney Burks Jr., co-founder of Big Ten Tires in Pensacola, Fla.

Milan "Mike" Stone, fifth president of the former United Rubber Workers union.

George Fritz, owner and operator of Kershaw and Fritz Tire Service Inc. of Doylestown, Pa.

John Wagner, former managing director of the American Retreaders' Association.

William "Bill" Ray Young Jr., former owner of Young's Future Tire Inc. in Show Low, Ariz.

Ding Yuhua, executive chairman of Triangle Tire Co. Ltd.

Thomas B. Geiger, former president of Capital Tire Inc. in Toledo, Ohio.

Joel Fischer, CEO and chairman of Vogue Tyre & Rubber Co.

Juan Baez Santiago, president of TUCO Tire in Bayamon, Puerto Rico

Arnie Sperling, former co-owner of Globe Tire and Motorsports in Los Angeles.

Albert Hoffman, founder of Jetzon Tire & Rubber Co. Inc.

2019 Year ahead

Tire officials expect ‘more turmoil’ in D.C.

By Miles Moore
Senior Washington Reporter

WASHINGTON — Top officials of the major U.S. tire, auto aftermarket and auto service trade associations are anticipating more turmoil in politics this year, following the Democrats' regaining control of the U.S. House of Representatives in the November midterm elections.

How much of an effect, and in what ways, on the issues of interest to the tire and aftermarket industries has yet to be seen, they said, although they added that 2019 will not be peaceful.

“We can count on a lot more turmoil in Washington,” said Anne Forristall Luke, president and CEO of the U.S. Tire Manufacturers Association (USTMA).

“Democrats have the gavel in the House and a lot of new authority,” Ms. Luke said. “That affects every issue, from the president's personal tax returns to trade to the rollback of environmental regulations.”

The House Democrats' new subpoena power will keep the White House occupied, according to Ms. Luke. “The president has already thrown down the gauntlet,” she said.

For Roy Littlefield III, CEO of the Tire Industry Association (TIA), election results are always a matter of pragmatism.

“You have to deal with what you've got,” Mr. Littlefield said. “On some issues, we will be in better shape. On others, not as good.”

Chris Kersting, president and CEO of the Specialty Equipment Market Association (SEMA), concurred, as did Bill Hanvey, president and CEO of the Auto Care Association (ACA).

Kersting

Hanvey

“Our government affairs department works to gain support on both sides of the aisle,” Mr. Kersting said. “Whatever the complexion of Congress, we still have the same job to do.”

“This is an opportunity to build our message with new members of Congress,” Mr. Hanvey said. “I think it's great, continuing our legislative efforts to gain as much support as possible.”

Robert L. Redding, Washington representative for the Automotive Service Association (ASA), said the election results could have a significant impact on most issues, including those affecting auto service.

“A Democratic House will really take a different look at policy issues,” Mr. Redding said. This is the biggest election wave since the Republican sweep in 2010, he said, and the Democrats now in power will be more progressive than the Democratic House majority before 2010, he said.

Infrastructure

One thing the executives hope for in 2019 is passage of a comprehensive infrastructure package to fund massive rehabilitation of the nation's transportation network.

With the failure of President Trump's infrastructure package, however, it is unclear what provisions an infrastructure bill might contain, or even if Congress can reach bipartisan agreement on one, they said.

“I would think it's one of the bills that will pass, but I can't even guess what the content will be,” Mr. Littlefield said. “The Trump bill fell flat on its face. Whatever the final bill is, it might not be as big as Trump wants or what we need.”

Infrastructure will be one of the very few issues that will gain bipartisan support, mostly because of Democratic opposition to Mr. Trump, added Roy Littlefield IV, TIA director of government affairs.

“They aren't going to want to give him a lot of big wins,” Mr. Littlefield IV said.

Agreement on funding mechanisms will be key to reaching a bipartisan infrastructure accord, according to Ms. Luke. But that will be easier said than done, she added.

“(Senate Majority Leader Mitch) McConnell has always said, ‘There will never be a gas tax increase as long as I am majority leader,’” she said.

Nevertheless, there is still a lot of opportunity for bipartisan agreement on an infrastructure bill, according to Ms. Luke.

There will be an opportunity for a provision promoting the use of rubber-modified asphalt and other recycled rubber products in road projects, she said.

Tariffs

It is also still unclear what will come of the Trump administration's efforts to reach a trade agreement with China, and whether the 90-day postponement of 25-percent tariffs on some $200 billion in goods imported to the U.S. from China will become permanent.

“I don't know if it can be achieved in 90 days,” Mr. Littlefield III said. “But these are the two largest economies in the world, and it probably will happen eventually. It depends on who's willing to budge.”

The 10-percent tariffs on the Chinese goods — including synthetic and natural rubber, rubber chemicals, rubber automotive and industrial goods, and virtually every type of tire — went into effect in September.

There is a major difference of opinion on the tariffs between tire distributors, who need lower-cost truck and bus tires in their inventory, and retreaders, who suffer greatly from the influx of non-retreadable Chinese tires that also offer stiff price competition to retreads.

BIPAVER, the European retreading organization, also found its members suffering from Chinese import competition, according to Mr. Littlefield III. The association made a concerted and ultimately successful effort to persuade the European Union to place tariffs on Chinese tires, he said.

Nevertheless, tariffs on Chinese tires can never be all-effective, according to Mr. Littlefield IV.

Tire Business photo by Miles Moore

Roy Littlefield III (left), CEO of the Tire Industry Association (TIA), and his son, Roy Littlefield IV, TIA director of government affairs, hope Congress can pass an infrastructure bill in 2019.

“Some (Chinese) tire makers are moving production from China,” he said. “If they build new plants, they don't build them in China.” (The week after this interview, Cooper Tire & Rubber Co. disclosed plans for a joint venture with Sailun Vietnam Co. Ltd. to build a truck and bus tire plant near Ho Chi Minh City, Vietnam.)

Regarding a trade agreement with China, Mr. Littlefield III said he wondered if the administration even has a negotiating strategy going into the talks.

“Both sides have an interest in coming up with something — but it won't be quick,” he said.

Mr. Hanvey was one of many spokespersons for the auto aftermarket industry who testified against tariffs on imported Chinese goods at hearings before the U.S. Trade Representative last August.

“The greatest impact from the action will be on U.S. consumers who will experience higher repair costs, likely leading to the delay of critical vehicle maintenance procedures,” Mr. Hanvey said in his testimony.

The ACA continues to fight the tariffs, he said more recently.

“We want to make sure the people who approved the tariffs understand that auto care is a global economy,” he said.

Ms. Luke said she believed it was “definitely possible” to have an equitable trade agreement between the U.S. and China. During a recent trip to China, she found considerable sentiment among Chinese tire makers for not only an agreement, but for tariffs on Chinese tires.

“One person told me she thought tariffs could have a positive impact on Chinese tire manufacturers, in that it would encourage them to improve the quality of their products,” she said. “She could see a scenario in which low-quality manufacturers would be weeded out.”

Tire regulations

The National Highway Traffic Safety Administration (NHTSA) recently issued its regulatory agenda for 2019, according to Ms. Luke. Although the agenda is not binding, two long-pending tire regulations are on the schedule, she said.

A final rule on minimum performance standards for rolling resistance and wet traction is due in March, according to Ms. Luke. In June, the labeling portion of the tire fuel-efficiency final rule — left hanging since 2010 — is scheduled to be issued, she said.

The minimum performance standards were part of the Fixing America's Surface Transportation (FAST) Act, which President Obama signed in December 2015.

Part of the FAST Act was a provision to reinstate mandatory tire registration. This provision was backed by the USTMA, which was concerned over low return rates in tire recalls.

TIA, though it too stressed the need for complete responses to recalls, said the original mandatory registration rule — first promulgated in the 1970s — was punitive toward tire dealers, and also did not allow for electronic collection and transmission of tire identification numbers and purchaser data.

TIA and the USTMA have been in discussions over the content of a mandatory registration rule. Although the two organizations do not claim to have reached agreement on this issue, both Ms. Luke and Mr. Littlefield III said they were happy that amicable discussions are continuing.

“We are identifying a framework we can work within, and we will talk to NHTSA about that framework,” Ms. Luke said.

There are still issues to work out on registration, such as where the registration information goes when it is transmitted, according to Mr. Littlefield III.

“If you have electronic scans for tire information, where will the information go?” he asked.

Tire dealers won't support the information going to manufacturers who might be trying to collect customer addresses for direct online sales, according to Mr. Littlefield III.

“But we can't go back to paper and pencils,” he said.

Scrap tires

Eighty-one percent of the scrap tires generated in the U.S. in 2017 went to productive end-use markets, according to the latest USTMA Scrap Tire Report.

Luke

“It's a never-ending job to find sustainable markets,” said Ms. Luke, who also noted that the USTMA's first-ever sustainability report was due out in late 2018/early 2019.

Recently, one of the most endangered end-uses for scrap tires has been crumb rubber athletic turf. News reports identifying crumb rubber-filled athletic fields as possible carcinogens have persisted, despite the preponderance of scientific evidence showing no correlation between cancer and exposure to crumb rubber.

Exposure studies from the U.S. Environmental Protection Agency and California's Office of Environmental Health Hazard Assessment are due out in 2019, according to Ms. Luke. These studies should go a long way toward answering any questions regarding the carcinogenicity of crumb rubber athletic turf, she said.

“The USTMA position is that most of the evidence shows no significant risk,” Ms. Luke said. “But there are still lingering questions, and this is what these studies are supposed to answer.”

TIA membership is showing interest in reviving the association's Environmental Advisory Committee to address issues such as scrap tires and the alleged toxicity of crumb rubber, according to Mr. Littlefield IV.

Other issues

Among other issues important to the auto aftermarket is the AV START Act, which would create a federal framework for regulating the deployment of automated vehicles on public roadways.

Organizations such as the ASA support the AV START Act because it would prevent a patchwork of state laws for autonomous vehicles. But the bill stalled in the Senate last year, despite a similar bill passing the House in 2017 by voice vote.

“If we don't see autonomous vehicle legislation pass the Senate in the lame duck session, we'll have to start all over,” Mr. Redding said.

Another bill that enjoyed support in the aftermarket industry, especially among SEMA and TIA members, is the Recognizing the Protection of Motorsports (RPM) Act.

The bill asserts the legality of converting a street vehicle to race car use only, forestalling the recent EPA position that a Clean Air Act exemption for race cars applies to purpose-built race cars only.

The RPM Act passed the House Energy and Commerce Committee, but did not advance past that stage. Mr. Kersting said SEMA had hoped for passage of the bill in the lame-duck session, most likely as an attachment to an appropriations bill.

A Democratic House may be more amenable to passage of a federal law establishing an online sales tax, according to Mr. Littlefield III. Such a bill obtained considerable support in a previous Congress, he said, but Tea Party opposition in the House killed it.

However, a Democratic House also means that legislation on tort reform or abolishing the estate tax has little or no chance of passage in the new Congress, according to Messrs. Littlefield III and Littlefield IV.

The threat of small business owners, including tire dealers, having to sell the businesses they inherited to pay their estate taxes remains great, they said. Some dealers pay insurance premiums as high as $180,000 annually as protection against losing their businesses because of estate tax assessments, they said.

However, the biggest ongoing issue facing TIA members is health care, they said. Tire dealers and retreaders strive to offer health insurance to their employees, although skyrocketing costs make the task daunting, according to Mr. Littlefield III.

“Tire dealers and retreaders really try to take care of their people, unlike some other small businesses,” he said.

At the Global Tire Expo in Las Vegas last November, TIA announced an alliance with National General Benefits Solutions to provide TIA members with flexible group health insurance plans designed for businesses ranging from two to 250 employees.

2019 Year ahead

Economy, employment to remain positive in 2019

By Kathy McCarron
Tire Business Staff

Positive economic growth and low unemployment in the U.S., along with increased consumer and corporate spending, are expected to continue through 2019, according to economic analysts and surveys.

Economic growth is expected to continue into the new year, with an average 3-percent U.S. output and strong gains in domestic job growth, according to Indiana University's (IU) Kelley School of Business.

However, Goldman Sachs & Co. L.L.C. predicts growth will slow significantly in 2019, to roughly 1.75 percent by year-end, from a recent pace of 3.5 percent.

"We expect tighter financial conditions and a fading fiscal stimulus to be the key drivers of the deceleration," Goldman Sachs said.

"Robust job creation should push the unemployment rate to 3 percent by early 2020, well below our 4.5-percent estimate of full employment, the rate consistent with 2-percent inflation. Wage growth should reach 3.25 to 3.5 percent in this environment."

The Congressional Budget Office (CBO) predicted in August that real U.S. gross domestic product (GDP) in 2018 would grow 3.1 percent due to increases in government spending, reduction in taxes and faster growth in private investment. However for 2019, the CBO predicts GDP growth to slow to 2.4 percent amid a slowdown in business investment and government purchases.

The U.S. economy in 2018 exceeded the IU economics panel's predictions a year ago that GDP would grow by 2.6 percent or by about 3 percent if tax reforms were enacted.

"The tax cut has produced an acceleration in the U.S. economy during 2018 to well above the new normal status quo of 2-percent growth," Bill Witte, associate professor emeritus of economics at IU, said.

"We expect output growth in 2019 to average 3 percent, but with deceleration as the year proceeds. By this time next year, quarterly growth will be heading toward equilibrium growth at a little below 2.5 percent."

The IU analysts put a proviso on their forecast, noting the uncertain impact of future political agendas, trade disputes and global economic concerns, especially in China and Europe.

IU analysts said they expect the economy to decelerate mid-year toward a long-run growth rate of about 2.5 percent, due to lower growth in government spending as the budget deal runs its course and a slowdown in employment growth as demographics eventually pull down growth in the labor force.

"The economy heads toward 2019 with considerable momentum from fiscal stimulus and a very strong labor market. Our baseline forecast is that this momentum will carry us through most of next year before slowing to a more sustainable growth rate.

"So for the immediate future we think it will be 'Laissez les bon temps rouler.' (Let the good times roll.) The question is what the hangover will be like," the IU analysts said.

Job market

The current 3.7-percent unemployment rate is at its lowest point since the 1960s, according to The Conference Board, a think tank of senior corporate executives across various industries.

The tight labor market has helped increase average wages and salaries by more than 3 percent during the past year, thus improving consumer confidence and spending.

However, higher labor costs lower business profits, according to the Board, noting that rising wages also put upward pressure on inflation, forcing the Federal Reserve to raise interest rates faster to keep inflation near its 2-percent target.

Federal tax cuts and increased government spending have helped boost growth in 2018 but are also stretching the capital and labor resources of the economy and will provide less support for growth in 2019 as the effects taper off during the year, the Board said.

A year ago, the IU panel expected the U.S. economy would create jobs at a monthly rate of about 175,000 and that the unemployment rate would fall to 4 percent. Instead, monthly job creation through September averaged nearly 200,000, and the jobless rate fell to 3.7 percent.

These job-creation trends are expected to continue into 2019, with average monthly gains of 200,000 jobs, and the participation rate — which measures the percentage of the U.S. population that was employed or looking for a job — remaining flat, according to IU.

Employment growth is predicted to continue at about 200,000 jobs per month through 2019 and with an unemployment rate of 3.5 percent by mid-year.

"The labor market will be increasingly tight," IU's Mr. Witte said. "The unemployment rate could decline a little, but firms unable to find workers will remain an important theme."

An aging population means slower labor force growth, according to The Conference Board, especially among older workers who are retiring in large numbers from jobs not requiring college degrees. Businesses will have to help workers become more productive through well-chosen investments and improved business practice, the Board warned, predicting that between 2019 and 2028, the U.S. economy will average 2.1 percent annual growth, only if businesses find innovative ways of boosting labor productivity.

Goldman Sachs also predicted that the "impressive recent momentum" in job creation is likely to fade gradually. The firm said monthly payroll growth has averaged 215,000 over the last six months and predicts that it is unlikely to slow down until early 2020.

"By then we expect the unemployment rate to have declined to 3 percent, well below our 4.5-percent estimate of the full employment rate consistent with the Fed's 2-percent inflation target," a Goldman Sachs report said.

"Other indicators support this picture of one of the strongest labor markets in memory. The number of job openings per unemployed worker, the quit rate, household reports of the ease of finding a job and employer reports of the difficulty of finding workers all suggest that workers' bargaining power has increased," Goldman Sachs said.

"Based on these signals, recent acceleration in the highest-quality wage indicators, the rise in our wage survey leading indicator and the larger pick-up in wage growth in the more cyclically sensitive lower half of the income distribution, we expect overall wage growth to reach 3.25 to 3.5 percent (in 2019)."

Spending

The IU report forecasts consumer spending will continue to grow, although at a lower rate than in 2018. Business investment will be positive, but held back by trade concerns, while government spending will be strong early in the year, but slow significantly toward year-end.

The IU report said the 2019 economy will pretty much mirror 2018 with real GDP growth at the same 3-percent rate, with consumption expected to grow at about 3.1 percent. Business investment is forecast to increase 5.5 percent, while the housing market will remain relatively flat.

"We project business investment growth of about 4 percent, supported by strong demand growth, fairly easy credit conditions and healthy business confidence," according to Goldman Sachs.

"Strength in these areas should be only partly offset by drags from net trade and continued weakness in the housing sector. While further escalation of trade tensions with China appears likely, we have found minimal effects on the U.S. economy so far and the next steps should have only a modest impact on growth unless they affect U.S. business confidence and risk assets much more adversely than the trade war has to date," Goldman Sachs said, adding, "We expect consumption growth of about 2.5 percent in 2019, supported by solid income growth, a high saving rate and high confidence."

The CBO expects growth of actual output — driven by consumer spending and, to a lesser extent, business investment — to outpace the growth of its maximum sustainable amount through 2019, creating excess demand in the economy. Although this leads to lower unemployment rates and higher income, the CBO noted, it also creates demand for goods, services and labor that exceeds the economy's long-run capacity to supply them."

Excess demand will put upward pressure on prices, wages, and interest rates over the next few years, the CBO predicted, but growth of actual output should slow markedly after 2019 because higher interest rates, along with the slower growth of federal outlays. As the excess demand dissipates, the unemployment rate rises and inflation and interest rates fall, so by 2022, the excess demand in the economy disappears, the CBO said.

The CBO expected business investment to increase 8.9 percent in 2018, versus 5.3 percent in 2017, fueled by several factors, including: increased incentives for investment under the 2017 tax act; the accelerated growth of output spurred by the tax act and federal outlays; a rebound from weak inventory investment in late 2017; greater incentives for oil exploration and development; and the easing of federal regulations.

However, the business investment rate is expected to slow between 2019 and 2022 as most of these factors dissipate. In particular, the tax act incentives decrease each year after 2018 and thus could lead to less growth in investment, according to the CBO, noting also that fiscal stimulus provided by federal spending is expected to diminish while an increasing supply of oil puts downward pressure on oil prices and investment in oil drilling.

Manufacturing

Several manufacturing and non-manufacturing sectors in the U.S. are expected to enjoy continued growth in 2019, according to the Institute for Supply Management (ISM), which surveyed purchasing and supply management executives.

About 64 percent of survey respondents said they expect revenues to be greater in 2019 than in 2018, with a 5.7-percent net increase in overall revenues for 2019, compared with a 5.1-percent increase predicted for 2018 over 2017 revenues.

Seventeen manufacturing industries are expecting revenue improvement in 2019 over 2018, including the plastics and rubber products and transportation equipment industries.

Capital expenditures, a major driver in the U.S. economy, are expected to increase by 6 percent in the manufacturing sector and by 3.4 percent in the non-manufacturing sector, the ISM said.

The manufacturing employment base should edge up 2.4 percent, while non-manufacturing employment growth is pegged at 2 percent.

"Manufacturing, purchasing and supply executives expect to see growth in 2019. They are optimistic about their overall business prospects for the first half of 2019, with business continuing to expand through the second half of 2019," said Timothy R. Fiore, chair of the ISM manufacturing business survey committee.

"In 2018, manufacturing experienced 12 straight months of growth from December 2017 through November 2018, resulting in an average Purchasing Managers Index of 59.2 percent, as compared to 57 percent for the 12 months ending November 2017, as reported in the monthly Manufacturing ISM Report On Business."

Respondents said they expect raw-materials-pricing pressures in 2019 to increase, and expect their profit margins will improve in 2019 over 2018. Manufacturers also are predicting growth in both exports and imports in 2019.

Respondents also expect raw-materials prices will increase by 3.5 percent during the first five months of 2019, with an overall increase of 3.3 percent for 2019, compared with a 2-percent annual increase in 2018.

Meanwhile, 57 percent of non-manufacturing supply management executives said they expect a 3.7-percent net increase in revenue for 2019 compared with a 4.5-percent increase reported for 2018 over 2017.

Seventeen industries are expecting increases in revenue in 2019, including: mining; agriculture, forestry, fishing and hunting; construction; wholesale; retail; and transportation and warehousing.

"Non-manufacturing supply managers report operating at 88.4 percent of their normal capacity, higher than the 85.5 percent reported in May 2018. They are optimistic about continued growth in the first half of 2019 compared to the second half of 2018, with a projected increase in growth rate for capital reinvestment," said Anthony Nieves, chair of the ISM non-manufacturing business survey committee.

"They forecast that their capacity to produce products and provide services will rise by 2.9 percent during 2019 and capital expenditures will increase by 3.4 percent from 2018 levels. Non-manufacturers also predict their employment will increase by 2 percent during 2019."

Survey respondents expect the prices they pay for materials and services will increase by 3.6 percent during 2019 and that their overall labor and benefit costs will rise 3.2 percent.

2019 Year ahead

Repair shops to see more imports, CUVs in bays

By Kathy McCarron
Tire Business staff

LAS VEGAS—Independent vehicle repair shops will be seeing growing numbers of older vehicles, import brands and light trucks and CUV/SUVs pulling into their service bays in the coming years, according to market analysts.

IHS Markit and NPD Group Inc. analysts, during presentations at the 2018 Automotive Aftermarket Products Expo (AAPEX), both noted these trends in the vehicle parc can have a positive impact on the automotive aftermarket for those who adapt their operations and marketing strategies.

Mark Seng, IHS Markit's global aftermarket practice leader, automotive, noted a growing shift in purchases of new light trucks and CUVs at the expense of compact cars.


Seng

In 2017, light trucks/CUVs accounted for 65 percent of vehicles in operation (VIO) in the U.S.; in 2018 that share was expected to grow to 70 percent.

Overall new vehicle sales have leveled off since hitting record highs in 2015-16. About 17.2 million new vehicles were sold in 2017 and IHS predicted the total would slip 0.6 percent to 17.1 million in 2018.

About 34 percent of these new vehicles sales were compact and traditional CUVs, he said.

Meanwhile, sales of import brands of vehicles (by OEMs with headquarters outside the U.S.) are expected to continue outpacing the Detroit 3 vehicle brands, he said.

In 2018, imports were expected to account for 46 percent of new vehicle sales and by 2023 they are expected to account for nearly half of sales.

While sales of new vehicles are plateauing, vehicles on the road are continuing to age as consumers hang on to their older vehicles. The average age of vehicles in operation has risen to 11.7 years.

About 40 percent of the VIO are vehicles that are 12 years or older and about 26 percent are vehicles that are six to 11 years old.

That bodes well for independent repair shops for years to come as they are usually the ones that repair out-of-warranty vehicles, Mr. Seng said.

"On the consumer side, one of the biggest challenges we are facing as an industry is opposing forces," said Nathan Shipley, executive director and industry analyst for NPD's automotive aftermarket division.

"If you're a marketer, if you're a manufacturer, a retailer, you're still trying to market your products and services to the boomer generation that's on the way out, so to speak in terms of their peak driving years, if they retire. And you're also trying to market to a millennial generation that is coming into their peak driving years now. And so it's an opposing force.

"Another opposing force that we have as an industry is that manufacturers are looking at direct-to-consumer," he said. You have a brand that is strong enough, that can stand on its own without retail support and you're trying to find ways to go direct to consumer to circumvent the traditional channels of getting your products in the hands of the consumers. And we're seeing this in a lot of other industries, not as much in auto."

Mr. Shipley gave the example of MacNeil Automotive Products Ltd., which sells its WeatherTech vehicle floor mats directly to the consumer.

Private brands are grabbing a larger share of the market, he noted.

"A lot of retailers in a lot of categories are pushing their own brands of products out there, which to the consumer, do they know it's a private label or not? For all they know it's just another brand on the shelf," Mr. Shipley said, noting that Amazon.com Inc. has launched its own brand of motor oil.

2019 forecast

"Our forecast for 2019 is that we expect the market to be flat for 2019," said NPD's Mr. Shipley, noting that the miles-driven growth rate has slowed, prices have increased 4 to 5 percent and the consumer price index for new cars has stabilized.

"The economy is strong; the aftermarket is strong; we should feel good about our industry as a whole," he said.

"With that said, the core consumer is changing and how our consumer shops our industry and shops our categories are changing, so thinking about how your business looks down the road, especially five to 10 years from now, I think will be critical to your long-term success, especially as we watch other industries in the past go down this path of disruption."

He noted several influential trends in the market, including mobile car services, tire installation chains partnering with online retailers, growth of private label brands, expedited delivery and the Roll by Goodyear tire showroom concept in urban markets.

Driving trends

Vehicle miles traveled (VMT) is a major driver for the aftermarket business, according to IHS' Mr. Seng. During the Great Recession (2008-09), VMT flattened and declined for the first time since the 1970s.

Over the last three to four years the VMT has recovered and was expected to hit a record 3 trillion miles in 2018. But the growth rate has been slowing down — to about 0.4-percent in 2018 versus a 1.3-percent increase in 2017.

Among the biggest influences for VMT are gas prices and the unemployment rate, he said. In addition, the large baby boomer population is retiring and not driving as much while younger people are moving into walkable neighborhoods and reducing their VMT.

But the number of licensed drivers on the road is growing, according to Mr. Shipley.

"But you look at the miles-driven trend, it's the highest it's ever been, but the growth rate has slowed down fairly dramatically, which is a bit of a headwind for us," he said.

> **'The economy is strong; the aftermarket is strong; we should feel good about our industry as a whole.'**
>
> **Nathan Shipley**
> *Executive director and industry analyst for NPD Group Inc.*

"Overall, as individuals, we're taking 10 percent fewer trips now than we did nine years ago, in 2009. There's more people on the road driving, but as individuals we're driving less. So your audience has grown quite a bit and who you're targeting is growing quite a bit," Mr. Shipley said.

The biggest reduction in trips are in areas of shopping and general errands, he noted. "We see a 10-percent drop in social and recreation. ... Social interaction with the iPhone and Android have contributed to that."

He noted that analysts believe VMT is going to change in two ways by 2040: in the type of car driving those miles (whether autonomous or traditional vehicle) and who owns the vehicle (whether an individual or a fleet).

VMT was growing at just under 2 percent a year ago, according to NPD data. Today it's trending at 0.5-percent growth. This follows several years where gas prices dropped and more people were going back to work, contributing to a healthy growth rate in miles driven, Mr. Shipley said.


Shipley

"My belief as to the reason why this has slowed down in the last 18 months is we hit our new normal. We're not slowing down on our miles-driven behavior. We're just at our new level," Mr. Shipley said.

"So half a percent is where we think it's going to stay for the short term, barring anything crazy happening in the economy … ," he added, noting that the federal government had forecast that the average miles-driven growth rate is going to be about 1 percent every year for the next 20 years.

Gas price fluctuations don't seem to have an impact on consumer driving behavior, he noted.

"We're around $3 per gallon on average and we're not seeing behavior changes at retail. We're not really seeing behavior changes in the miles-driven environment and our thought behind this is that we have, as consumers, seen this before. This is not new," Mr. Shipley noted.

"Gasoline prices have been all over the map the last 10 years. They'll come back down. And we have a strong economy. Those two things coupled together is why we don't believe the current gasoline price environment is having an impact on miles driven," he said.

Vehicle mix

U.S. light vehicle sales are expected to level off after reaching a record 17.6 million in 2016 and then fell to 17.2 million in 2017. IHS predicted vehicle sales would hit 17.1 million in 2018.

There also is a growing shift in sales to SUVS and light trucks from sedans

Only 35 percent of the light vehicles sold in 2017 were the sedan body style while about 65 percent were light truck body styles, Mr. Seng said. In 2018, light trucks were expected to account for 70 percent of sales.

"It's driven by a big shift to crossovers, SUVs and small SUV-type body styles," Mr. Seng said, noting that consumers are attracted to larger vehicles with fuel-efficient four-cylinder engines.

About 56 percent of all light vehicles sold have four-cylinder engines, he said.

He assured those in the automotive aftermarket that they need not worry about recovery in new vehicle sales.

"I think any time we're adding new vehicles (into the market), that's just like our new business pipeline, if you will. Because all that new vehicle growth is driving VIO growth. Total fleet continues to increase as well," Mr. Seng said.

"We see the VIO, the total fleet that we are responsible for repairing, where we make all our money, is increasing by 8 percent over this forecast window (through 2023)."

While U.S. VIO growth is slower than the predicted global VIO growth rate of 13 percent, it is still a healthy rate for a mature market like the U.S., he said.

Four body styles represent 64 percent of all new U.S. vehicle registrations in 2017: compact CUV (23 percent), traditional compact cars (15 percent), full-size pickup trucks (14 percent) and traditional midsize (12 percent).

"What's interesting is those same four segments have represented about 64 percent for the last five or six years or so. However, within those four segments, we've seen a huge shift to that compact CUV," Mr. Seng said.

Compact CUVs have grown to 23 percent of new vehicle sales today from 15 percent in 2014. Add in mid-sized CUVs and the CUV segment accounts for 34 percent of all new light vehicles sales. Meanwhile, the share of full-sized pickup trucks has remained relatively unchanged.

"As consumers flocked back to the dealerships and drove those light vehicle sales to record levels, the decisions they're making about the types of vehicles they're buying is changing," Mr. Seng said. "And that is having an impact on our VIO fleet and the types of vehicles that are entering the repair bays in the near future.

"We see the trend continuing for the next three or four years and beginning to level out and end up at 75-76 percent will be light trucks over cars," he said, adding that this trend explains why OEMs are shifting production away from sedans.

From 2015-2025 there is going to be a 95-percent increase in the number of CUV body-style models available in the U.S., he predicted.

Domestic vs. import

The U.S. VIO over time will see a steady increase in import vehicle makes, according to IHS.

In 2002, imports accounted for 28 percent of VIO; today it stands at 46 percent; by 2023, it will be 49 percent of the vehicles in the U.S., according to IHS.

"What's happening is most of the vehicles being scrapped over this time period are domestic makes," Mr. Seng said.

"Domestic and Detroit 3 have the lion's share of the volume of the older vehicles, so they are getting scrapped out at a much faster rate. Imports are being purchased at a faster rate. ... So anybody who is focused on repairing import vehicles, you have a very good outlook for auto repair of those vehicles."

Vehicle age

Between 2018 and 2023, IHS predicts the number of vehicles that are new to 5 years old in the VIO will grow 2 percent, vehicles 6-11 years old will grow 27 percent and vehicles 12-15 years old will decrease 27 percent.

Meanwhile vehicles 16 years or older will grow 22 percent and will reach the same size as the newest (0-5 years) vehicles — "That's never happened before. So a big shift to these oldest vehicles ... and a great thing for the aftermarket," Mr. Seng said.

In 2018 there were about 69 million vehicles aged 16 years and older; by 2023 that number will hit 84 million, IHS predicts.

"The average age of the vehicle in the United States has been increasing ever since vehicles began rolling off the Henry Ford assembly line — better quality, better parts, better components, less rust — all that kind of stuff have made the vehicles last longer," Mr. Seng said.

Consumers are holding onto vehicles longer and financing vehicles for longer term, and this all accelerates the average age of the U.S. fleet, he said.

While older vehicles tend to be serviced at independent service shops, those shop owners need to be aware that repair opportunities change as the vehicle gets older, Mr. Seng said.

Repair shops may be dealing with the second or third owner of an older vehicle who may not want to spend as much on maintenance and repairs. So shops will have to develop "good-better-best" options for these owners.

"The aftermarket needs to look behind the trends and understand what that impact is in the relationship between the person that threw the box away, if you will, the person that is actually repairing the vehicle and that consumer.

"As the vehicle ages and that consumer changes, you need to make sure that your marketing to them correctly, that you have the right parts and strategy and everything else in order to take advantage of these new repair opportunities," Mr. Seng said.

He noted that vehicles 6 to 15 years old are defined as the aftermarket "sweet spot" where most of the repair opportunities occur.

Dollar vs. unit sales

For the first eight months of 2018, aftermarket dollar sales (chemicals, batteries, filters, wipers, etc.) were growing at a 4-percent rate, according to NPD.

"It's a healthy, healthy growth rate," Mr. Shipley said, but conversely unit sales fell 1 percent.

"The story for this industry for some time has been that dollar volume has always been outperforming unit volume. We're selling less stuff for more money. And when you look at the price side of the equation, prices in aggregate across those categories that

*See **Sales**, page 22*

Tire dealers cautiously optimistic entering new year

By Jennifer Karpus-Romain
Tire Business correspondent

Another year has ended and most tire dealers experienced a steady year, while others saw tire sales tick up in 2018.

Dealers, both large and small, for the most part are waiting to see how industry changes will affect business in the new year.

Dan Pearson, owner of Northwest Tire Inc., which operates tire stores throughout North Dakota, Minnesota and South Dakota, said tire sales were up 7 percent over 2017, close to his projections for the year.

"(We had) a very strong year in all commercial sales," he noted.

For C&D Tire, with five locations in Tennessee, 2018 was a good year.

"We projected numbers 5-percent higher than the previous year and exceeded projections," said David Ogle, sales manager at C&D Tire – Knoxville.

"Last year (2017) we met our projection, but we decided we could do better, so we set a higher goal and projection and used our strategy to exceed them. As we look forward to 2019, we have set the bar even higher and hope to exceed projections again."

He noted C&D introduced a road-hazard program in 2018, and its success was a pleasant surprise.

"Our goal was to sell two road hazard packages a week, and by the end of the year we are averaging one package a day," Mr. Ogle added.

Shannon Scheeler, owner/operator at Nevada Tire City in Las Vegas, said tire sales were even with 2017.

"It was almost identical. My numbers are actually almost exactly the same from (2018 to 2017). Almost to the exact dollar," he said.

Audra Fordin, owner of Flushing, N.Y.-based Great Bear Auto & Body Shop — who also heads Women Auto Know, a free membership-based site that aims to educate and empower women of all ages — said her shop saw a 2-percent increase in sales over 2017.

There was one area of her business that performed better than expected. "People are still using bulk oil instead of the recommended synthetic motor oil," she said.

While sales for some dealers were stagnant, others experienced an increase.

"Overall sales were up in both our stores," said Matthew Riechers, manager at Washington, Mo.-based Riechers Tire & Auto.

"I think it was probably better than what I expected. Sooner or later, I am waiting for the online sales to really hit us hard, and they haven't so far."

He expects sales to remain flat or decrease in 2019, considering competition from online tire sales. Mr. Riechers was impressed with his shops' repair business.

"It seems year after year, I'm shocked at how well our repair is," Mr. Riechers said.

"Given the fact that there's so much competition between the chain stores and the online and the dealerships trying to gain market share, the fact that we keep growing tire sales between our two shops surprise(s) me."

David Madden, director of operations, Adirondack Tire & Service, with 12 locations in New York and Vermont, said the company entered 2018 with "dynamic changes."

"We stepped into 2018 with a plan to better ourselves, to pay greater attention to the needs and wants of all our clients, and our sales leave me feeling we accomplished that goal," he said.

Mr. Madden said the retail side of the business exceeded expectations in 2018.

Madden

Fordin

"I hold that to our grand efforts in stepping deeper into the waters of social media advertising, attaining and interacting with clients via e-mail campaigns and, of course, by servicing the public with honest and fair recommendations on keeping their transportation safe on the roads," he said.

The ATD effect

The difficulties of North America's largest wholesale tire distributor, American Tire Distributors Inc. (ATD) (*see story, page 1*) seem to have had little impact on some dealers.

In fact, Ms. Fordin said she has not been impacted at all. "As a customer of (ATD), they haven't missed a beat in service or delivery," she said, adding that she is not anticipating any distribution difficulties in 2019 with ATD.

Mr. Ogle said C&D Tire's owner, Dennis Dossett, has worked hard to set the company up with multiple distributors in Knoxville, regionally, nationally and internationally.

"ATD is one of our distributors, and we have continued to use them the same way before and after their transition," he said. "They have always been good to us with their service and dependability."

Mr. Madden said Adirondack Tire has not been impacted because he's "never put all my eggs in one basket."

"I believe to be best prepared for these kinds of situations is never align yourself with one supplier. Always keep healthy relationships with as many as you can," he said.

Mr. Scheeler said the ATD situation has not affected him and he doesn't foresee any future distribution difficulties.

Mr. Pearson told *Tire Business* it is too early to tell how it could affect

Ogle

Pearson

Scheeler

business, but he does expect challenges with distribution next year "and an increase in expenses," he said.

"I wouldn't say difficulties; I would say changes," Mr. Riechers said. "There's going to be a lot of changes, and I've been warned of that, but I don't know if they are going to be difficulties or not."

Other dealers contacted were not big ATD customers.

"They were not a big vendor of mine," Mr. Riechers said. "The ATD situation to this point has had very little impact on us."

Mr. Ogle does not foresee distribution issues in 2019.

"There are more distributors in our area than in the past, and with fuel costs coming down, 2019 could be one of the smoothest years we have seen in a few years," he added.

Mr. Riechers said several wholesalers have warned him about potential distribution problems if further tariffs are implemented.

"To this point, I have not seen any major difficulties, but several vendors do have less inventory that usual, so I do expect it to become an issue moving forward."

Tariffs incoming

Tire dealers almost all agree that more tariffs will hike prices.

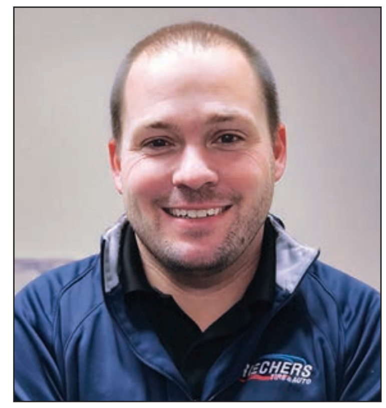
"Absolutely. No question about it," Mr. Riechers said. "Several of my wholesalers come in and visit on a regular basis have already warned us."

The private label tires will go up, he added, and that just gives the major brands a good reason to raise prices, too.

"In all my 20-plus years in this industry, we have been faced with tariff issues coming and going," Mr. Madden said.

Many smaller haulers and other similar industry consumers who count on affordable products for their fleet face the greatest challenges regarding tariffs, he said.

"It seems that the trend of the market is that as the increase on these imported goods happens, the rest of the market follows behind. It's leveling the cost playing field, but only hurting the working consumer," Mr. Madden said.



Riechers

While Mr. Pearson expects to see a continued increase in sales, there is uncertainty in supply with the pending tariffs.

"We did see a price increase across the board this summer/fall," Mr. Ogle said. "I'm sure this is due to multiple factors, including the tariffs. So, I don't think the tariffs will be the only reason for the price increases."

Competition

Mr. Riechers said the biggest market trend is "complicated and frightening" competition from major conglomerates and car dealerships.

"Over the past five years, there has been a push by the tire manufacturers to deliver tires to the car dealers, and they are indeed gaining market share," Mr. Riechers said. "Amazon and online sales are also a beast to be dealt with as well. But what is more alarming to me is the overall distribution structure.

"If the wholesalers like TireHub (the distribution joint venture between Bridgestone and Goodyear) and Amazon start funneling tires to company-owned stores or influencing where these tires are delivered for installation, independent tire dealers are going to suffer," he said.

"Independent tire dealers have been able to adapt to changing trends that over the years have been relatively slow, but internet and the distribution structure is changing relatively fast, which compounds the problem."

Mr. Scheeler agreed.

"I think the economy is getting better, but I don't think it's as good as they are saying it is," he said. "I believe competition for the independent tire dealer, like myself, is getting harder and harder to compete with the larger corporations that are moving in."

He said "it's a constant fight" since name-brand manufacturers are not focusing on the smaller dealers, just larger companies.

"My business has been pretty good the last three years, but I'm not seeing a real big push as far as my numbers going up," Mr. Scheeler said.

"We're staying steady. For an independent, we're doing pretty good . … We work. We are here every day. We watch what we do, and we try to keep up with the trends."

Mr. Scheeler said financing is a big issue, too.

"Financing tires and wheels is starting to be a big thing and even financing service," he said.

"Hopefully wheels will pick up a little bit more this year than they have. It is a little hard with the internet sales, of course, on wheels, but we're hoping that that will pick up a little bit also."

Mr. Ogle agreed that online sales continue to grow.

"Online tire shopping is increasing in popularity, and even from the beginning of 2018 to the end, we have seen more people using the Goodyear e-commerce option to purchase tires," he said.

Yet, he anticipates C&D Tire to have more of an online presence in the new year.

"We just recently launched a program that allows for real-time pricing to consumers," Mr. Ogle said.

"Our hope is that this program will allow consumers to quickly compare and decide on tires from the computer or mobile device and speed up the buying process."

Mr. Madden expects a growth in online tire, service request and appointment booking. He noted that consumers love the ability to shop from the convenience of their phones and "the days of people driving around and stopping at shops looking for the best deal are over."

"Online responding has become the new meet-and-greet with current customers and future ones," Mr. Madden added. "Make those encounters count. It is the new way."

Popular tire sizes

CUV and LT tire sizes are continuing to dominate the market over their car-sized counterparts.

"We have seen a tremendous increase in our light truck tire business," said Mr. Madden.

"More and more fleets are growing in the Capital Region of New York. With more and more luxury performance-type vehicles driving through our shops, there is a great increase in 18-inch and larger diameter tires being sold."

He said consumers are more educated and making wiser choices with their tire purchases, not just looking for the best price.

"We went through such a trend of consumers wanting the cheapest tire to looking for trusted quality with a name that is recognized in all households," Mr. Madden said.

"In this day when digital information is all the rage, people research before any purchase. I find this to be a great thing.

"Consumers ask lots of questions, and when you are educated on the products you sell, not only does it strengthen your abilities, it allows you to help your customer properly and builds a trusted relationship."

Mr. Ogle is seeing an increase in larger rim sizes as well.

See **Dealers**, page 22

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Sales grow for private-label products

Continued from page 19

we're tracking are up almost 5 percent this year," he said.

Among the top growth categories, maintenance products sales are increasing while accessories are decreasing.

On the price side, the majority of categories are seeing pricing activity of some sort, he said, including tires, wheels and accessories.

Sales of private-label products increased about 9 percent in 2018, double the growth rate across the industry as a whole, according to NPD. Units increased about 7 percent as distribution, while relatively small, is growing, Mr. Shipley said.

"We've seen an increase in (private label) distribution of 100 percent. So distribution of private label has doubled in the last two or three years. It was in chemical categories, … but we're starting to see this penetrate in a lot of categories that have other brands that have a very strong presence on the shelf," Mr. Shipley said.

E-commerce

While online sales are disrupting many retail industries, it seems to have minimal impact on the automotive aftermarket, according to NPD's Mr. Shipley.

For the automotive aftermarket, e-commerce has seen a 24-percent growth rate.

"A lot of that is volume shifting over to e-commerce," Mr. Shipley said. "It is not organic growth year-over-year. I expect that number to stay that way for awhile.

"Our expectation for automotive is that we'll be somewhere in the 25- to 30-percent range by six years from now. So we're going to see a slow but steady migration online ... barring any major disruption in our industry, … 15 percent today in the aftermarket, going to somewhere between 25 to 30 percent down the road."

He said there are many reasons why e-commerce won't overtake brick-and-mortar auto repair shops: the immediate need for parts, such as when a car breaks down on the side of the road; tactile importance (the need to see, touch and feel the part you're buying); size and fit constraints; delivery options; and ease of returns.

"There are a lot of challenges with e-commerce for our industry that I believe will keep it from growing to the 40 to 50 percent of our business," he said.

Growth continues in marketplace

Continued from page 11

acquisition of Midas shops in Appleton, Wis., and Aurora, Colo., growing its network of franchised Midas stores to 87 stores in 15 states, including a handful of Midas/Speedee Oil Change co-branded sites in the Chicago metro area. The group also operates a dozen Big O Tires stores and one standalone Speedee Oil location.

Telle Tire & Auto Centers grew to nine locations via acquisitions: Midtown Tire & Auto in St. Louis, Shamel Auto & Tire in Bridgeton, Mo., and Kwik Kar & Lube in Jefferson City, Mo., its first location outside of the St. Louis market.

Among commercial tire dealers and retreaders:

- Purcell Tire & Rubber Co. acquired the operating assets of Northwest Retreaders of Gresham, Ore., in a move that strengthens Purcell's still burgeoning position in the Pacific Northwest and effectively doubles Purcell's OTR tire retreading capacity;
- Quality Tire Co. of Denver acquired three TCi Tire Centers commercial service locations and an MRT retread plant in Colorado from Michelin North America Inc., expanding the dealership's reach to eight locations and three retread plants in three states. Salt Lake City-based Quality Tire is a Michelin dealer and Oliver Rubber-affiliated retreader;
- El-Paso, Texas-based Border Tire acquired five TCi Tire Centers commercial service locations and one MRT retread plant in California from Michelin North America. Border Tire is a Michelin dealer and Oliver Rubber-affiliated retreader with five commercial locations in Arizona, New Mexico and Texas;
- Intermodal equipment provider TRAC Intermodal acquired assets relating to the tire services division of Core Fleet Inc. and established TRAC Tire Services L.L.C. to oversee the new business, which will operate out of a 102,000-sq.-ft. facility being set up in Florence, Ky. The facility will have double the retread manufacturing capacity of the assets acquired, which had been operating as Retread America since 2008 under Core Fleet's ownership; and
- Pneus Metro Inc. of Montreal acquired a GCR Tire retread plant in Farnham, Quebec, as part of a broader expansion that includes opening a greenfield commercial sales and service depot in Quebec City and expanding the Farnham site to accommodate new tire sales and vehicle servicing as well.

On the manufacturing front:

- China's Qingdao Doublestar Group concluded its acquisition of a 45-percent ownership stake in South Korea's Kumho Tire Co. Inc., closing an 18-month chapter of uncertainty in Kumho's 58-year history. Doublestar bought into Kumho by acquiring Korea Development Bank's stake in Kumho Tire through a $607 million private placement; and
- Continental A.G. acquired full ownership of Sri Lankan solid tire maker Eu-Retec (Pvt) Ltd., buying the 49-percent stake it didn't own from the company's managing director. Conti has been a joint venture partner of Eu-Retec since 2009, saying at that time the venture was formed to supply customers in North America and Europe with solid tires.

Tire retailer sentenced

Continued from page 16

filing for an injunction against the agency.

In another government-related case, a Florida tire retailer was sentenced to a year and a day in prison after pleading guilty to excise tax fraud.

Nestor Bastidas conspired to falsify bills of sale on tires, saying they were exported to the Dominican Republic when they really were sold in the U.S., according to the Internal Revenue Service and the U.S. district attorney for the Southern District of Florida. Two co-conspirators also pleaded guilty.

In non-government cases, a long-running trade dress infringement case involving Toyo Tire & Rubber Co. and several Doublestar companies from China saw action in 2018.

Toyo filed suit in 2015, claiming the Doublestar companies infringed on the design of Toyo's Open Country M/T premium off-road light truck tire.

In April 2018, a judge in the U.S. District Court for the Central District of California partially granted Toyo's motion for summary judgment in the case.

Toyo then sought treble damages against Doublestar Dong Feng Tyre Co. Ltd. and Qingdao Doublestar Industrial Tire Co. Ltd. under the Lanham Act, which forbids trademark infringement, trademark dilution and false advertising.

The Doublestar companies in turn filed for partial summary judgment against Toyo on the treble damages issue, claiming that Toyo misrepresented the case to bolster its fraud claims. The judge agreed and granted the Doublestar motion in June.

Two high-profile cases involving Michelin North America Inc. were decided early in the year. In one, a jury in a district court in Weatherford, Texas, determined Michelin was blameless in a product liability lawsuit involving the failure of a BFGoodrich Rugged Trail T/A tire.

The plaintiff argued that the tire was defective, but Michelin proved in court that the tire had more than 80,000 miles of wear, as well as impact damage from a previous incident.

In the second, Michelin settled out of court with Tire-Mart Inc., d.b.a. Braven Off-Road, in a design patent lawsuit.

Michelin claimed St. Louis-based Tire Mart infringed on Michelin's Patent No. D530,266, the tread design for Michelin's BFGoodrich Mud-Terrain T/A KM2 tire.

In another product liability case, a Philadelphia jury in October returned an $11.7 million verdict against a Pennsylvania concrete products company in the matter of an allegedly defective Bridgestone L315 truck tire.

The woman who sued lost an arm in the accident, and her infant daughter a leg. Several other defendants, including Bridgestone Americas Tire Operations and Bridgestone Bandag, settled out of court without admitting liability.

The Ninth Texas Court of Appeals excused Bridgestone Americas Inc. and Ford Motor Co. from a product liability case in February.

Reversing a county circuit court, the appeals court said that because the accident in question occurred in Mexico, Texas courts have no jurisdiction.

Also in February, Monro Inc. agreed to pay $1.95 million to settle an eight-year-old class action suit related to unpaid wages and overtime for former technicians and assistant store managers.

Dealers say mobile services haven't affected business yet

Continued from page 20

"Car and truck manufacturers are building vehicles with larger OE wheel sizes, so we are seeing more 18- to 20-inch sizes being ordered and sold," he said. "There are trucks that are being equipped with 22-inch wheels as standard equipment, so I believe the larger size wheels and tires are going to continue in 2019."

Mr. Pearson has seen an increase in CUV sizes and expects more growth, especially for all-weather tires.

"They perform much better in winter conditions than regular all-season tires and for some, eliminate the need for snow tires," Mr. Pearson added.

Mr. Scheeler said his most popular sizes are 215/55R17, 205/55R16, 225/65R17, 265/70R17 and 195/65R15.

"It might change a little bit from the 16-inch stuff to the 17," he said, noting there are more crossover vehicles coming out.

"I think those sizes in the 16-inch (range) might go down a little, but I don't think they will, of course, be gone. I think they will still be a big seller, but there's some other sizes that will be coming up with all the new crossovers and the crossovers that are out there."

Mr. Riechers said the top three sizes he sees are 265/70R17, 225/65R17 and 275/55R20. "That goes to show you what's going on with the market.

"Years ago, it was car tire sizes that were more popular."

Mobile tire service

Most tire dealers interviewed by *Tire Business* are not competing against mobile tire services in their areas.

Mr. Riechers said his shop could add mobile tire services, but he does not see the need or demand for it in his area, and "it would be hard to make it profitable."

Mr. Scheeler said it hasn't impacted his area of Las Vegas either. "We have so many tire stores. You can go just about anywhere, in any area, and get to a tire store pretty quickly. I thought about doing the mobile service thing, but I backed off on it. I don't think it's there for our city yet."

Mr. Madden said mobile tire services have not impacted Adirondack Tire because he feels consumers don't trust it.

"It's like all the people still trying to go door-to-door to have you sign up for a house remodel or a window update," he said.

From a consumer's viewpoint, Mr. Madden said mobile service "might be a fly-by-night" venture and wondered whether consumers ever will need it.

"I believe brick-and-mortar is far more trusted. With almost 40 years of business behind us at Adirondack Tire, we will always be found and ready to help," he said, "So ask, 'Will they?' "

Mr. Ogle said C&D Tire has its own mobile service truck, "so we are competing in this area."

Qualified help

One common challenge among dealers is finding qualified help. For some it's finding entry-level positions and for others, it's an all-around problem.

"I've got a good core group of employees that have been with me for a while," Mr. Riechers said, while adding he struggles to find oil change/tire technicians.

"I try to stick to word-of-mouth because that's about the only way I can find a qualified employee," he said.

Ms. Fordin has found it difficult to find qualified help, adding "Where are the ladies at?"

Mr. Ogle said C&D Tire is fully staffed and his company has a lower-than-average turnover rate.

"Many of our employees have been with us for multiple years," he said. "In the times that we do need to hire, we might try a few employees before we find the right fit. We are pretty selective as we want our employees to live and work to a high standard."

Mr. Pearson said finding qualified employees is his biggest concern heading into 2019. "The problem seems to be too many job openings, not enough people," he said.

Mr. Madden is concerned about the absence of service technicians.

"A trend I believe is that in all labor industries, the coming-of-age generation has less interest in growing in these roles," he said.

"It's always a struggle to fill positions with trained individuals. This industry is a rewarding one, and many people don't realize all the opportunities here for them, so they don't think to explore."

Mr. Scheeler said finding qualified help has not been an issue for him.

"Being that we are only one location, I've had my same crew. I haven't had any turnover in five years," he said.

Leaner ATD looks to continue driving industry growth

Continued from page 1

provider for decades to come."

ATD said it will move forward by offering customers more than 50,000 SKUs, "data-driven" technology and platforms, "state-of-the-art logistics" and an array of marketing programs. The company said it will "continue driving growth, generating strong cash flows and deepening its value proposition for its customers and manufacturer partners by investing in the strategic initiatives, technologies and talent that are fueling its transformation.

Throughout the process, ATD has maintained to employees and its customers that business has been and will continue as usual.

"All of us at ATD would like to thank our customers and manufacturing partners for their continued support," Mr. Schuette said. "I also am deeply grateful to our team of more than 5,000 associates across North America.

"They are the most dedicated and experienced professionals in the industry. They live our values every day by focusing their full attention on keeping our customers thriving and driving into the future."

ATD's Canadian subsidiary, National Tire Distributors, has not been affected by the process.

ATD's difficulties began earlier this year when two of its largest customers, Bridgestone Americas Inc. and Goodyear, announced they were discontinuing most or all of their supply relationship with the tire distributor. The two tire makers launched their own distribution joint venture, TireHub L.L.C., which began operations on July 3.

Soon after learning of ATD's losing these major customers, Moody's Investor Service Inc. questioned whether the wholesale distributor had sufficient cash reserves to cover certain projected interest payments and maintenance costs in the near future.

In late July, ATD restructured its operations internally, eliminating 100 positions at its Field Support Center (FSC) in Huntersville as part of a new strategic plan. In addition, ATD said it would reinvest in 40 new positions — in large part to bolster its Tire Pros franchisees — many of which have been filled.

Chicago-based Kirkland & Ellis L.L.P. served as legal counsel to ATD, while global consulting firm AlixPartners L.L.P. is an operational adviser. Investment banker Moelis & Co. L.L.C. is serving as financial adviser.

Tri State strives to change perceptions of service stations

Continued from page 3

is probably a dinosaur in today's world, where many service stations tend to specialize as a convenience store, a gas station or some type of service/repair facility, but not all three. Tri State Shell, in addition to operating the small convenience store, is a AAA Top Shop, a tire center, a state vehicle inspection location, a towing service and a provider of engine and transmission work, computer diagnostics and oil changes.

Tires make up about 10 percent of sales, the Stricklers said, with Hercules the top-selling brand.

The single location business is family-run, with Les, 71, working three days a week but no longer on the payroll. His wife Jane helps out, and Jeff's sister Jennifer Lemin runs the towing operation. The facility has 10 employees including four ASE-certified technicians, including Jeff.

Les and Jane started the business in 1972 when Les was 24, purchasing what was then a rental Sunoco gas station. It was a time when the oil companies were selling many of their outlets due to government pressure over monopolies.

Les had been running his father's service station in New Jersey for three years prior and beat out 40 others interested in acquiring the location. What impressed Sun Oil Co., he said, was "when you came in here, you see how neat everything is ... . I had that mentality and philosophy back then."

Les said he always wanted to change people's perceptions about service stations. "Back then, mechanics were looked down on, and I wanted to raise that standard to a higher level at my own business, that people would see that this place was a professional place and not a grease pit, for lack of better words."

He also impressed upon his son that people drive by a lot of other service locations to come to Tri State Shell, "and you have to treat them a certain way because they *chose* to come here."

As a teenager Jeff said he didn't fully understand what that meant until he had to make other people's paychecks.

"That's when you have an appreciation, for when you have your own money that you have to spend and understand how hard it is to work for that money, how people have a choice to come here."

Jeff started hanging out at the service station at age eight or nine and got his first paycheck at 14. He worked in all areas of the business, starting part time, handling closing, doing clean-up.

"I know all aspects of this business because he's made me," Jeff said of his dad.

Although he grew up at Tri State Shell, Jeff didn't intend to make it his career. The family had a number of accountants on his mother's side, and Jeff planned to attend college for business. But he had a change of heart his senior year of high school and decided he would join the family concern.

But before his dad would hire him full time, he told him he needed to get his associate's degree. So Jeff went off to Johnson's College in Scranton, Pa., and got an associate's degree in automotive and combustion engines and technology.

Unlike many small businesses where the transition in ownership from father to son is sometimes difficult, that has not been the case at Tri State Shell. Early on, Jeff said he recognized his father's success as a businessman and felt he must know what he's doing. "So I had a very open mind taking instruction from him," he said.

The respect was mutual. Jeff said his dad never hid the finances, allowed him to do the books and to know what money was coming in and what money was going out. Les even shared his own income with his son.

"Even though my father was the boss and ultimately had the last say, he always allowed me to do what I wanted to do, to allow me to grow and not smother me, as long as it was within reason, and I wasn't going down a totally wrong road," Jeff said.

Like bringing his dog to work.

"That was something I started," he said. He and his wife got a puppy, and Jeff didn't want to leave it home alone. So he brought her to work so he could train her and let her out.

Today the facility has two resident dogs, Lady Bulova, a rottweiler owned by Jeff, and Sadie, a basset hound, which is Les'.

"People like it," Jeff said of the dogs. "The kids like it when they come in. ... A lot of people stop just to see them."

Les agreed, but added, "My big thing is if you are going to have a pet like that in your business, make sure everything is picked up and clean every day. You want to have a nice bed. You don't want dog hair all over the place. Then this is non-productive. You want the dogs to look good, present themselves good. We're professional; the dog's got to be professional, too."

Tire Business photos by DaveZielasko

A working stop light in the service bays.

Sadie, Les Strickler's basset hound, comes to work with him at Tri State Shell. So does Lady Bulova, a Rottweiler, which is Jeff Strickler's dog.

Tri State Shell photos

The women's restroom is clean, updated and decorated.

Under his ownership, Jeff has expanded the towing business.

For many years, Tri State Shell had one truck, but Jeff saw towing as a way of bringing customers back to the dealership and as differentiator from big box-store competitors.

The company has four flatbed trucks and has two roadside assistance vehicles, one of which is equipped with wipers, batteries and tire repairs, etc.

Not surprisingly, keeping the trucks and equipment clean and the employees looking professional is a high priority.

"I press that on my guys. I want my trucks clean. I don't want fingerprints on the steering wheel. I make them wash their hands," Jeff said.

Marketing strategy

Much of Tri State Shell's marketing is word of mouth, but the company also promotes itself in various ways, including social media and eblasts.

Jeff has mixed feelings about Facebook and social media but does it because that's how certain people want to communicate about their vehicle.

He said he misses his older customers who have died because they tended to be customers for life. If they found a business trustworthy, they stayed loyal to it.

"Today, it's not like that," he said. "Kids today are raised just to go where it's the cheapest and nothing else matters."

Tri State also spreads the word through signage on its tow trucks. "They are like billboards all over the place," Jeff said.

But the most effective forms of advertising for Tri State Shell, he said, are the electronic billboard and 15-foot inflatable tire located beside the road in front of the facility. People remember the inflatable tire, Jeff said, which sends the message, "That guy sells tires. They tuck that away, and at least sometimes I get a shot to quote that individual."

As for the electric sign, it's located at the corner of a nearby intersection. So it has a captive audience each time drivers stop at the light.

Tri State Shell uses the sign not only to promote itself, but to provide community messages. "When (people) are stopped there, they are forced to look at the thing," Jeff said. "It's right in front of your face. They have no choice but to look at it."

Then there's Tri State Shell's customer-first service approach.

Tire Business photo by DaveZielasko

Les Strickler shows a 1956 Chevy taillight mounted in the men's restroom. Vehicle owners opened the taillight to pump gas into the car.

Regarding tire sales, employees at the service station take time to get information from customers before selling them tires. They ask questions like how many miles do you put on your car every year, what is your budget, do you commute into the city every day. Only then can the dealership comfortably give them a few options.

An example of this involves newer vehicles, many of which come equipped with tires with soft rubber compounds that tend to wear quicker. Owners of these vehicles often don't understand why their tires are worn out at only 19,000 miles, Les said, adding that selling them, for example, a $200 tire doesn't necessarily mean that the tire will last any longer than if they spent $100 on a tire.

"I don't want to see a customer who's retired spend $200 on a tire knowing that it's only going to last 19,000 miles, and I can sell you something for maybe $125 and it will still last 19,000," he said.

Whether Tri State Shell gets the sale is irrelevant, he said. "The fact is I want that person to feel special. That we did our best to inform them and hopefully through that we get the sale."

That seems to be the overriding aim at Tri State Shell.

"Everything we do isn't always about the bottom line of making money," Les said.

"It's the fact that when people really appreciate the effort we've made over the years, that knowing that when they come here, they will leave a little happier than when they came in, because it was a fun place to stop. They've seen unique things. And that's fun."

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