



MARKET INFLUENCERS

Movers. Shakers. Shifters. Shapers. Every year the tire industry sees a vast abundance of these four, and the past year has been no different. With ever-expanding globalization heavily impacting our industry, what will the coming 12 months bring to the tire dealers, marketers, manufacturers and suppliers?

In other words, who will be this year's real movers, shakers, shifters and shapers – the Market Influencers?

TIRE REVIEW'S annual review of Market Influencers – now in its eighth year – looks at the 10 people, products, issues and things that we think will have a major impact on this industry over the coming year. Sometimes we're right, sometimes we're wrong, but over the past seven years, Market Influencers has become the best read, most referenced and most discussed part of our annual Sourcebook.

TIRE REVIEW'S Market Influencers was the first to point out the expected impact of China and its growing tire industry, the first to recognize the upward pressure raw material costs would place on dealers, the first to reveal the real impact of this nation's micro-economy, the first to discuss such issues as hybrid vehicles, globalization, trade unions, super wide tires, capacity issues, and much more.

Some of those making the 2007 list are past "winners" – some many times over – and others are entirely new. Plus, we'll take a look back at last year's list to see how well our 2006 predictions fared.

This is a purely subjective list, determined by the editors from a lengthy list of suggestions gathered over the past year. TIRE REVIEW'S editor makes the final selection.

Agree? Disagree? We'd love to hear your take on Market Influencers. Letters, e-mails or phone calls are always welcome. And if you have some candidates for next year's list, please pass them along.

1. China Inc - omplete

Horrible stench on dusty city streets. Eye-watering, pollution-belching smokestacks. Obscenely low wages. Brutal working conditions. Unhealthy food processing. Kids exposed to toxic chemicals. Negligent politicians. China in 2007? No, that was the U.S. during our industrial revolution! Yes, China has some problems – tainted food, lead paint, poisoned dog food and cars that don't crash test very well, not to mention a tire recall – but just as the U.S. did (thanks to consumer-driven safety and sanitation legislation) China Inc. will rebound and get stronger. Once the Chinese government gains a better appreciation for the rules the rest of the world observes, look out. Of course that will take a serious shakeout of its corruption-laden political system, so it isn't coming too soon. Trade imbalance and unfair trade complaints aside, the flow of China-made goods to North America won't slow. Wal-Mart and other mega-corporations simply won't let that happen. Even with the effects of wage creep, rising prices and growing shipping costs, it's still cheaper to make stuff there than here. Imports of China-made tires exploded 400% since 2001, and 27 million "Made in China" passenger and light truck/SUV tires made their way here last year – almost 12% of all consumer tires sold in the U.S. in 2006! Over the last 24 months, China-made medium truck radials helped U.S. fleets and OEMs meet tire shortfalls – and they may end up being more than stop-gap sources.

***Lingering Questions:** Did you know that Barbie was made in China? Since we've been talking about China since the first Market Influencers feature, can we take next year off? How big of a fuss will scared American consumers make about the safety and quality issue? Since when did consumers stop caring about price? How well will this new "quick recall" agreement work?*

2. Economy Blues

If one were to make a movie out of this story, I'd title it "American Schizo." How do you explain it? The housing market is down, down, down; property values have fallen and mortgage companies are failing. Inflation is up, up, up; and the Fed thinks staring at it will somehow make everything better. Stock charts for the last four months look like seismographs before, during and after a 8.9 earthquake. Feeding a family of four requires financial aid: oranges +16%, eggs +24%, beef +15%, coffee +12%, milk +21% – all since last July. Heck, hot dogs are up 16%!!! Americans are concerned about health care costs (19%), low wages (15%), housing and energy costs (8% each), according to a recent Gallop poll. Almost 65% in an ABC/WASHINGTON POST poll say the U.S. economy is "poor" or "not so good." Gift giving this coming holiday season might be a little light, to be kind. Millions of 401(k)s have been hammered by Wall Street's skittishness. And yet Washington – from the Hill to W's desk – sees no evil. Things are going quite well, say the politicians, well, at least well enough to not worry at all. The 2008 presidential (and congressional) election season is here, and change is sure to come. Hopefully we will hear these cherished words once again: "It's the economy, stupid."

***Lingering Questions:** Is schizophrenia covered under your medical program? If the rich keep getting richer, will there be enough for the rest of us? How many coffee cans of cash will it take to retire? Will someone with a real plan please stand up?*



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3. Imported Tires

What's a government agency to do? We hate all the tinkering NHTSA does with the tire industry, but now we turn our lonely eyes to NHTSA to sort out alleged quality problems with imported Tier 3 and 4 tires. If the gang at NHTSA seems out of sorts, well no wonder! While relatively small unit-wise, Foreign Tire Sales' recent recall of some 255,000 China-made tires will have a major impact on the U.S. tire industry for years to come. And that's not necessarily a bad thing, at least for domestically placed firms. Look, there is no doubt that we have tough tire safety standards, tougher now than ever before. But these regulations need to be applied evenly and thoroughly across the board. When overseas companies are not held to the same standards as local tire makers, there is a problem. Getting a DOT number should require a lot more than a little paperwork. Our notoriously leaky docks allow thousands of products to pass through unchecked. If sub-standard tires are among those, well, you do the math. The world is enriched by the quality of most of its tire companies, including those in China, India, Eastern Europe and across Southeast Asia. Importers have to do their homework, and be far more involved in the entire process. So do retail and commercial dealers. If NHTSA tightens its rules, we'll all have better reason to feel comfortable.

***Lingering Questions:** So, does your insurance guy know you're selling imported tires? Did you check with the importer to see what coverage they have? Warranty?*

4. Used Tires

Forgive me if I just don't understand. You say you are willing to sell tires that have already seen an unknown number of miles and an unknown number of hazards, driven under unknown conditions by people you don't know, and the "quality" of these used tires has been "verified" by someone else you don't know (unless you have your own shearography machine handy)? Wow, sounds like a hell of a plan...if you're an attorney looking to buy an island or something. Amazingly, 74% of you confess to selling used tires (based on our most recent Dealer Profile Study). Even more amazing is that TIA is considering a used tire training program, and some dealers are upset by RMA's technical bulletin on used tires. Huh? Look, the economy sucks and some folks can't afford much more than a few 32nds. But aren't you guys in the business to sell new tires produced by new tire makers like Bridgestone/Firestone, which stopped selling used tires at its stores earlier this year. Are you willing to be the big payoff for some plaintiff and attorney when the used tire you sold goes bad? Equally worrisome: used tires suffering catastrophic failure while being mounted...even inflated.

***Lingering Questions:** And why haven't tire companies been more vocal about this issue? With their name on the sidewall, don't you think they'd try to avoid litigation? When did this industry become a Goodwill store? Do you buy used underwear at garage sales? Does your vendor follow RMA's used tire guidelines? Did you even know they were there?*

5. Being Green

Hotter than the hula-hoop, Being Green is THE big, new in thing. Corporations talk about lowering their "carbon footprint" in the same giddy fashion they use when talking about cost cutting. Even non-industrial companies are scratching up examples (often lame) of how they are 'Green.' Funny, wasn't it just two years ago that everyone was laughing at hybrid cars? How time flies! Driven by wallet-robbing gas prices and a now-firm belief that there is such a thing as global warming – a point still lost on D.C. folk – Americans are embracing the role they play in the Earth's future. While there is no telling if the Green movement will flash and crash – like the hula-hoop craze – consumers may place greater emphasis on the environmental impact of products vs. their retail price. And that might cause some retailers to stumble. While the Greening of an old-line industry is a hard undertaking, a few tire makers have taken the challenge and are rolling with new ingredients and lower rolling resistance compounds. Expect a flurry of Green initiatives from the tire industry this coming year. Better learn how to sell them.

***Lingering Questions:** Will the tires actually be green? Will the Green movement bring back passenger tire retreading? How silly will some companies make themselves look just by trying to appear Green? Will e-mail press releases be printed on recycled e-mails?*

6. India's Tire Industry

You may not yet have heard of them, but you soon will. BKT, Apollo, Balkrishna, Birla, Ceat, JK, Metro, MRF and many more tire makers – all of them looking to improve their technology and many already making marketing moves into Western Europe. It won't be long before more India-produced tires head farther West. Some of the same forces that have driven China's tire growth are at play here, not the least of which is accelerated technical advances. Radialization still hovers around 3%-5% of total output, but recent investments by tire makers will push that up. Relatively low labor costs and a better-educated workforce haven't hurt, either. Neither has heavy capital from name players like Bridgestone and Goodyear. Expect more to jump in with both feet. At the same time, India's domestic tire market has yet to heat up.



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When it does, exports may slow rapidly. Right now, India's car industry produces just one million units per year (by comparison, China's is *increasing* its car output by 1.5 million next year), and the country's infrastructure is really poor, putting it kindly. Thousands upon thousands of miles of new roads are sorely needed, and those will quickly fill bumper-to-bumper as newly minted middle-class Indians invest in wheels.

Lingering Questions: *Will the customer service center for Indian tire brands locate in Omaha? How eager will North American importers be to tackle this opportunity? Or will they wait until China is tapped out? Will we move "high-tech, high-margin" tire production to India instead of China?*

7. N.A. Retreading

Twenty years ago, the North American Retreading industry had its own trade show, with hundreds of booths and thousands of show-goers. Now it's more like a small family reunion. Today, Bridgestone owns Bandag, Michelin just bought what was left of Oliver from Cooper, Michelin opened a new tread stock plant in Mexico, and Marangoni's growth is allowing it to buy larger digs in Nashville. Good-year, the only one to not make a major move in the last 12 months, is alive and well and growing. It's a good time to be a retreader, it appears, as world-wide medium truck tire capacity remains heavily strained. Plus, retread technology advances (and tiremaker input) have addressed growing removal mileage and rolling resistance concerns of truck fleets. Retreading, which has always been sold as an important element to a fleet's tire ROI, will become an even stronger player now that tiremakers have tighter reins on the three most popular retread processes. Marangoni, which has been building momentum in recent years, stands to gain among tire dealers and fleets that are not (or don't want to be) attached to the Big 3. Makes one wonder if other medium truck brands might be looking for a hook up.

Lingering Questions: *Will we see retreading moved to "lower cost" countries? With the medium truck tire market about to rebound, will N.A. retreaders be able to keep up with the demand push? Twelve months from now, how much 'Bandag' will be left in Bridgestone Bandag?*

8. Right to Repair

Think things are quiet on the R2R front? In this age of mass globalization, R2R has now become a hot issue around the world! The words "Right to Repair" are flying from the lips of service and tire shop owners across Europe and Canada

(with a good push by TIA prexy Paul Hyatt) right to the ears of EU and Canadian politicians. And they are getting a real earful. Like an avalanche in the Alps, serious momentum is building. Stateside, though, where we like to stare at our shoes, things have been more like a one-man snowball fight. Facing the horrors of TPMS first-hand, state groups have met some success carrying the R2R mail to state legislatures. In Slothville, U.S.A. (formerly known as Washington, D.C.), things are moving at a more measured pace. Perhaps in centimeters. Barely 20 legislative sponsors have barely gotten behind yet another R2R run in Congress. Dems, busy playing Whack-A-Mole with the insipid "issue" of the day, haven't accomplished much more than a nice vacation. Republicans, who weren't big on R2R anyway, barely have enough juice to get out of their own way let alone do anything meaningful. So, don't look for the R2R glacier to attract much Federal attention anytime soon. State efforts will have to heat up.

Lingering Questions: *Will global momentum force movement in Slothville? Will global warming melt the R2R glacier? Exactly what is an automaker's margin on TPMS reset information?*

9. Russian Tyremakers

Help them, they are falling down and can't get up! Boy a couple of years ago, Russia looked like the great new tire frontier. Big, eager workforce. An economy starved for industry and jobs. A burgeoning car market. What the heck happened? Major names looking for sales in Eastern Europe have passed over Russia in favor of Hungary and Romania. On the domestic front, things aren't that great, either. Sibur-Russian Tires is begging for a JV mate – any JV mate – with a half-closed eye on hitting the global market. It is willing to take a seriously subjugated role in any deal just to gain some technology and distribution help. Amtel bought better technology for its aged Soviet-era plants by taking over Vredestein Banden. Since then, Amtel-Vredestein has stumbled. It went spending happy in buying out a competitor and buying into Russian retail distribution. Frustrated with their Russian counterparts, the Dutch side of A-V's management board quit. Then the CEO was fired and the CFO quit. Amtel's founder just bailed, after dumping more than half of his holdings in the company. And a plan to raise 150 million euro in much needed capital has been scuttled. Interesting times, this. Perhaps it will end well for Russia's Big 2 tiremakers and once bright expectations will be met. If so, they can be formidable players in our global industry. Then again, Putin-led Russia is the land of bad internal politics and massive corruption. So, who knows?



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Lingering Questions: For what it costs to have a car in that country, will Russia's domestic tire demand ever stack up? If you put super premium tires on a Lada, does that automatically double its trade-in value? How long before any of the Big 3 looks to land there?

10. iMedia

Not long ago, consumers viewed their PCs and cell phones as "tools," something they used to accomplish a specific task. Like a hammer. Thanks to Apple (not to mention media- and tech-savvy teens), high-tech is now highly accessible. Products like the Mac, iPod and now iPhone have become indispensable – and comfortable – personal products for folks of all ages. I-items have become integral parts of both the household and the car, driving all manner of entertainment – from movies to TV to music to interpersonal communication. Web ad-happy companies are now looking to message through portable pocket-

sized devices. And keep in mind that the first generation of the Internet Age has recently graduated college and is poised to direct our future. The day is almost here where a small business can blast its own iMessage to passing shoppers, sending them instant iCoupons via cell, even guiding them to the door thanks to GPS navigation systems. We've come a long way from sandwich boards and megaphones! The future is so bright, I'm wearing iShades.

Lingering Questions: How long before we see the first iTire, with a chip that communicates with the iDriver? How long before we put "i" in front of every word? Can't we just listen to music and play videos instead of getting all caught up in this stuff? At the end of the day, who has had a greater impact: Bill Gates or Steve Jobs?

2007 INFLUENCER SCORECARD

1) Fuel Prices

From the pumps to the produce aisle, my empty wallet gives it a big, hairy... **A+++++**

2) The Economy

Crushing millions before our eyes, and D.C. doesn't seem to notice. **A+**

3) Raw Materials

Well, at least there weren't so many price increase news releases this year. **B**

4) Automotive OEMs

Dr. Z got dumped, and still came out better than the rest of Detroit and OEM suppliers. **B**

5) Globalization

Now that it's here, we're about to see what it really means. **A+**

6) Private Brands

Fewer strong players are left, and share continues to decline. **A**

7) Congress

Change did come. Nothing changed, so D.C. was officially renamed Slothville. **C-**

8) Titan

Now Titan's taking on the Chinese...and winning. What a streak! **A++**

9) Lead in Vehicles

This will come to a head. Just not today. **C+**

10) Blingy SUVs

Hey, we thought it was a good idea. Just like spinners and fuzzy dice. **F**