

## RETREAD WORKSHOP

# *New Opportunities for Success In Retreading*

Wednesday September 19, 2012  
2:30 pm



# Introduction & Executive Summary

- The US retread industry has changed dramatically in the last 12 years
- In 2000 the ITRA estimated that there were 1,123 active retread plants in the U.S. producing 16.5 million truck tire retreads and accounting for 52% of the commercial truck tire replacement market.
- Through the end of 2011 there are about 760 retread plants producing 15.3 million truck tire retreads and accounting for just under half the total commercial truck tire replacement market.
- Truck tonnage miles is increasing and representing a larger share of total shipping miles with trucking accounting for 70% of total tonnage shipped in the US.
- The major tire manufacturers are all investing in the millions and billions of dollars in the retreading through acquisitions, procure tread capacity investments, sales & marketing campaigns, and expanded channel reach.
- While a global tire and casing shortage has fleets examining their tire management techniques and considering retreading not just out of economy but also out of necessity.



# Introduction & Executive Summary

- In this presentation we will explore why the retreading industry is well positioned for growth and how retreaders can potentially capitalize on that growth to help ensure their success in the future.



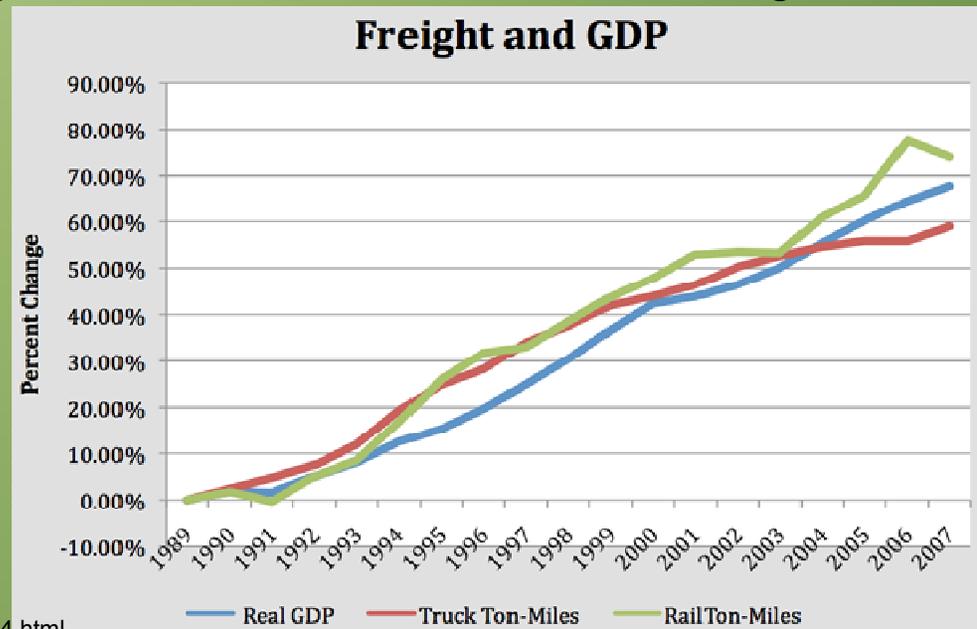
# Agenda

- What is the state of the retread industry today?
  - Review transportation & trucking
  - Replacement tires
  - Retread marketplace
- Where is the industry headed
  - What are the major trends seen in the marketplace today?
- What opportunities does this present?
  - How can you capitalize
  - What are



# The Transportation Industry Overview

- The U.S. transportation system is the largest in the world, serving more than 7 million domestic businesses and over 300 million residents.
- 1 out of every 7 U.S. workers or about 20 million people are employed in the transportation industry:
  - 11 million in direct transportation and transportation-related industries (e.g. pilots, autoworkers, highway construction)
  - 9 million in non-transportation industries (truck drivers for retail and grocery stores, wholesale shipping clerks, and distribution managers for manufacturing firms)
- More than \$1 out of every \$10 produced in the U.S. Gross Domestic Product is related to transportation activity.
- On a typical day, about 43 million tons of goods valued at \$29 billion is moved an average of 285 miles per ton.
- The domestic freight ton-miles growth over the last 10 years has been nearly 2% annually while inflation adjusted dollar growth has been nearly 5% annually.
- This has been driven by a combination of both longer distance hauling and greater total tonnage.



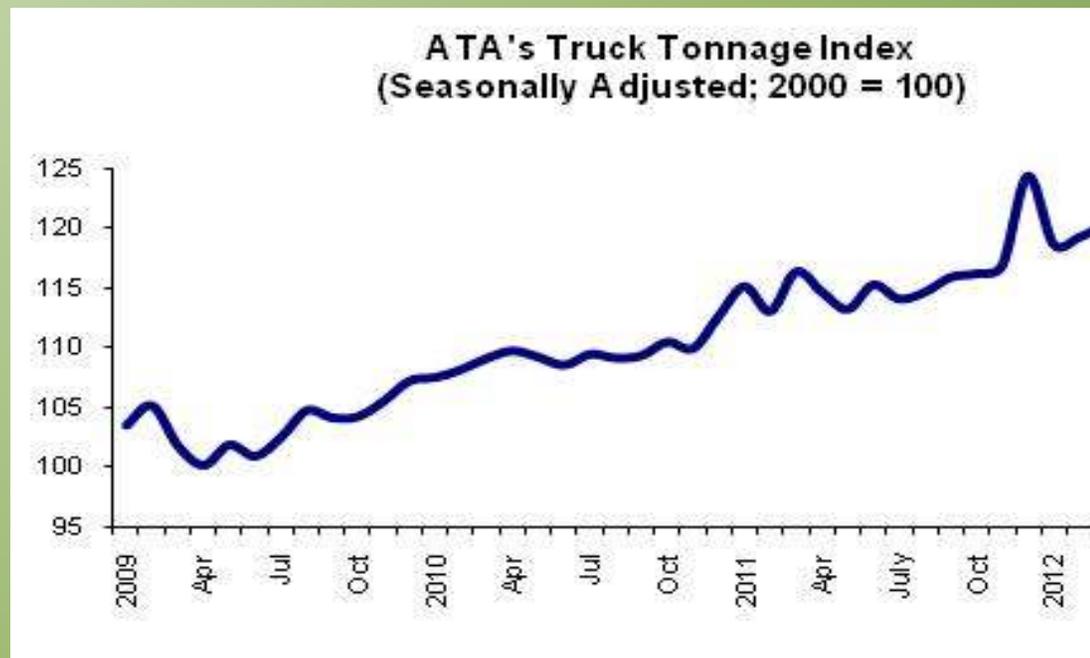
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Chart Source: <http://midamericafreight.org/outreach/importance/>

# The Trucking Industry in 2012

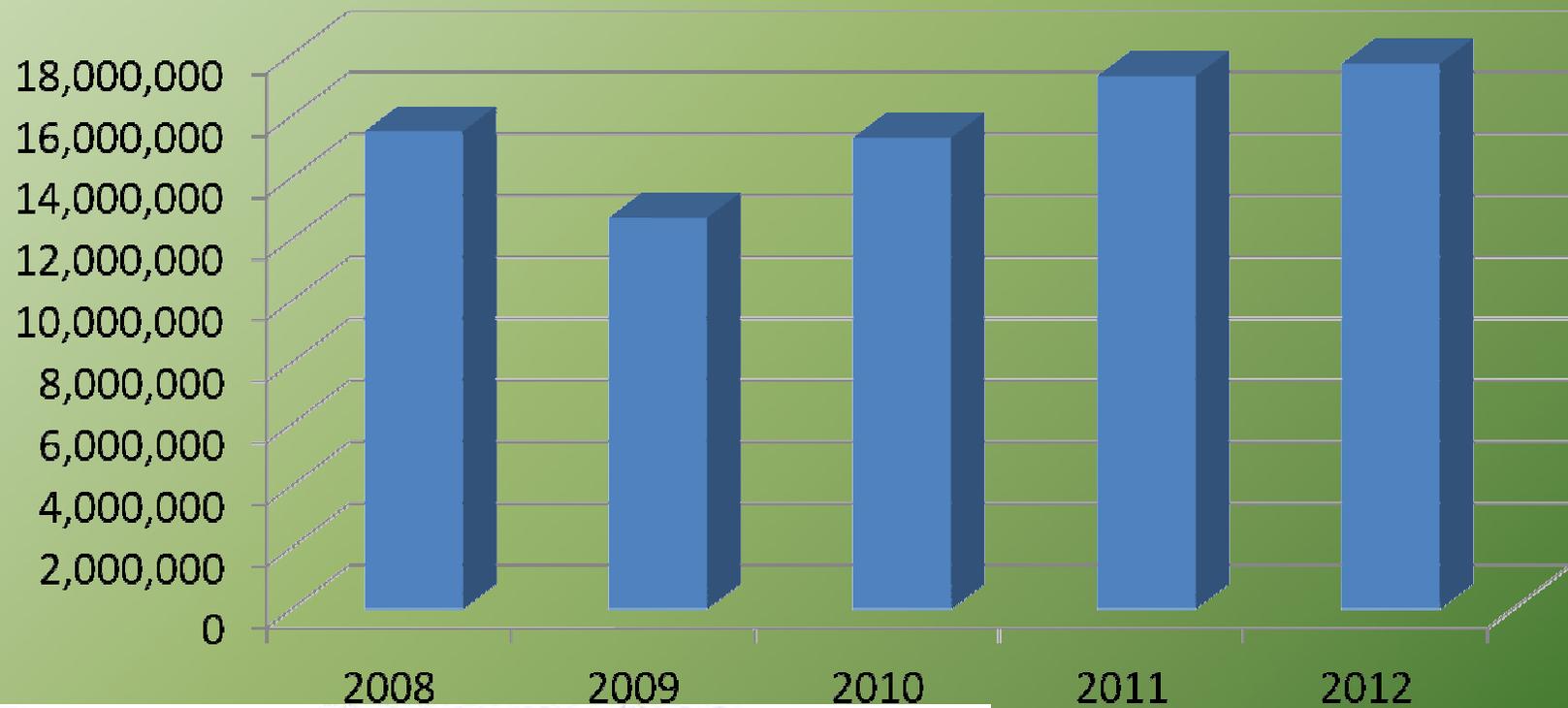
- Trucking serves as a barometer of the U.S. economy because it represents nearly 70 percent of tonnage carried by all modes of domestic freight transportation, including manufactured and retail goods.
- The transportation industry growth trend continues in 2012 as reflected in the ATA's (American Trucking Association) Truck Tonnage Index. The latest figures from July indicate year over year growth of 4.1% increase. The ATA forecasts truck tonnage in 2012 to grow by 3 to 3.5%.



# Replacement Tires

- A dramatic reduction in the demand for freight in 2009 lead to a decrease in demand for tires. When fleets needed new tires, they cannibalized the empty trucks they had parked. The result was an 18% decrease in replacement truck tire shipments vs. 2008.
- Replacement truck tire shipments have recovered as freight demand has rebounded. The RMA projects that 2012 replacement truck tire shipments will increase by about 400,000 units or 2% over 2011.

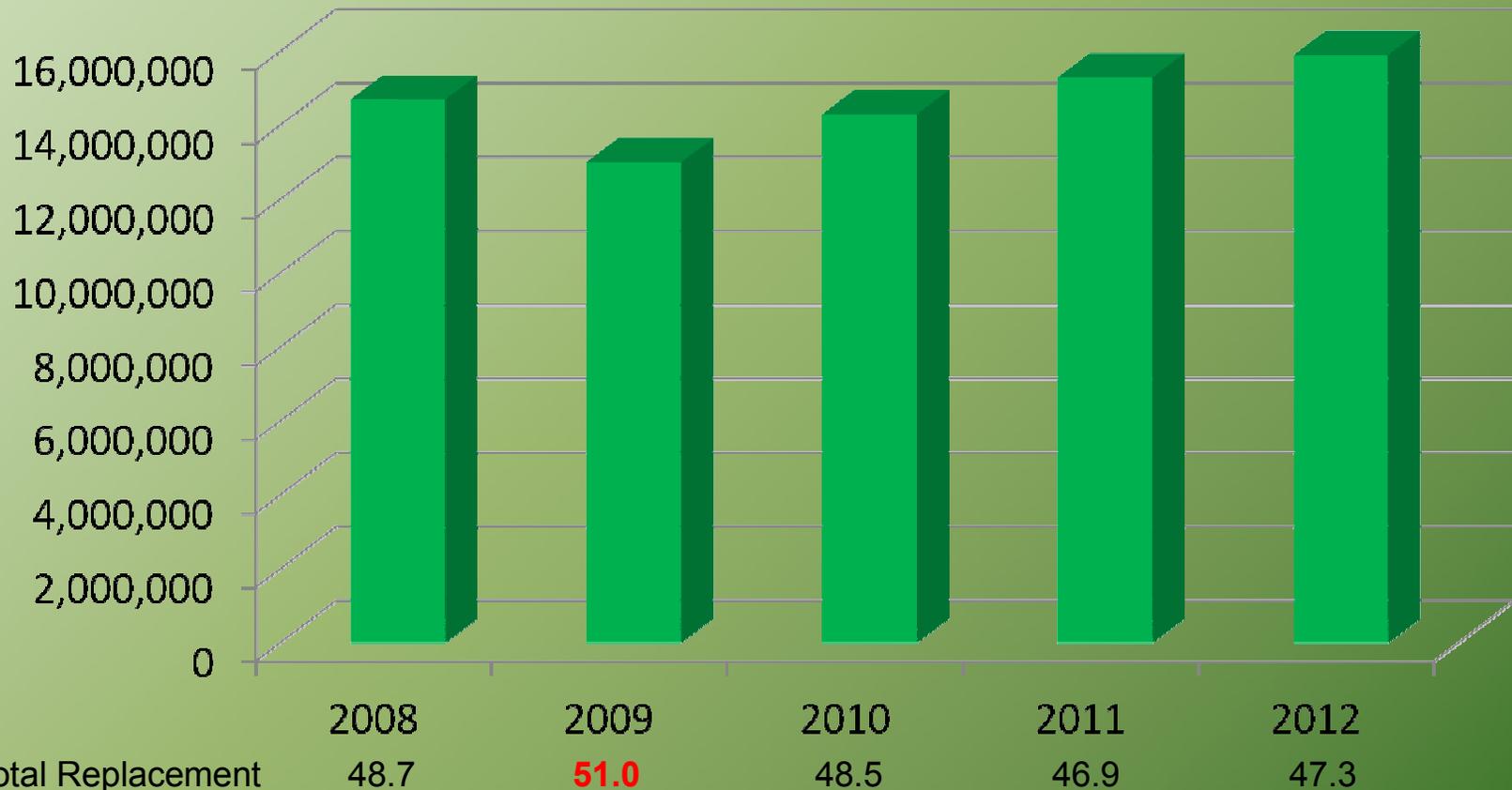
■ Replacement Tires (new)



# Retread Tires

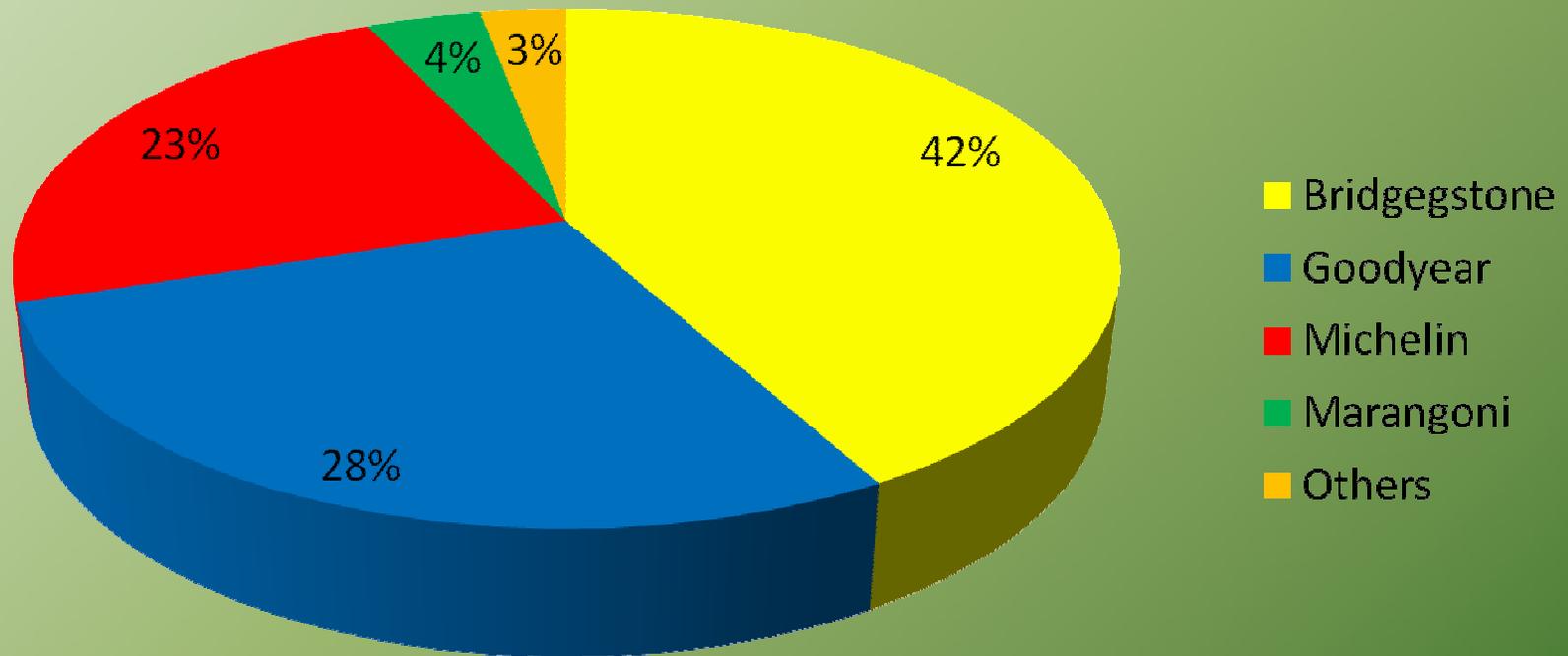
- Although retread tires also suffered a decline in 2009 it was not as severe as the decline in new replacement tires. For the first time since 2004 retread tires represented more than 50% of the commercial truck tire replacement market.
- In 2011 retread tires surpassed pre-recession production levels and are projected to reach close to 16 million units in 2012.

■ Retread Tires

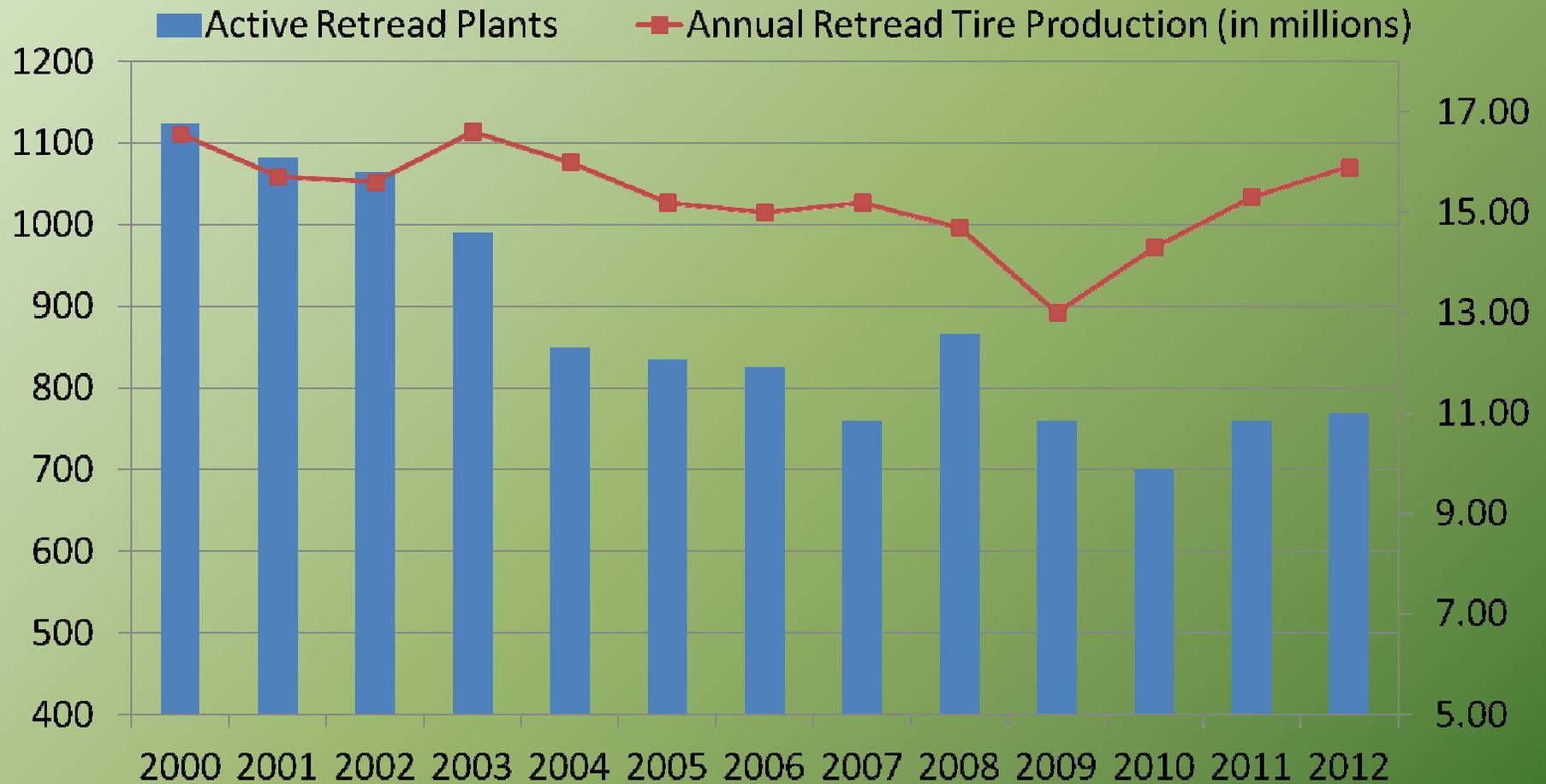


# 2011 U.S. Market Share, Retreaded Truck Tires (Based on 15.3 Million Units)

Market Share



# Retread Annual Output and Number of Retread Facilities



# Major Investments In The Retread Industry

## Michelin acquires Oliver Rubber Co.

2007-09-01

TEXT SIZE + -

GREENVILLE, S.C. - Michelin North America has expanded its retread offerings with the acquisition of Oliver Rubber Co., a subsidiary of Cooper Tire and Rubber Company.

## Bridgestone Americas Completed Acquisition of Bandag

March 17, 2011

### Tokyo (J) ContiLifeCycle plans to expand across the land

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Continental Tire the Americas LLC is looking to expand its ContiTread distribution network in the United States -- and beyond. July 27, 2010

Paul Williams, vice president for tires, outlined the current and future business unit, ContiLifeCycle conference earlier today. The company continues to position itself as a leader for new and retreaded truck tires.

expands throughout the Americas in 2011.

U.S. and Canada

In the U.S., Continental will continue the promotion and sales of ContiTread products through RingTread technologies, are

### Marangoni will invest \$3.3 million in U.S. plant

Marangoni SpA will invest \$3.3 million in its Marangoni Tread North America plant in Madison, Tenn., to begin production of its Unitread precure product.

Unitread is currently manufacturing in plant will commence in April 27, 2012.

"The Unitread line is designed to meet the needs of officials.

January 06, 2012

### Continental triples flat tread production in Mexico



Continental continues to expand its tread pressing facility in Mexico.

Continental Tire the Americas LLC has made a significant investment in its tread rubber plant in central Mexico.

"The result is that Continental now has the ability to cap more than 1.2 million truck tires annually with our ContiTreads," said Paul Williams, executive vice president for truck tires in the Americas, at the company's annual commercial dealer meeting in Bonita Springs, Fla., on Jan. 6.

"We first opened the ContiLifeCycle tread rubber manufacturing plant in May 2011 with the intent of supplying our ContiLifeCycle retread licensees and company-owned plants throughout our current footprint of the U.S., Mexico and the Andean region, and

expanding in the near future to include the Mercosur countries," he told more than 150 dealers from the United

ent at this central

3 doubles the size of the ss. The facility will have already been

### Mexican company buys assets from Associated Rubber

Galgo, Mexico's largest tread rubber supplier, has acquired the assets of Associated Rubber Co.'s tread rubber operations

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Dallas, Tex

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### 3/4/2008 Wingfoot Commercial Tire Opens 23rd Pilot Truck Center

Wingfoot Commercial Tire Systems is opening a new Pilot Truck Care Center in Oklahoma City. The new center is located at 410 South Morgan Road on Interstate 40, Exit 140. It will provide trucking fleet new tires, retreads, limited mechanical service, preventive maintenance and roadside assistance. Wingfoot Commercial Tire Systems, a wholly owned subsidiary of The Goodyear Tire & Rubber Company, has 170 commercial tire sales, service and retread facilities nationwide. With the addition of the new truck center in Oklahoma City, Wingfoot Commercial Tire Systems now has 23 on-highway Pilot Truck Care Centers nationwide.

Besides offering new tires, the centers provide retreads, tire management tools, preventive maintenance and mechanical work.

### Top retreaders prep for growth

Retread companies see light at the end of the chamber

By: Bob Ulrich



Mark Muncy paints a finished retread at King Tire Service Inc.'s Bluefield, W.Va., plant, the first ContiLifeCycle facility in the U.S. King Tire made the "Top 100" list this year.

Domestic retreaders produced 15.3 million truck tire retreads in 2011, 7% more than they did in 2010. Based on the expansion plans of the "Top 100" retreaders in the United States, those numbers will go up this year.

Some are replacing buildings. Others are remodeling facilities. Almost all of them are optimistic, although casing availability remains an issue.

Looney's Tire Service is installing a tracking system at its plant in Little Rock, Ark. McCarthy Tire Service Co. Inc., based in Wilkes-Barre, Pa., is investing in new equipment for all six of its shops.

Two of the largest OTR tire retreaders in the country will up production in 2012. H&H Industries Inc. in Oak Hill, Ohio, already has added equipment, and plans to grow



# Retreading Is Recycling with Long Term Sustainability

- The United States is estimated to generate over 260 million waste tires per year.
- Retreaded tires contain up to 75% recycled content.
- Manufacturing one new truck tire takes 22 gallons of oil – most of this oil is found in the casing which is reused in the retreading process.
  - As a result it takes only 7 gallons of oil to produce a retread.
- Global demand for resources used in manufacturing tires is growing.
- Corporate responsibility and strategy will lead to continued investments in retreading.



# Industry Trend Summary

- Demand for freight is increasing and projected to grow by over 3% in 2012.
- New replacement tire production has been lagging demand for tires.
- Tire manufacturers and major industry players are making significant investments in retreading.
- There are fewer retread production locations producing more and more retreads.
- Demand for resources is growing globally. Raw material shortages will be a challenge in the future. Waste tire management is a challenge for many countries including the US.
- Retreading is recycling but just as importantly it is a strategic initiative.

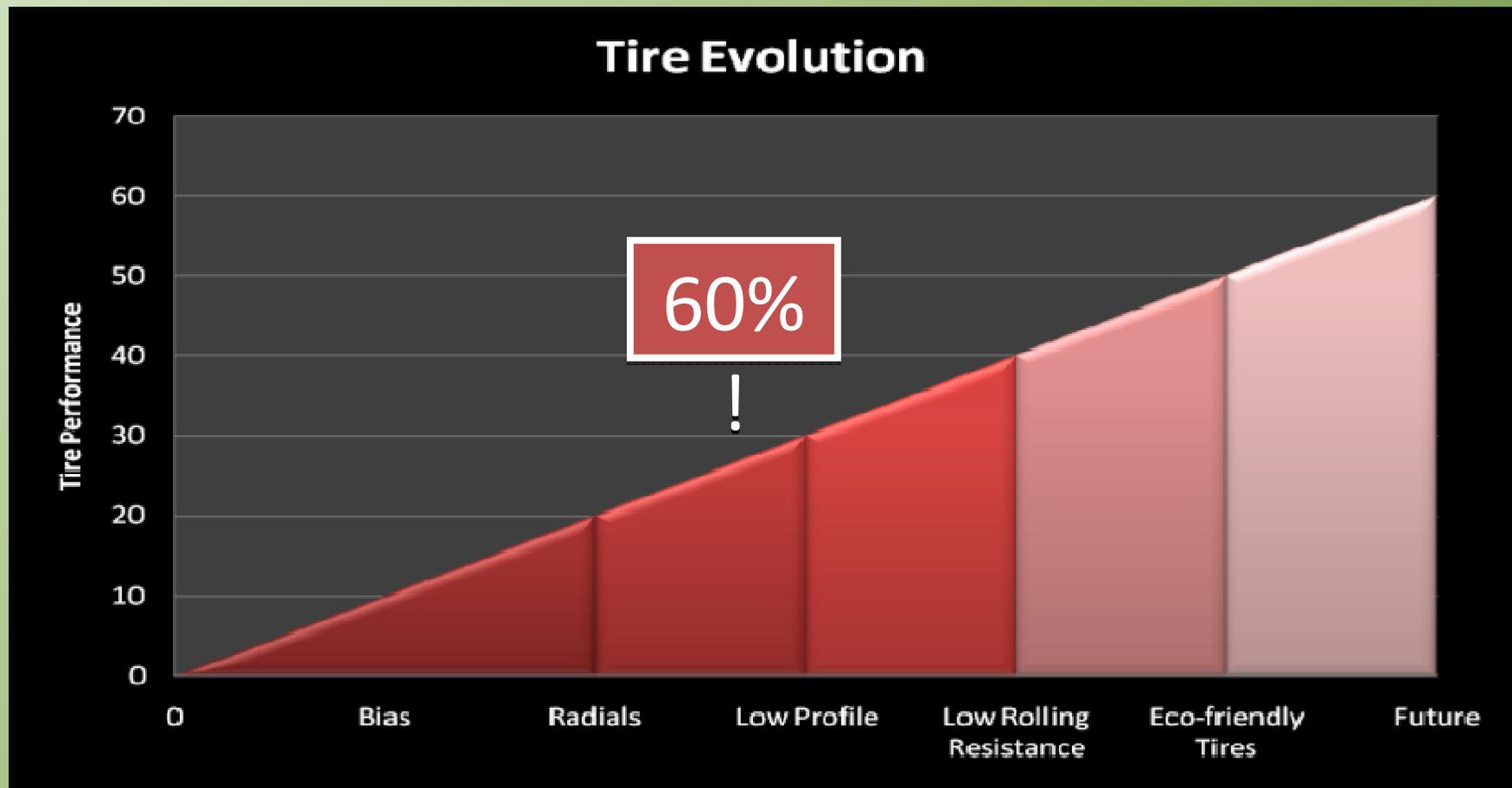


# What opportunities does this present for you?

- Due to tire and casing shortage Truckers and Fleets have to consider retreading, some for the first time.
- Tire and casing management services including a complete retread program is required and can be sold to independent truckers and regional fleets, not just the national accounts.
- More opportunities for retreading within the context of complete tire management.
  - Open New plants
  - Increase capacity at existing facilities
  - Manage your customers tires helping them save money with proper tire maintenance and helping ensure good casings for a complete retread program.

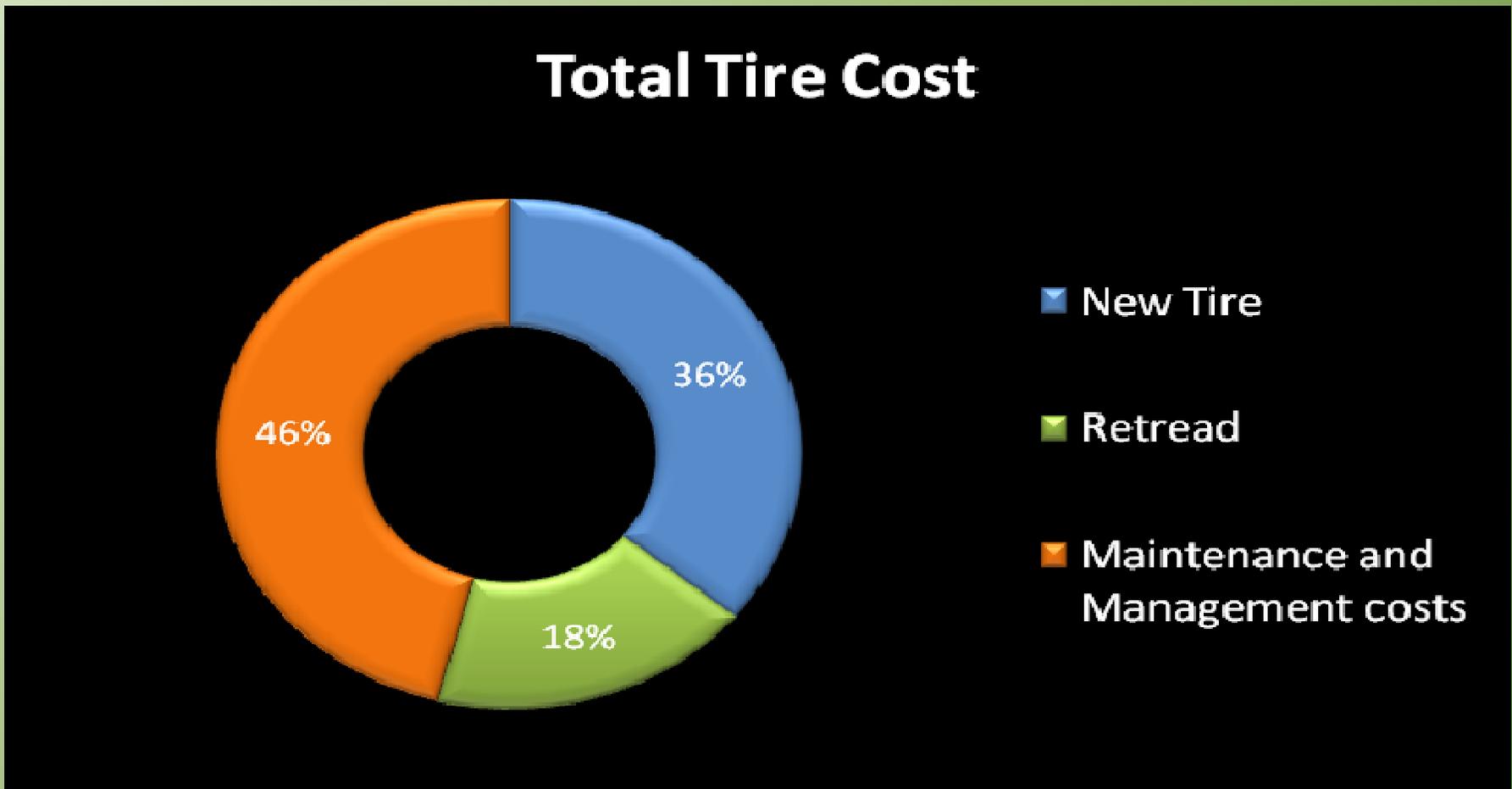


# Tire Management has not kept pace with Improvements in Tires



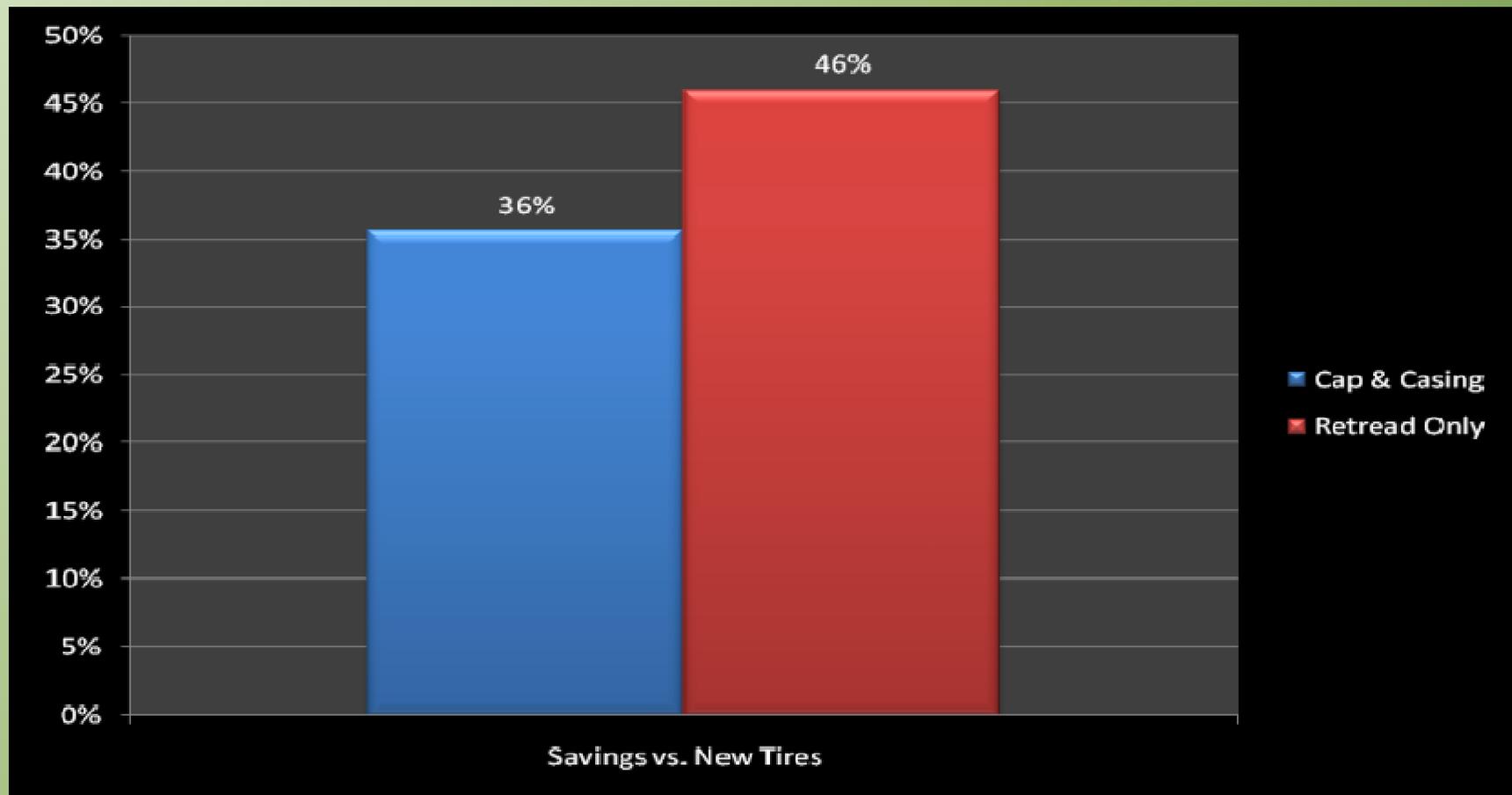
# Tire Management

- For a standard truck fleet with their own maintenance system AND a retread program the cost to maintain and manage their tires is nearly as expensive as their tire investment.



# Retread Program or Cap & Casing

- A tire management system that incorporates retreading the fleets own casings offers an addition 10% savings vs. a cap and casing tire management strategy.



# The Basics – Tire Inflation

- Q: Suggested industry practice is to take tire inflation when the tires are cold. What temperature is “cold”?
- Improper tire inflation increases annual tire procurement costs by about 10-13%, causes fuel economy loss of about 0.6%, and is responsible for about 1 road call per year per tractor-trailer.
  - Road call averages 2.55 hours of lost travel time
  - Costs \$750 plus tire cost, lost customer goodwill, and penalty charges for late freight delivery.
  - Close to 9% of all trucks suffer roadside downtime due to low tire pressure.
- Low tire pressure can damage tire casings preventing them from being retreaded.

# Selling Services and Solutions

- Fleets want out of the tire business.
  1. Tires are not their core business
  2. But tires represent a significant and important expense to their operation
  3. Lack of knowledge and expertise, inefficient tire management
- Tires should be managed by professionals
  - Certified tire management techniques
- Tire Management should:
  - Reduce operating costs
  - Increase performance
  - Increase retreadability

# Successful Retread Program

- Training
- Training
- Training
- Motivation

Quality  
Technicians



Quality  
Process

- Proven techniques
- Proven processes
- Ongoing improvement
- Independent experts

Your Retread  
Plant Can be  
Your Best  
Sales Tool



Quality  
Equipment

Quality  
Products

- Dependability
- Inspection & Automation
- Local service and support
- Ongoing improvement

- Raw materials
- Supplier partner support
- Ongoing improvement



ITEC2012



# Making the Right Investments in your Retread Facility

- What are 3 of the largest operating costs of a truck tire retread plant?
  - Energy
  - Labor
  - Raw Materials
- Investing in equipment & technology, ongoing employee training, and the right raw materials will give your retread program a cost advantage over the competition.

# Successful Retread Program - Energy

- Training to follow the process
- Minimize open chamber door
- Don't stop blades until tire is finished

Quality  
Technicians



Quality  
Process

- Control Chamber Runs
- Minimize Buffer start & stops
- Voltage and amp service for efficiency

Energy  
-Buffer  
-Electric Chamber  
-Compressor & Drier



Quality  
Equipment

- Matching chamber size with production requirements
- Buffer Automation
- Correct size compressor



Quality  
Products

- Chamber insulation, hoses, couplings.
- Efficient and long lasting buffing blades.

# Summary

- There is an opportunity for you to sell tire management services with independent and regional fleets. Selling a cap and casing alone is not a competitive advantage.
- Retreading is a vital part of a complete tire management program. Retreading is a long term strategic investment.
- Managing all the aspects of your retread operation itself is a huge and ongoing challenge.

**We Can Help!**



# To Learn More

- Please visit us on the show floor at booth

**# 382**

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## Thank You!

