

State Association Speech

As we continue our journey into the 21st century, the major challenges facing this industry are coming from two fundamentally different directions: one is economic; the other is political.

The economic challenge is the decline of company profitability. Many of our members are making less money in 2008 than they did in 2007. The cost of diesel fuel, the privatization of many highways, and the recent investments in the railroads has especially challenged the commercial sector. Few events discipline the corporate mind as quickly as a drop in earnings. Workforce and administrative changes inevitably follow: owners work longer hours, workforce is reduced, unprofitable areas are eliminated, burdensome and expensive regulations are ignored, and corners are cut.

Pricing has been intensely competitive in recent years. Our overall industry traditionally has been a slow growth industry, particularly tire sales, where most of the competitive jockeying only results in changing the size of the slices of the pie. There has been some effort—but far too little—in creating a bigger pie itself.

As I see members compete for larger market shares in a slow growth market, I am reminded of the story of 2 men who go bear hunting on a Sunday afternoon. Suddenly a bear appeared and jumped out in front of them. The 2 men dropped their guns and began to run. One hunter said to the other, “Do you really think that we can outrun that bear?” The other hunter responded, “I don’t really care. My only concern is that I out run you!”

The economic difficulties that grip our neighborhoods, our cities, our states, and our nation also affect much of the world. We have witnessed major restructuring of global economies of

which our nation is just one piece. And whether we like it or not, all industries have had to face up to the fact that we are in a fierce and bitter battle that now spans beyond state and national borders.

The second great challenge facing this industry is that of government regulation. Our lawmakers seem to forget at times that the primary aim of government regulation of the economic life of the community should be not to supplant the system of private enterprise, but to help make it work. Too frequently they turn their back on the advice that President Kennedy offered, and that was...”I do not believe that Washington should do for the people what they can do for themselves through local and private efforts.”

Too many of our members are struggling...are taking out second and third mortgages on their homes, or pulling their children out of college, or spending down their retirement accounts, or selling a second home to try and save the business. One member, who has been a dealer for 38 years, told me that when he took over his first tire store his dream was to reach \$250,000 a year in sales. In time he reached that goal and enjoyed a very comfortable life. He had a nice home and was able to put his kids through college. Today, he told me with tears running down his face, he does in excess of \$250,000 in sales a month, yet he has to continually dip into his savings to pay all of his bills.

The sale of used tires is a controversial issue. Knowing that the sale of used tires can be a profitable and safe piece of your business, TIA negotiated with RMA and their manufacturer members to amend their service bulletin to come up with a document that the industry can live with.

Other issues:

- (1) Right to Repair: TIA and its members have taken to the halls of Congress in support of the Motor Vehicle Owner's Right to Repair Act. Modern cars and light trucks contain advanced technology that monitors or controls every function of the vehicle, including brakes, steering, air-bags, fuel delivery, ignition, lubrication, theft prevention, emission controls, and tire pressure. Tire dealers and independent repair facilities must have full access to affordable information and tools necessary to accurately diagnose, repair, or re-program these systems. This information and equipment is necessary to ensure vehicle safety, performance, and environmental compliance. (Discuss visit to New England and the 2007 conference with 31 countries in Bologna).
- (2) National Energy Bill—TIRES An aggressive goal of TIA's Strategic Plan is to launch an all-industry public relations campaign to enhance the value of the tire industry products and services. That public relations campaign, the recognition of the support needed for state and regional associations, and the need and cost of continued training were the major forces behind the efforts to establish a check-off program. As part of the 2007 National Energy Bill, Congress called on NHTSA to establish a very similar sounding program. Perhaps we can get a program off the ground in response to this new legislation.
- (3) Retroactive Liability Provision of Superfund—Tire dealers in over 30 states have been cited for the cleanup of Superfund sites after they followed the letter of the law in disposing of their used oil. This used oil many times ends up in what become Superfund sites, and the dealer is cited as a generator of the oil. (Cite the Plaistow site in New England, and discuss the meeting with Senator Kennedy.) Our small business owners

perform a service to the public by gathering the waste oil and disposing of it according to State and Federal laws, thus protecting the environment. TIA is pursuing legislation on Capitol Hill to give small business tire dealers a meaningful defense from the Superfund retroactive liability web.

- (4) Privatization of highways.
- (5) Motor fuel prices and a recent congressional-mandated study proposing motor fuel tax increases by as much as \$1.00 a gallon (the Highway Trust Fund could run out of money within 15 months.)
- (6) Association Health Plans.
- (7) The Environmental Protection Agency is looking into the possibility of banning lead wheel weights. The Agency believes that each year some 21 million pounds of lead wheel weights are not recycled and therefore must be on the side of the road getting into the environment.
- (8) Tire aging may be the industry's hot button in the foreseeable future. Ill-advised legislation, that we were able to defeat, would have been an industry inventory nightmare. There is currently a petition for rulemaking submitted by the Strategic Research and Strategies asking NHTSA to promulgate rulemaking to require the date of manufacture to be molded on both sidewalls of all passenger and light truck tires.

Tire Manufacturers have spent more than \$1 billion complying with the Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act. Components of the Act include tire testing standards, tire labeling requirements, tire pressure monitoring

systems, early warning reporting systems, sale or lease of recalled tires, reimbursement prior to recall, acceleration of recall, and the disposal of recalled tires.

We are optimistic and hopeful that President Bush in his final months in office can push through Congress his agenda, including Association Health Plans, Permanent Estate Tax Repeal, and especially meaningful Tort Reform (including the Lawsuit Abuse Reduction Act, Class Action Reform, and Asbestos).

Our elected officials must make the connection between the cost of legislation that they are considering and its effect on our efforts to improve America's competitive position. With the wars in Afghanistan and Iraq, a new world order is taking shape. Economic competition, regional struggles, and ethnic rivalries may replace ideology as the focus of international—and national—conflict, aided and abetted by the proliferation of modern weaponry. But whatever the evolution of this new international order, oil and tires will remain strategic necessities, critical to national strategies and international politics.

Every action that lawmakers take should be put to a litmus test, and that is: “Will it help or will it hinder the small business community's ability to compete?”

We are out of time and we are out of patience with those officials who have not given the small business community the support it needs for the small business community in turn to provide the jobs, the income, the tax revenues, and the opportunities that our nation needs so very badly.

Most small business operators are frustrated with government involvement in their businesses. To a small businessman, it seems that whenever a bureaucrat gets involved in some aspect of his business, the problem becomes more complicated and the solution simply

unattainable. Recently we went to EPA to discuss their proposed ban on lead tire weights. I was in an elevator with an EPA official who told me that he was going to the 8th floor. But instead of pushing the “8” button, he pushed the “5” and then the “3.” How typical!

So here we are...at your state convention and trade show. A beautiful place. A great heritage. An excellent setting for breeding new ideas and cultivating champions in the tire industry.

What exactly is my expertise? It is my 29-year relationship with you. You are the real experts. My job is to plug your expertise into the right place at the right time. I have been asked by members, politicians, and the press to be a strategist, a forecaster, a marketing analyst. I face many of the same challenges that you face.

Three burning industry questions seem to be, “Do we merge?” “Do we purge?” “Do we surge?”

We have seen continued change in marketing. In the tire and related industries, retail direction seems more to have evolved than to have been planned or programmed. That direction has been less defined and more regulated and reactionary than pro-active. Somewhat Like what Yogi Berra once said, “We’re lost, but we’re making great time!”

How lost are we? Let’s recap where we are. We’re not just here at your convention and trade show. We’re in a new millennium.

Government regulation in Washington has required us to become safety and environmental specialists, in fact almost chemists, with an alphabet soup of potpourri of acronyms like TREAD. TPMS, EWS, EPA, OTAG, LEV, NOX, VOX, organic chemicals, oxygenates, MTB,

ETB, ethanol, CNG, NPL, M85, E85, RVP, OPRG, SIRA, NAAQS, RCRA and, of course, one of my Washington favorites—LUST.

Definitely tongue twisters, but all part of the new fabric of doing business in a changing environment. A new equation has been written. When you take regulation, investment, plus compliance...they all equal change. And in retailing, change is a certainty. In fact, change is the first of 5-Cs of success. You have change, commitment, the customer, consistency, and competitiveness.

You've had to change for IM 240. You've had to change for tire retailing; you've had to change your investments and capital equipment; you've had to change your personal involvement, your labor skills, and technology.

So you have changed. The industry has changed. Some say it has changed for the better. Why? The environment is cleaner. Automobiles and trucks and the tires they drive on are safer. Air quality is better. Ground water is cleaner.

And all along the way we have been required to change. We've become techno geeks, global economists, and financiers.

Technology has become our ally, speeding our bookkeeping and giving us access to more data than we ever imagined—and causing us to update all of our service skills.

Not too many years ago we saw humble retailers with only their wits and innate talents. Now you have a 4 gig hard drive, a 52 BPD modem, turbo tax-scanning unit. Even your title has changed. You've become a sophisticated service and retail merchant.

And just when you have made what you thought were all of the necessary investments, a new batch of phrases hits you. So change is a given.

As we continue our journey into this new century, we have new challenges and new opportunities. We are taking on another round of sweeping changes. It is coming from the big box power retailers, hypermarketers, automobile dealerships, truck stop operators, and mega branders. It is a byproduct of industry rationalization, deregulation of utilities, leverage buyouts, mergers and acquisitions, destination retailing, and co-branding...just to name a few.

Clearly a new marketing battleground has been developed and is growing into an all-out retailing war. A war that is on our home turf. We are fueled with challenges and change. Can we win? You bet. Will we survive? Yes. How? By using our advantages to the maximum. Is there a threat? Absolutely.

Is it time to run, hide, buy or sell, retreat or advance?

Remember...merge, purge, or surge?

To answer those questions, let's look at the second "c."

Commitment. You being here at this convention; your desire to see what is new in the industry; your support of your association; and your desire to be part of the interactive process, demonstrate your commitment. Some of you have committed to successful buying groups. Some of you have committed to take leadership roles in your state association or your national association. Some of you have committed to being ahead of the technological curve and have committed to training opportunities.

To me, the new watchwords offer a tremendous opportunity for us to be different. Bigger is sometimes better, but I doubt that bigger knows my wife and 3 children...but you do. I don't think that power retailers will visit a customer's driveway or perform a service call...but you can.

The sales area in your store should be a meet and greet Mecca for the customer. Why? Because you make the difference...with your commitment. A chance to be one-on-one, face-to-face, with the person who is part of that difference—your customer. Remember the 5-Cs of success?—change, commitment, the customer, consistency, and competitiveness.

Though we have seen our traditional tire store, retreader, and service population shrink, we've also seen a resurgence in professionalism for the survivors.

To me, the new battles for tire retailing, tire retreading, tire recycling, and service will only get more intense. But those who survive with thrive, as long as they have drive.

You know, the mega mergers that are occurring serve as evidence of the strength of our industry. Clearly there is turmoil. But we are witnessing partnerships becoming commonplace.

Why is all this happening? Why this sea of change? It's simple. In this industry we see millions of consumers on a regular basis. Our attraction is in the visits by consumers who are loyal to our service, our brands, and our products.

We are part of a great industry, with a rich tradition and a strong and bright future. Recently I took my family to Disney World. For those of you who have been, you may have gone to the "Test Track," sponsored by General Motors. As you leave the ride, you go through this small display area that features cars of the future. My teen age son was looking at a solar powered vehicle. My son grew up around the service station association and the tire association. He looked at the vehicle and said, "Dad, if that catches on it is going to put a lot of our friends in service stations out of work isn't it?" I told him that it could. Then he looked at me and said, "But it still rides on tires!"

Retailers are looking to increase what I call “share of wallet.” Bundling products and marketing them to customers are what joint ventures and alliances are all about. Sharing those databases and customer lists—data base mining—are all catch phrases for what you do today, and everyday. You smile. You meet. You greet. You sell more to customers. The key word is customer. Treat the customer the way you would like to be treated, and you’ll win them forever.

Along with change, commitment, and the customer, we have consistency. If a customer has a bad experience, he or she will tell 10 of their friends. You know, they may tell 1 or 2 friends if they have a good experience.

Consistency can build a customer for life.

So to thrive in this era of slow growth markets and tight margins and high speed transactions, what should we do? What is the magic potion for success?

Well, I submit to you that it is right in front of you. Look in the mirror. Take an inventory of yourself and of your basics. Because the basics win customers.

If you look at what made two major retailers huge success stories—Wal Mart and Home Depot—you’ll find the basics at work. They have the right people, knowledgeable staff, courteous service, greeters, meeters, clean appearance, the right hours, terrific image, ongoing promotions, and competitive prices.

So what do we need? Is there something different for us? No. We need the right people, knowledgeable staff, courteous service, greeters, and meeters. We need hours, image, and we do need the necessary support for a competitive price.

These are the answers. We have the same requirements, regardless of the scale of operation.

As we look ahead, TIA has new issues and concerns to address:

- (1) Counterfeit and look-alike tires (safety, liability concerns v profit).
- (2) Guidelines for retreaders to inspect counterfeit and look-alike casings.
- (3) Should we take a position on a Federal safety standard for retread truck tires?

TIA is committed to be out front on these types of issues and efforts. As an industry, we can tell a better story.

TIA leaders now meet annually with officials of all of the major tire manufacturers; and have worked to greatly improve relations with the Rubber Manufacturers (mention Don Shea).

TIA has pledged to work with the Rubber Manufacturers Association (RMA) and its member companies on rolling resistance, tire aging, TREAD Act enforcement, Tire Pressure Monitoring Systems training, and periodic motor vehicle safety inspection programs.

Our resolve to work with tire manufacturers and all facets of the industry is not a sign of weakness. It is a sign of strength. It is a sign of a more educated dealer and retreader. It is a sign of a more sophisticated industry. And it is a realization that this industry must be profit driven on all levels.

A partnership to me is far more than just a buzzword that some people have usage for today. I'm firmly convinced that forming partnerships with our customers, our suppliers, our associates, and with our communities in which we live is paramount to success.

Partnerships begin with an attitude that says, "Let's work together. Let's exchange information. Let's develop new ideas that haven't been tried before. Let's look at our mutual problems together...and also the opportunities...and create ideas and action that make our business relationship more productive."

The marketing and environmental challenges that we face will require different strategies and will seek different solutions. Never has the need for dealers, and retreaders, and recyclers, and suppliers, and every other facet of our industry to remain united been more apparent. Never has the need for united and active and strong state and national associations been greater.

TIA, and before it TANA, NTDRA, ITRA, and ARA, has a long and rich history of accomplishments, excellent training programs (and I am proud to announce the completion of the Earth Mover program. Over 4,000 dealers took the TPMS program over the past 2 years, and TIA has now trained over 38,000 techs as we move toward the Certified Store concept), research, legal challenges, publications, extensive member benefits and programs, conventions and trade shows (and don't forget the February 2009 commercial and recycling conference with TMC in Orlando and the February 2009 OTR Conference in San Antonio, and the November 2-7, 2008 "Tire, Wheel , and Equipment Show" in Las Vegas), educational opportunities, and government representation. Like you, we have to continue to change to continue to bring you the quality products and services you need and expect.

Be consistent. Be competitive. Be committed. Be open to change...and stay focused on the consumer. Don't retreat and surrender. Change your tactics. Fight your battle on your own turf. And let's win this war.

A true leader takes his or her talents and capitalizes on their strengths. Todd Ruthman has said, "The only person you should ever compete with is yourself. You can't hope for a fairer match."

The late Jim Valvano once said, "Every day, ordinary people do extraordinary things." That is truly what this industry is all about.

What separates success from failure is what differences you can make in your business...your family...your community.

In the end, you are the difference.

In every challenge, there is an opportunity. This can be an exciting world of opportunity for the retail survivors of this new and ever-changing world.

Let us resolve to work alongside each other, and together ride this new floodtide of opportunity into a prosperous future. That resolve and that effort must start right now...with us...right here in this room.

Thank you.