

US Tires

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Interviewee

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THE GLOBAL TIRE MANUFACTURING INDUSTRY IS HIGHLY CONSOLIDATED—THE TOP FOUR (MICHELIN, BRIDGESTONE, GOODYEAR, CONTINENTAL) CONTROL ROUGHLY 50–55% OF GLOBAL SHARE. WHAT EXPLAINS THAT LEVEL OF CONSOLIDATION?

Answer: Consolidation is primarily a function of scale economics: it takes immense, ongoing capital to build plants, upgrade equipment and processes, and even pursue partial vertical integration around key inputs like synthetic rubber, and those investments reward size by spreading fixed costs across very large volumes. Smaller manufacturers can absolutely exist, but they typically survive by narrowing and simplifying their portfolios so their manufacturing systems don't become cost-bloated; even then, the business fundamentally rewards scale far more than distribution does, because distribution does not require the same amount of capital to run or maintain. There are also some diseconomies at very large size—operational complexity and coordination, for instance—but the net effect still favors the largest players, which helps explain why share has concentrated in a handful of global incumbents.

AND WHY ARE THOSE LEADERS ABLE TO MAINTAIN THEIR SHARE OVER TIME—IS IT DISTRIBUTION, BRAND, PRICING, SOMETHING ELSE?

Answer: Longevity and distribution reinforce one another for the leaders. The big brands have been in developed markets for decades, which means they have deep, multi-channel distribution relationships that extend beyond traditional tire wholesalers and retailers into mass merchants and online partnerships. Crucially, they also win original-equipment (OEM) fitments on new vehicles: the tire brand installed at the factory often carries through to the vehicle's first replacement cycle, not always but frequently enough to matter, and those OEM programs provide the high, steady volumes that help keep very expensive factories utilized by filling them with "volume filler" SKUs. Their brands themselves—think Michelin or Goodyear—have been invested in for generations, which creates a durable reputation for quality and safety that underpins pricing power. They are not necessarily cost-advantaged, however; many incumbents carry older manufacturing footprints, and some, like Michelin, deliberately run higher-cost, higher-quality processes across both consumer and commercial truck portfolios. So while they may not be the low-cost producers, they preserve a price premium borne of brand, distribution access, and OEM presence.

ON VERTICAL INTEGRATION—DO MAJOR PLAYERS ACTUALLY OWN RUBBER PLANTATIONS TO CONTROL RAW MATERIAL PRICING AND QUALITY?

Answer: Full vertical integration into natural rubber plantations appears limited and, in any case, is a very different business from tire manufacturing. What's more common is integration around synthetic rubber or other automotive materials where the manufacturer's broader portfolio creates synergies—for example, a group like Continental participates in a wide array of components, which can create purchasing and materials advantages across plastics and synthetics. Tires are a major endpoint for natural rubber, so plantation ownership is conceivable in theory, but I'm not certain how many majors do this today, and it's not obvious that they would want to go deep there given the operational divergence.

HOW DO SMALLER PLAYERS DIFFERENTIATE WHEN ENTERING MARKETS DOMINATED BY THE GIANTS?

Answer: Geography and segment matter a great deal. A very large share of the world's small manufacturers is Chinese, and the domestic industry there faces oversupply, which shapes competitive behavior. In developed markets such as North America, Western Europe, Australia, and New Zealand, smaller brands that endure usually have a local distribution edge or solve for local conditions—for instance, Nordic brands that excel in winter performance. Operationally, they tend to keep portfolios deliberately simple, because product and SKU complexity without the plant and distribution scale to support it just adds cost. It's also important to recognize product-mix and technology differences across geographies: North America today is almost exclusively radial tires, while parts of South Asia still use significant volumes of bias-ply tires and have large two-wheel and off-road segments. For analysis, two additional segmentation axes are essential beyond manufacturer vs. distributor: (1) geography, because market structures differ materially, and (2) consumer vs. commercial truck, because manufacturing and distribution look quite different between those end markets.

HOW WOULD YOU CHARACTERIZE US TIRE DISTRIBUTION—CONSOLIDATED OR FRAGMENTED?

Answer: It is reasonably fragmented in the aggregate, but that headline obscures very different channel structures. On the retail side you have large regional chains like Mavis, Pep Boys, and Discount Tire; you also still see a meaningful long tail of single-location independents, a segment that's been declining but remains material in tires. Mass merchants—Walmart and Sam's Club in particular—move a great deal of volume. Car dealerships are a distinct channel of their own. And online is an active, growing channel that is often fulfilled through distribution centers or installer partners, but it functions as a consumer-facing channel in its own right. Concentration varies within each of these segments, so any characterization has to start by separating the channels.

DO MANUFACTURERS OWN DISTRIBUTION ARMS TO BYPASS THIRD PARTIES?

Answer: In the U.S., it's critical to distinguish wholesale distribution from retail because the market operates as a two-step system—much like the beer industry—with wholesalers sitting between manufacturers and retailers. The reason is SKU proliferation: the universe of tire sizes, speed ratings, load indexes, and constructions is so vast that no single store can hold everything it may need, so wholesalers serve as inventory buffers and rapid-fulfillment hubs. Wholesale is relatively more consolidated and includes vertically integrated models; the most notable example is TireHub, a joint venture owned by Bridgestone and Goodyear. Others remain independent, such as ATD. Retail is a separate conversation with different dynamics and participants, and while manufacturers influence retail (through aligned-dealer programs and brand portfolios), it is not the same as owning the wholesale pipe.

WHEN MANUFACTURERS SELL, WHO ARE THE ACTUAL CUSTOMERS—OEMS, DEALERS, REPAIR SHOPS, FLEETS?

Answer: All of the above, with distinct economics across each. Large manufacturers typically have OEM fitments with vehicle models, shipping directly to automakers for factory installation; this is high-volume business that helps stabilize plant utilization, although margins are thinner because OEMs wield significant bargaining power and require expensive fitment engineering, testing, and re-testing to meet exacting specs. Wholesale distribution is another major outlet—the volumes are attractive, but the margin captured by the manufacturer is modest because distributors take a meaningful share of the profit pool for the inventory, logistics, and service they provide. Manufacturers also sell directly to larger dealers and retailers and work hard to “align” those outlets with their house of brands—for example, a Goodyear-aligned dealer emphasizing Goodyear as the Tier-1 offering, Dunlop or Cooper as Tier-2, and Kelly or other value brands as Tier-3. In commercial truck, a significant portion of volume goes direct-to-fleet, alongside sales to vehicle or trailer OEMs; there are also truck-aligned dealers and some wholesale activity, but the direct fleet relationship is especially important in that segment.

WE’VE SEEN COMMENTARY THAT OEM SALES ARE DOWN AND REPLACEMENT IS UP. WILL MANUFACTURERS PRIORITIZE REPLACEMENT OVER OEM GOING FORWARD?

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CAN YOU GIVE ROUGH MARGIN RANGES FOR MANUFACTURING VERSUS DISTRIBUTION?

Answer: Treat these as directional, and the best source for specificity is the manufacturers’ 10-Ks and segment disclosures. In manufacturing, gross margins are generally healthy, but when you layer in overhead and the fixed-cost intensity of plants, operating margins often settle in the single digits to teens, occasionally reaching the 20s for strong performers and slipping into the low single digits when

things go wrong. Distribution shows a smaller gap between gross and operating margins because the cost structure is different, and operating margins are often healthy—on the order of ~20–30%—though they are highly sensitive to mix. Lower-profile, small-diameter passenger tires yield thin contribution, while EV tires and large-diameter/aggressive profiles support materially higher margins, so what a distributor sells heavily colors the P&L.

DO YOU EXPECT DIRECT-TO-CONSUMER TO GROW—BRANDS SELLING STRAIGHT TO END CUSTOMERS ONLINE?

Answer: E-commerce is already a real channel in consumer tires: customers commonly purchase online and then have the tires mounted at partner facilities or installer networks, which means the digital storefront sits on top of wholesale and retail logistics. Manufacturer-direct selling could certainly grow in principle, but I haven't seen much of it at meaningful scale yet. The outlook varies by segment: in commercial truck, purchases are more akin to capital decisions, and fleets rely on trusted tire experts and service relationships, which makes pure DTC less likely; in consumer, the pathway is more plausible, but today the predominant pattern is online purchase combined with partnered installation rather than factory-to-driveway shipping and service.

IF BROADER TARIFFS INCREASED ON BOTH NATURAL AND SYNTHETIC RUBBER, COULD THE U.S. SELF-SUPPLY, OR WOULD COSTS SIMPLY BE PASSED THROUGH?

Answer: Natural rubber supply is relatively inelastic—finding and developing new sources is difficult and slow—so heavier tariffs would likely translate into sustained cost pressure. Synthetic rubber, being petroleum-based, is more elastic in principle because capacity can be added, but building and permitting new facilities still takes time and capital, so in the near to medium term you would still expect meaningful cost pressure with a substantial share ultimately passed through to customers, even if synthetic can ramp more readily than natural.