

## Today's Headlines

### Dealers: N2 inflation gamble a good move

By Lisa Aichlmayr, Tire Business staff©

AKRON (Nov. 10, 2004) — The question whether tire dealers should add nitrogen generators or stick to good-old air is not answered easily, except for three dealers who took the plunge earlier this year.

*Tire Business* contacted three tire dealers who earlier had discussed their plans to add nitrogen to see if their investments had been worth it. While all three said they are happy with their decisions, they differ on some particulars—especially if nitrogen fill-ups should come with a fee.

"I think we made a wise move," said Rick Barnhart, vice president of operations for Cincinnati-based Tire Discounters. The dealership's stores added nitrogen generators at all of its stores in January after several months of researching the concept. By the end of this month Tire Discounters will open its 40th store, which also will have a nitrogen system.

He said customers are interested in nitrogen's benefits, which reportedly are better maintenance of air pressure, less rim corrosion, better gas mileage and longer tire life, among others. Tire Discounters has advertised its nitrogen extensively with radio ads continuing now. "People are still extremely positive about it," Mr. Barnhart added.

D.D. Coley, president of Consumer Tire Inc. in Mentor, Ohio, also put in nitrogen systems at her two stores. The dealership decided to add the systems in early May primarily to fight wheel corrosion. But since gas prices started—and continued—to spike, the focus became improving gas mileage. Ms. Coley said some customers have reported a 2-4 mile per gallon improvement.

"The more they drive, the more they're saving," she said, adding her company has also filled tires on motor homes, whose users reported much more stable air pressure levels.

She said five to 10 cars a day were coming in for nitrogen in the beginning. While that has leveled off to about that much per week, she said her dealership continues to benefit from the public relations victory of being first on the block.

"We got a lot of play off of that," she said of the early media coverage. "Being the first was a real positive for us."

Dunn Tire L.L.C. in Buffalo, N.Y., also is pleased with its nitrogen decision. In mid-June the 27-outlet dealership installed systems at its Buffalo-area stores as a test run. The company later decided to install nitrogen generators at all of its stores. Installation was to begin this month, with completion expected by about Nov. 15.

"We see an opportunity certainly to improve the bottom line," said Mike O'Neill, director of operations for Dunn Tire. "We see the benefits to the consumer as well as to us as a company."

One customer filled his Corvette's tires with nitrogen and was so pleased with the ride quality he brought back two other vehicles, he said. Mr. O'Neill filled his own Ford Explorer's tires with nitrogen and his mileage increased to 16.1 miles per gallon from 14.6. "(There's) just a lot of plusses," he said.

But one remaining difference of opinion on the use of nitrogen is whether to charge for it. Most nitrogen system manufacturers urge dealers to charge, though they concede dealers are the final and better judge.

For Tire Discounters, the choice was easy. The dealership decided not to charge because it would go against the company's main marketing message that everything is included with a tire sale.

"So to say, 'Well, here we've got this other thing (and) we're going to charge you for it,' really wouldn't have gone to our program very well," Mr. Barnhart explained.

He added that although nitrogen's benefit to the company's bottom line is harder to determine since they don't charge for it, "our program is stronger because we haven't."

He said Tire Discounters was better able to absorb the equipment investment than a one-outlet store may be, but Tire Discounters saw it as another investment to expand the business.

"We spent a lot of money to promote it, but it spills over into just promoting our name," Mr. Barnhart said. "So we were going to advertise anyway, we just happen to hang our advertising dollars on nitrogen for some portion of the year."

Ms. Coley said the equipment cost was a big outlay, but it's about half paid off now. "If you really want to do it, you just jump into it," she added.

Consumer Tire never intended nitrogen to be a profit margin factor in itself, but some customers said they came in for tires because of the nitrogen, Ms. Coley said. Tires purchased from Consumer Tire come with nitrogen while non-tire-buying customers pay \$10 to get all four tires inflated with it.

"We really emphasize that when we sell the tires," she said.

But Mr. O'Neill at Dunn Tire said adding nitrogen has not added tire sales—and it was never expected to do so.

"We never looked at it that it would improve tire sales," he said.

Dunn Tire charges \$5 per tire. So far one store in two months sold more than 1,100 nitrogen fill-ups, which adds up to about \$5,500. Mr. O'Neill added that the fill-ups will pay for the equipment in a "very short period of time."

Dunn Tire views nitrogen as an "add-on" service—one that merits the extra revenue. In his personal opinion, Mr. O'Neill said dealers should definitely charge, especially since they pay a hefty investment for the equipment.

"The industry has worked on such low margins over the last 30 years, we have to have an opportunity to be able to improve our profitability," he told Tire Business.

"(Nitrogen) gives us the opportunity to do that. We're selling something that's an extra."