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# American Tire Distributors – Pulling It All Together

## AT A GLANCE

### COMPANY

AMERICAN TIRE DISTRIBUTORS

### INDUSTRY

AUTOMOBILE TIRES AND TUBES, WHOLESALE

### CHALLENGE

TIGHT DELIVERY WINDOWS; BUSINESS EXPANDING RAPIDLY; NEED TO KEEP CAPITAL FREED UP FOR BUSINESS INVESTMENT; STAFF SPENDING TOO MUCH TIME MANAGING MULTIPLE FLEETS AND SERVICE AGREEMENTS ACROSS THE U.S.

### SOLUTION

FULL-SERVICE LEASE AGREEMENT WITH NATIONAL SCOPE; CUSTOMIZED SERVICE AGREEMENT AND COMPETITIVE PRICING.



MANAGEMENT TIME AND CAPITAL ARE CRITICAL TO AN AGGRESSIVE ACQUISITION STRATEGY. AMERICAN TIRE FOUND BOTH WHEN THEY CONSOLIDATED MULTIPLE VEHICLE AND MAINTENANCE PROVIDERS UNDER A SINGLE SOURCE.

Privately owned American Tire Distributors has grown through acquisition. Its present network contains remnants and/or former versions of several companies, including ITCO Tire Company, J.H. Heafner Tire Co., Inc., and more recently, California Tire Company and CPW, Inc. on the West Coast, and T.O. Haas Tire Company of Lincoln, NE.

## BENEFITS

CENTRALIZED FLEET MANAGEMENT AND BILLING FOR MORE THAN 60 LOCATIONS; PREDICTABLE BUDGET AND CASH FLOW; MAXIMIZED VEHICLE UPTIME FOR IMPROVED CUSTOMER SATISFACTION.

"The company's primary mission," says John Salamone, the company's director of logistics, "is to help independent tire and custom wheel retail dealers compete with larger retailers by offering the most complete, coast-to-coast selection of tires, custom wheels and related products.

Our customers depend on daily deliveries. Vehicle downtime is not an option for American Tire Distributors." That's no small challenge for a company that today clocks more than 30 million miles annually serving 40,000 customers in 35 states.



Headquartered just north of Charlotte in Huntersville, NC, American Tire Distributors is one of the nation's largest independent suppliers of tires to the replacement tire market. The company operates 62 distribution centers and relies on a network of 1,900 employees and more than five million square feet of warehouse space to generate annual sales in excess of \$1 billion.

Throughout the early -to mid-90's, the company relied on a mix of leased and company-owned vehicles to serve its customers. Maintenance services generally were purchased from local independent shops near branch locations. However, as the company grew, Salamone ended up inheriting a broad range of lease agreements with a variety of vendors, as well as relationships with a slew of maintenance shops. Ryder first got involved with the company back in 1992, providing maintenance services to several ITCO Tire Company branch locations as well as short-term equipment leasing at various branch operations to meet spikes in capacity requirements.

Eventually, it just got to be too much.

"We were spending too much of our time in the common carrier business worrying about issues related to the maintenance of our vehicles," says Salamone. "It was taking too much time away from our core business - the distribution of tires." The company's senior managers put their heads together and assigned Salamone to look into the full service lease alternative.

VEHICLE RELIABILITY IS AT THE HEART OF THE RIGHT MAINTENANCE PROGRAM. CENTRALIZED FLEET MANAGEMENT AND BILLING FOR 750 VEHICLES OPERATING FROM 60-PLUS LOCATIONS KEEPS THAT PROGRAM HUMMING.

Taking control of their transportation was just one driver behind the switch in strategy. In addition to reducing the number of equipment and financial vendors with which they did business, American Tire Distributors wanted to reduce the value of assets on the company's balance sheet. And most importantly, they needed to position the company to provide increasingly better service to demanding customers in a tough market niche.

"My primary concern as I looked at each company was its ability to serve all 33 distribution centers we had in operation at that time, while also being able to accommodate our needs as we continued to grow," says Salamone. "Another major consideration was the level of service offered and the ability to customize a service agreement so that it would serve our needs going forward. Competitive pricing was a very important factor as well."

Ryder's Rob Thornton, director of national accounts, was already familiar with the American Tire Distributors' operation. Thornton sought assistance from the financial specialists at Ryder headquarters in Miami. After an in-depth financial rationalization process that compared the Ryder alternative to the costs and capabilities associated with the company's existing lease and maintenance programs, it became clear that from financial and tax perspectives, the Ryder full service lease option most effectively met Salamone's criteria.



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JOHN SALAMONE *Director of Logistics, American Tire Distributors*

Salamone made his decision. "I chose Ryder because I felt they were best equipped to handle our specific needs," he explains. "The fact that they had locations close to each of our centers aided us in making our choice, plus, they had - and continue to have - the national footprint to go with us as we expanded."

That contract, signed in March 1997, set the stage for a gradual transition to a Ryder fleet. Entering November 2002, 270 of Salamone's 750 trucks come via a Ryder full service lease, while Ryder provides contract maintenance programs for an additional 80 vehicles. The rest of the company's fleet either is company-owned or leased from other vendors by virtue of contracts in effect prior to acquisition by the company. Salamone puts this latter figure at approximately 15 different leasing companies. "That's why I'm switching everything to Ryder - it's too much for one person to handle alone, given the tight delivery windows, daily schedules and the scope of our operation," he says.

Salamone points out that the value Ryder brings to American Tire Distributors may start with vehicle reliability but in reality extends far beyond that element. "Our national account rep and customer service advocate are always available to answer any questions or concerns I may have," he says. "Centralized billing is also a plus, as we get one monthly invoice for vehicles at all of our 62 locations. This may sound like a little thing, but Ryder has made it easy to do business with them."

Add to those factors the positive corporate image projected by a clean, well-maintained truck fleet, and it's easy to see why Ryder's share of the American Tire Distributors' pie keeps growing. Most recently, Salamone awarded Ryder a programmed maintenance contract for more than 80 pieces of equipment in the central region associated with the T. O. Haas Tire Co. purchase. "And, as individual pieces of company-owned equipment outlive their usefulness," he adds, "those vehicles are being replaced by new trucks under a full service lease with Ryder."

There's a caveat to Salamone's final observation. "The word 'partnership' is often misused if not abused," he says. "A partnership by definition is a 'close cooperation between parties,' and a true partnership must be beneficial to both parties.

That being said, American Tire Distributors' relationship with Ryder typifies the true meaning of the word 'partnership.' Their full service lease program has taken American Tire Distributors out of the common carrier business and allowed us to focus on the distribution of tires and tire related products."



[>back to top](#) :: [back to index](#)



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