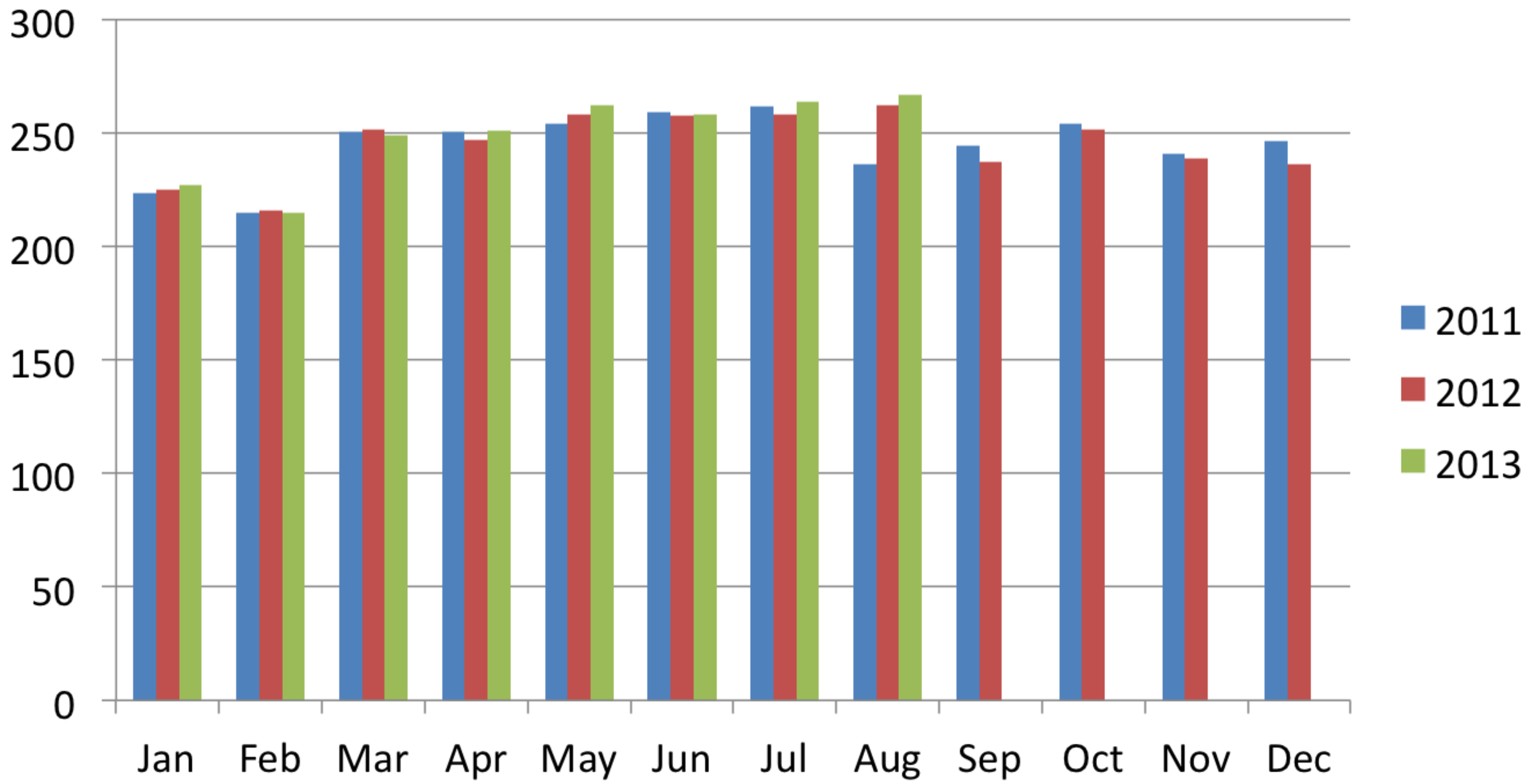
TIRE SAFETY STARTS HERE.

Understanding Tire Buyers in the Information Age

US Miles Driven *(in billions)*



Source: U.S Department of Transportation

Replacement Market

- Replacement passenger tire shipments in 2012 fell 2% to approximately 191 million units. Forecast for 2013 is an increase of just 1 million units.
- Light truck tire replacement shipments also fell 2% in 2012 to approximately 28 million units. Forecast for 2013 is an increase of 1%, or 280,000 units.
- Chinese tire imports increased by 18.5% in 2012, a trend that is expected to continue in 2013 and into 2014 with the elimination of the tariff.

Sources: RMA and Modern Tire Dealer

Market Share

- Bridgestone/Firestone (14.9%), Goodyear/Dunlop (14.4%), and Michelin/BFGoodrich (13.8%) comprise **43.1%** of the US tire market.
- Major brands were up to 80.2% of the replacement market when compared to the previous year at 79.4%.
- Private brand market share was up to 11.1% from 10.8% and Associate brand was down from 9.8% to 8.7%.
- Another source had Private brands at 9% and Associate brands at 10% with major brands accounting for 81% of passenger replacement sales.

Sources: Modern Tire Dealer & Tire Review

Where Dealers get Tires

	2011	2012	2013
Wholesale Distributor	59.6%	62.3%	55.4%
Tire Manufacturer Direct	26.3%	18.6%	27.7%
Private Brand Marketers	5.9%	6.2%	6.2%
Other Tire Dealers	3.3%	6.1%	4.8%
Direct from Overseas	2.9%	2.9%	3.7%
Other	2.0%	3.9%	2.1%

Source: Tire Review

Distribution Channels

	2010	2011	2012
Independent Tire Dealers	65%	66%	62%
Mass Merchants	16%	16%	16%
Tire Company Owned	14%	13%	8%
Other	5%	5%	2%
New Car Dealers			8%
Warehouse Clubs			7%

Source: Tire Review

Market Projections

- Minimal growth (if any) as the number of miles driven each year remains relatively unchanged.
- The "Big Three" will continue to dominate the market, but with a different path to the consumer.
- Increased competition from new car dealers and warehouse clubs for major brand sales.
- Independent tire dealers are entering the most competitive market the industry has ever seen.

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Mintel Study

- Years ago, Mintel issued a study on tire buyers and basically separated them into three equal categories.
- Brand buyers were loyal to the name on the sidewall and used it as the determining factor when purchasing tires.
- Service buyers took the recommendation of their auto care professional.
- Price buyers were focused on price so it was always the top priority when purchasing tires.

Compete/Google Study

Tire Buyers Today – The New Path to Purchase

On-line survey of people who purchased automotive tires within the six months prior to August of 2012.

http://ssl.gstatic.com/think/docs/2012-automotive-tires-path-to-purchase_research-studies.pdf

Top 3 Tire Buyers

1. **Middle Income Male (8%)** – Gen X with an annual income of $60-99,999, 72% married, 62% with at least one child, 60% have a 4-year college degree or higher.

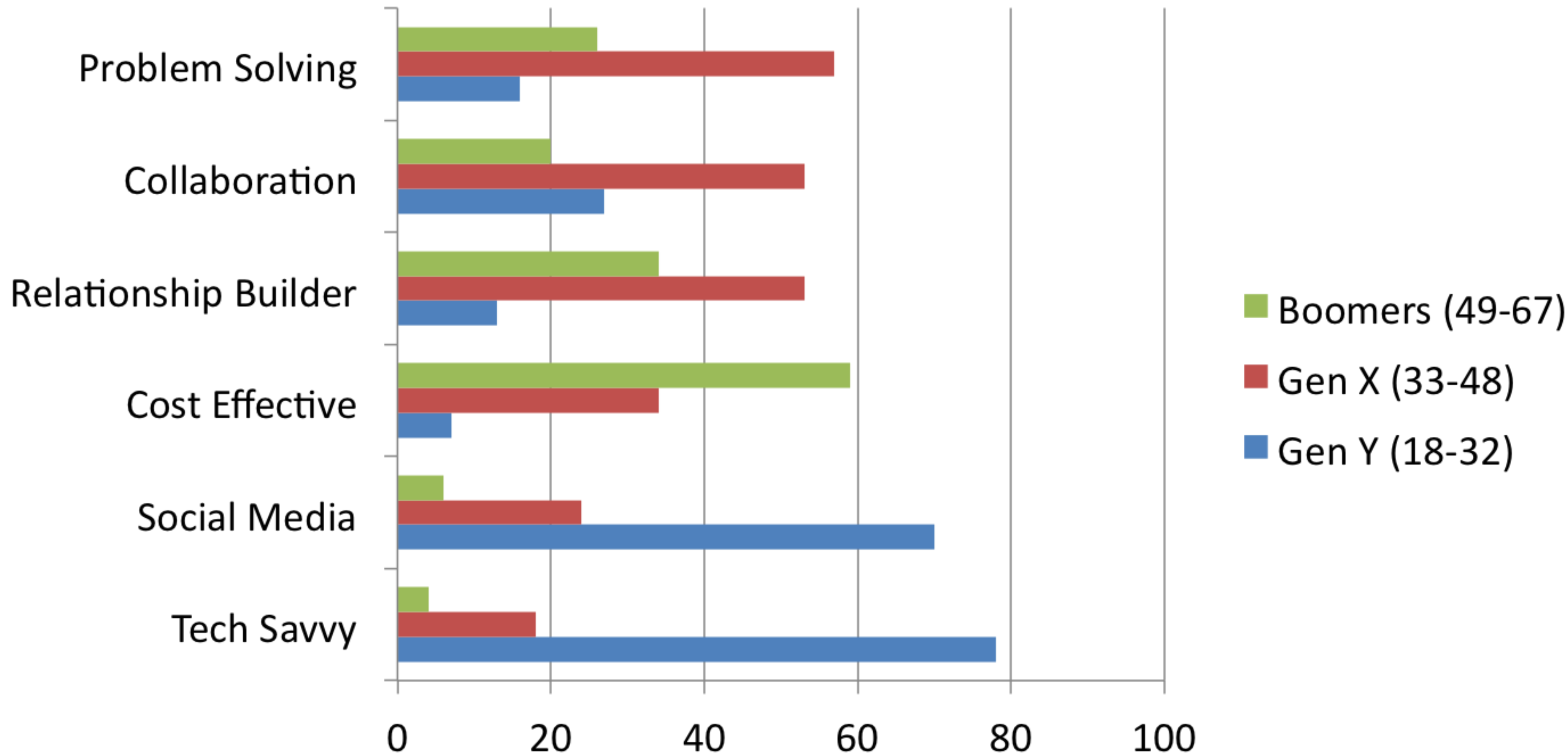
2. **Upwardly Mobile Female (6%)** – Gen X with an annual income of $60-99,999, 72% married, 57% with at least one child, 50% have some college or associates degree.

3. **Affluent Male (5%)** – Gen X with an annual income of $100-$149,999, 83% married, 55% with at least one child, 75% with 4-year degree and over half with a Master's or Doctorate.

Source: Compete/Google

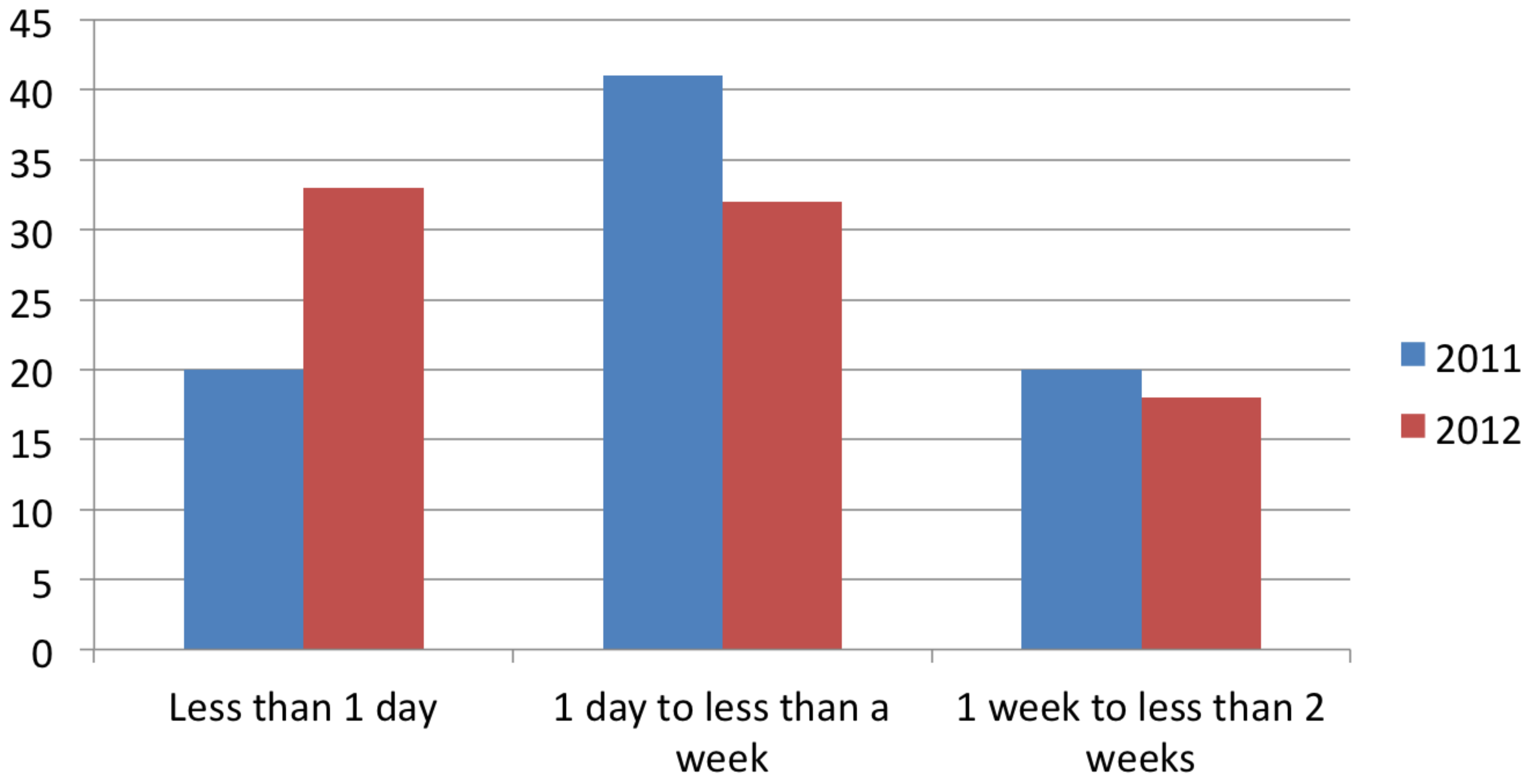
Generational Qualities

Percentage that agree which generation is best at displaying a characteristic.



Source: Ernst & Young

When to Purchase



Source: Compete/Google

Offline Purchasers

- 48% needed to go to the service provider to have the tire(s) installed.
- 41% need the tire(s) immediately.
- 34% wanted to personally see the tires before buying them.
- 30% wanted to personally make sure the particular tire(s) were available for purchase.
- 24% wanted to talk to the mechanic or technician.

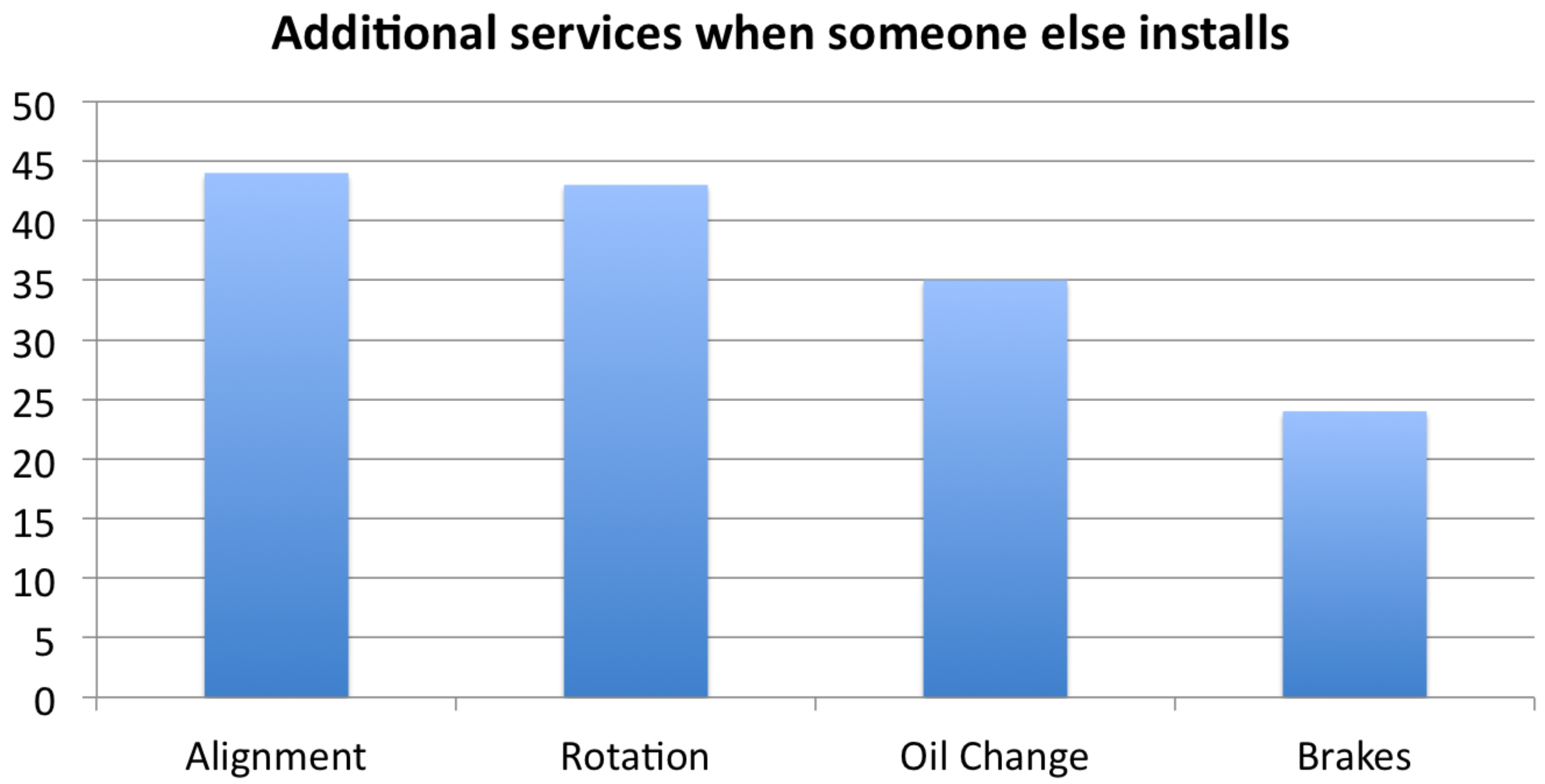
Source: Compete/Google

Online Purchasers

- 42% felt they got better prices online.
- 33% said it was faster to shop online.
- 28% received free shipping.
- 26% said it saves time in the store.
- 25% said there was a better selection online.
- 24% said the convenience of shopping day or night was the reason they purchased tires online.

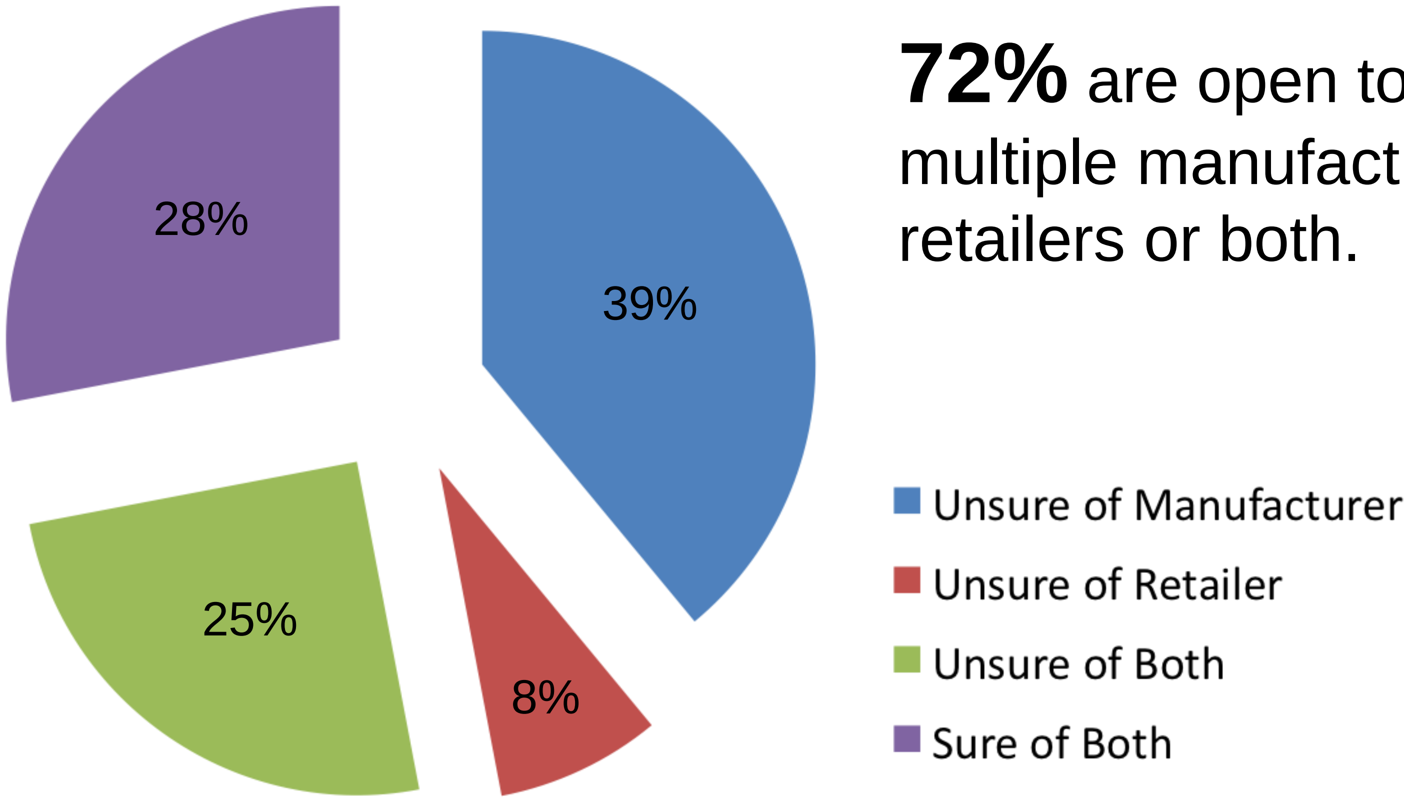
Source: Compete/Google

Online Purchasers



Source: Compete/Google

Choosing a Retailer/Manufacturer



72% are open to multiple manufacturers, retailers or both.

Source: Compete/Google

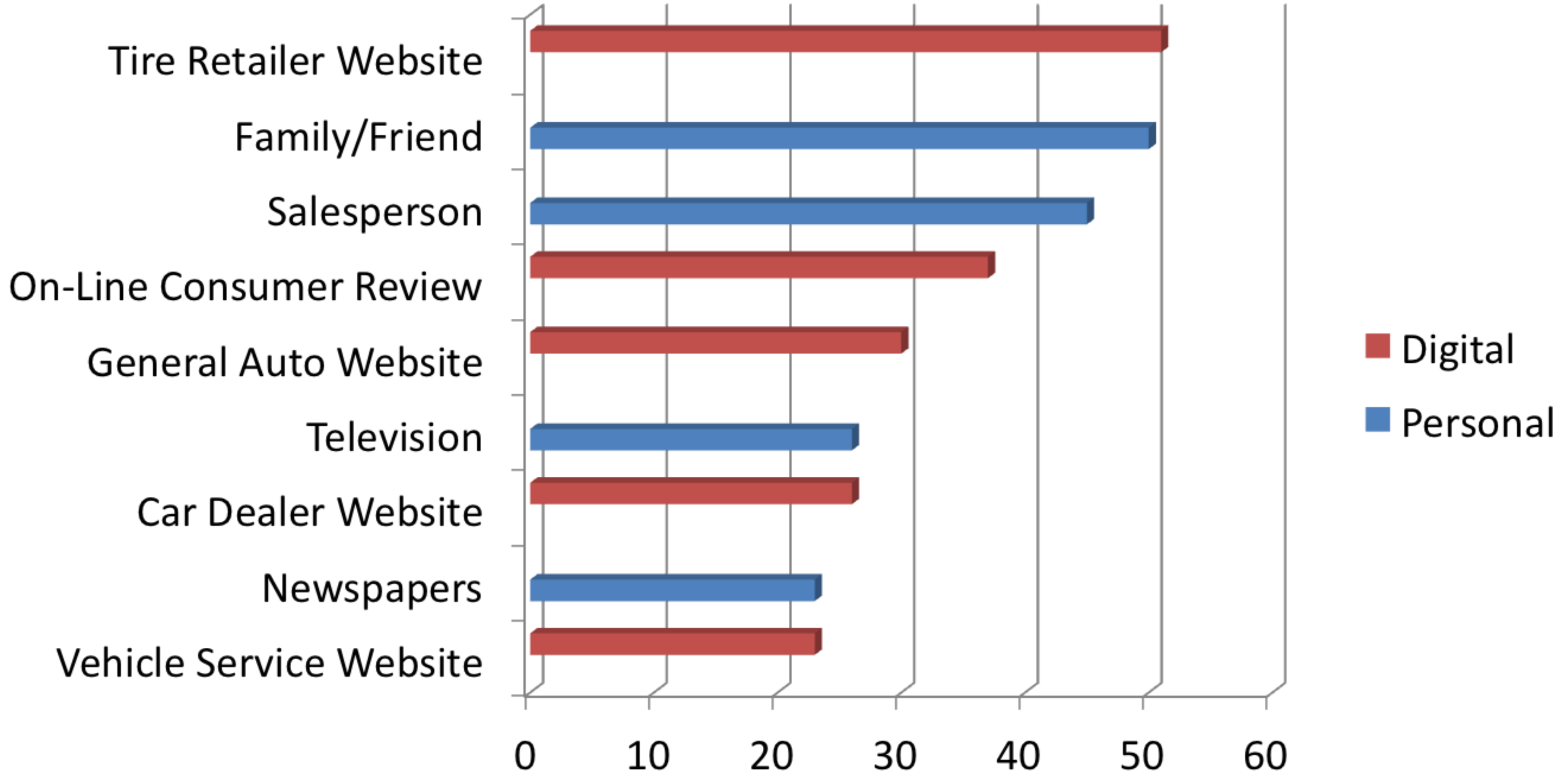
Research and Purchase

74% purchased from a tire retailer.

46% of purchases include online research.

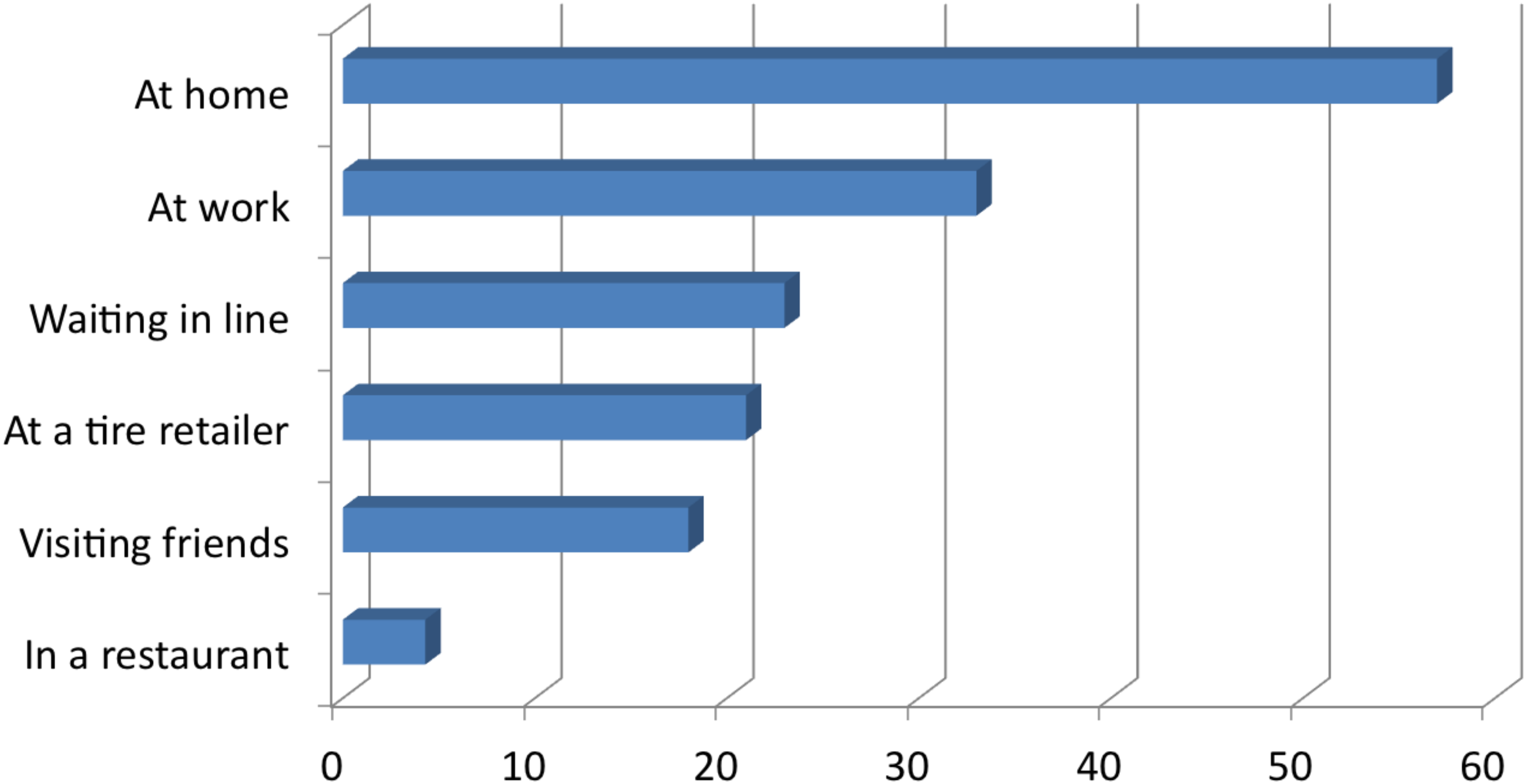
Source: Compete/Google

Research Sources



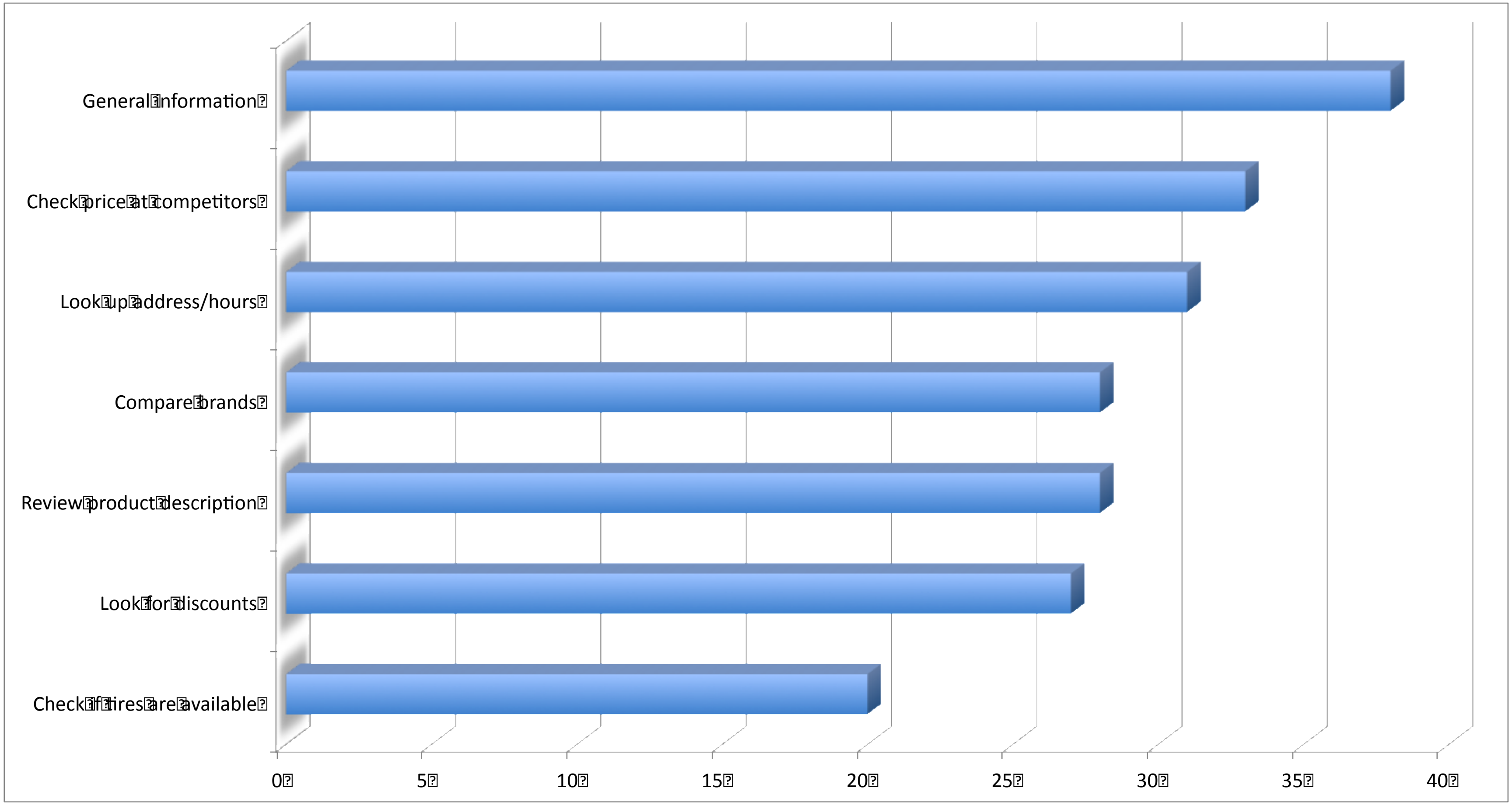
Source: Compete/Google

Mobile Research



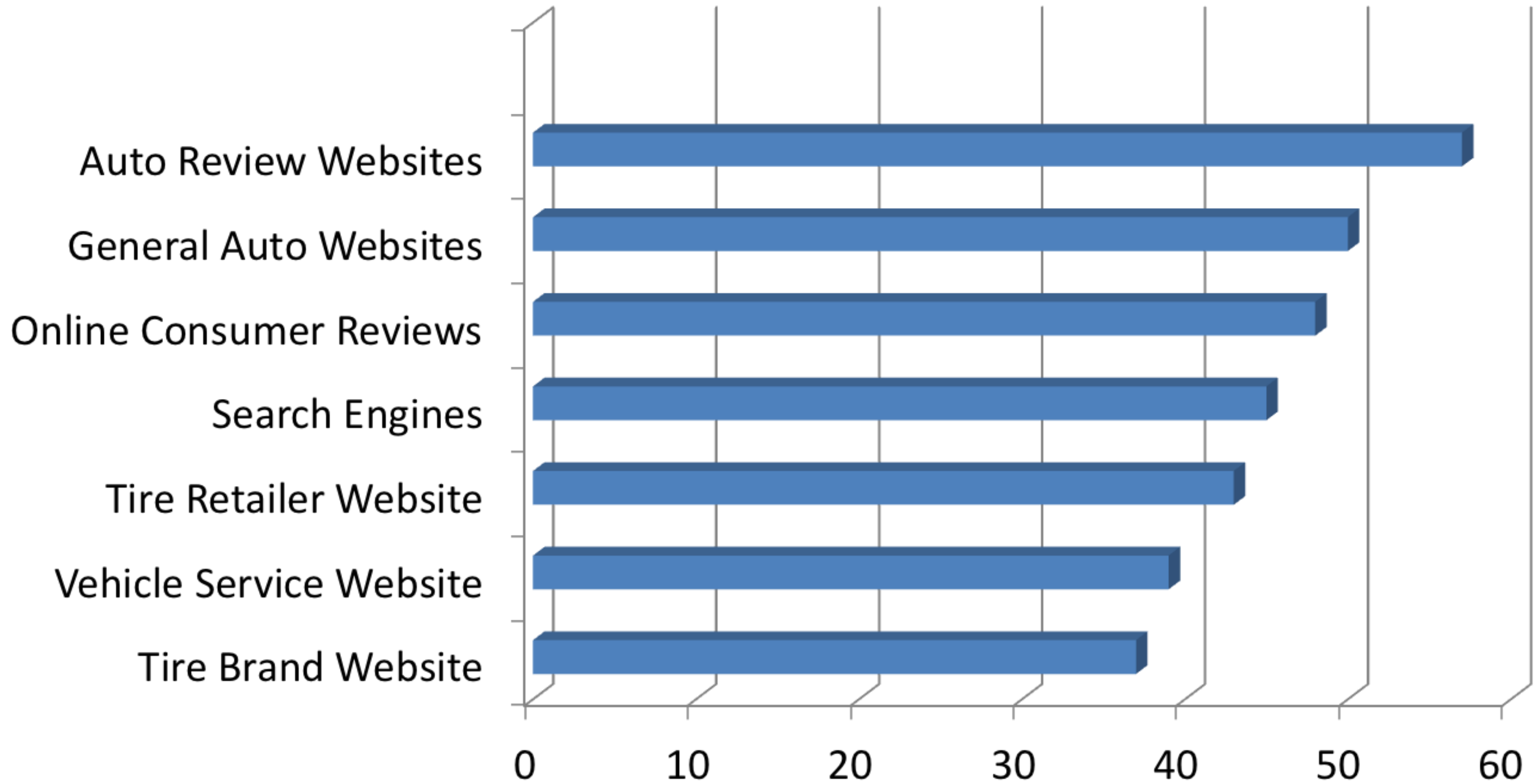
Source: Compete/Google

Mobile Research



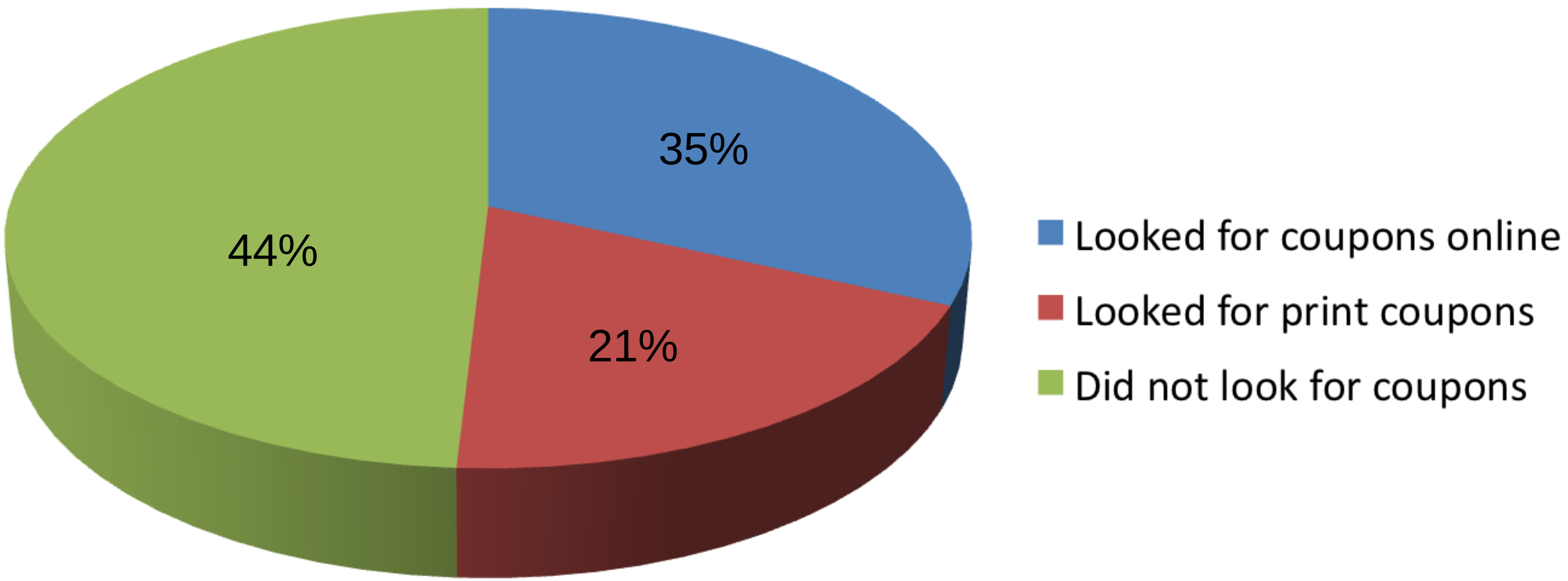
Source: Compete/Google

Mobile Research Sources



Source: Compete/Google

Coupons



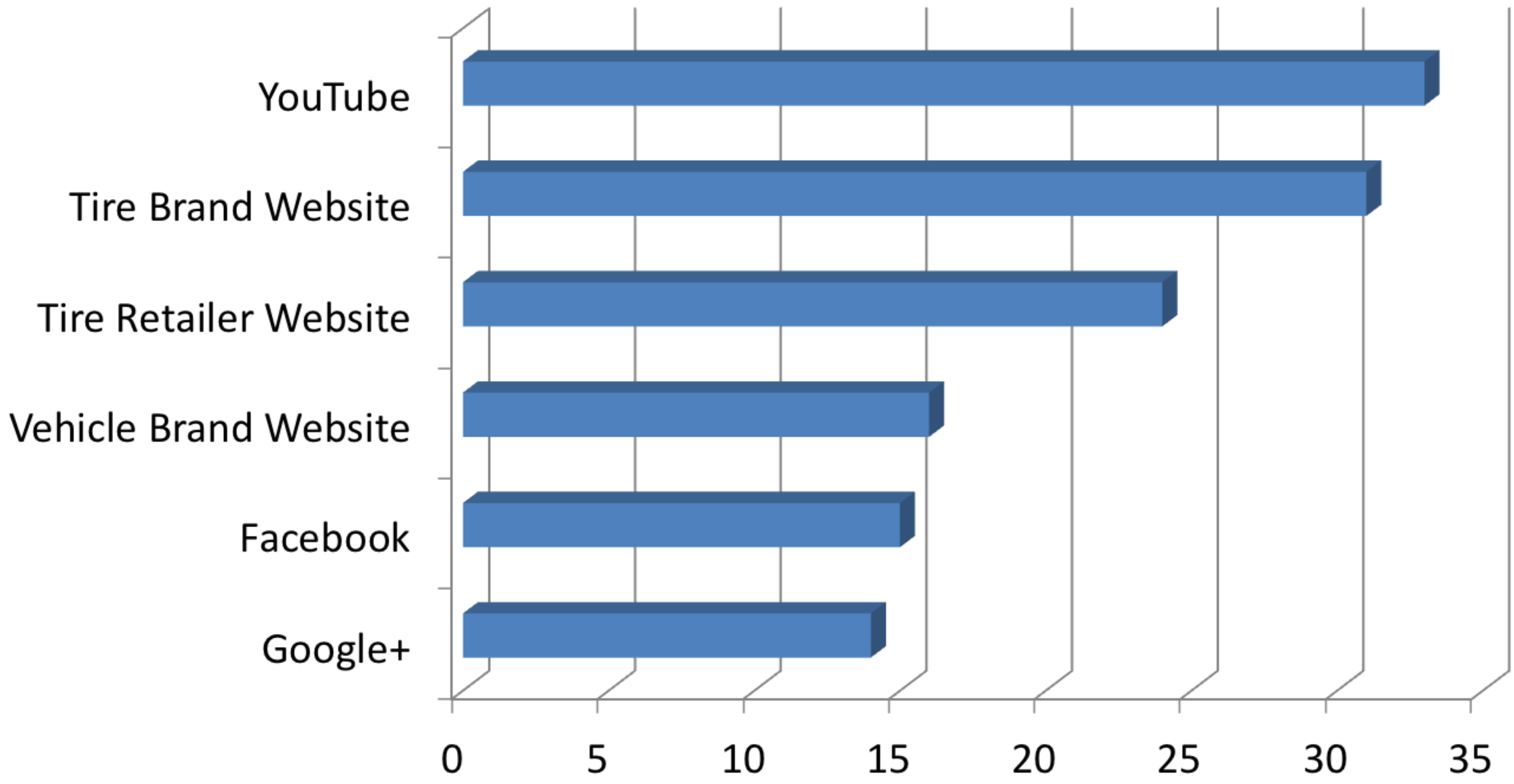
Source: Compete/Google

Videos during Research

- 52% used videos to obtain general information.
- 27% used videos to compare features across multiple companies.
- 25% watched customer testimonials or reviews.
- 23% used videos to decide which company to purchase tires from.
- 19% watched educational videos.

Source: Compete/Google

Video during Research



Source: Compete/Google

Result of Using Videos

- 30% purchased tires.
- 28% visited a tire retailer that sells tires.
- 23% visited the tire brand website.
- 22% talked to family/friends.
- 19% visited a vehicle service center that sells tires.

Source: Compete/Google

National Consumer Education

- Since 2007, NHTSA has been under a Congressional mandate to develop and implement a national fuel efficiency consumer education program.
- NHTSA appears to remain focused on developing a low-rolling-resistance (LRR) measuring and rating system to replace the current UTQG on all tire labels.
- No indication from the Agency that there has been a decision regarding LRR or new tire labeling requirements.

Consumer Focus Groups

- In all forms presented, tire ratings are complex and will require a learning curve.
- Fuel efficiency is the least important rating presented in these groups.
- Ratings should remain independent so that consumers can evaluate tires depending on which criteria are important to them.
- An overall rating is helpful, but only when placed next to the individual ratings.

Source: US Department of Transportation-NHTSA

Consumer Focus Groups

- There are clear thresholds for each rating scale that consumers would not consider purchasing below.
- The tire purchase process differs based on the circumstances for which replacement is required, though the majority of the respondents indicate they proactively change tires as opposed to replacing them in an emergency.
- Mechanics, retailers and third-party reviews are all trusted sources for tire information, but ultimately the mechanic or retailer replacing the tire is trusted to recommend a tire that is best.

Source: US Department of Transportation-NHTSA

Consumer Focus Groups

- "The majority of the respondents defer to their retailer to tell them which tires they should consider, and then will evaluate tires by price."
- "Some respondents prefer to research the tire options available to them independently, but the main factor impacting purchase is price."
- "It is clear from these groups … that fuel efficiency of a tire is not understood by the general consumer in the US, and it is not a major consideration factor for the purchase."

Source: US Department of Transportation-NHTSA

NHTSA Retailer Survey

- Safety and durability are the most important measures displayed on the ratings.
- Fuel efficiency is "nice-to-know," but it has little impact on the retailers recommendation.
- *"Currently, retailers are using ratings for tread wear, temperature and traction when speaking with customers. They find these measures easy for consumers to comprehend, although the decision often depends on price alone."*

Source: US Department of Transportation-NHTSA

The Information Age

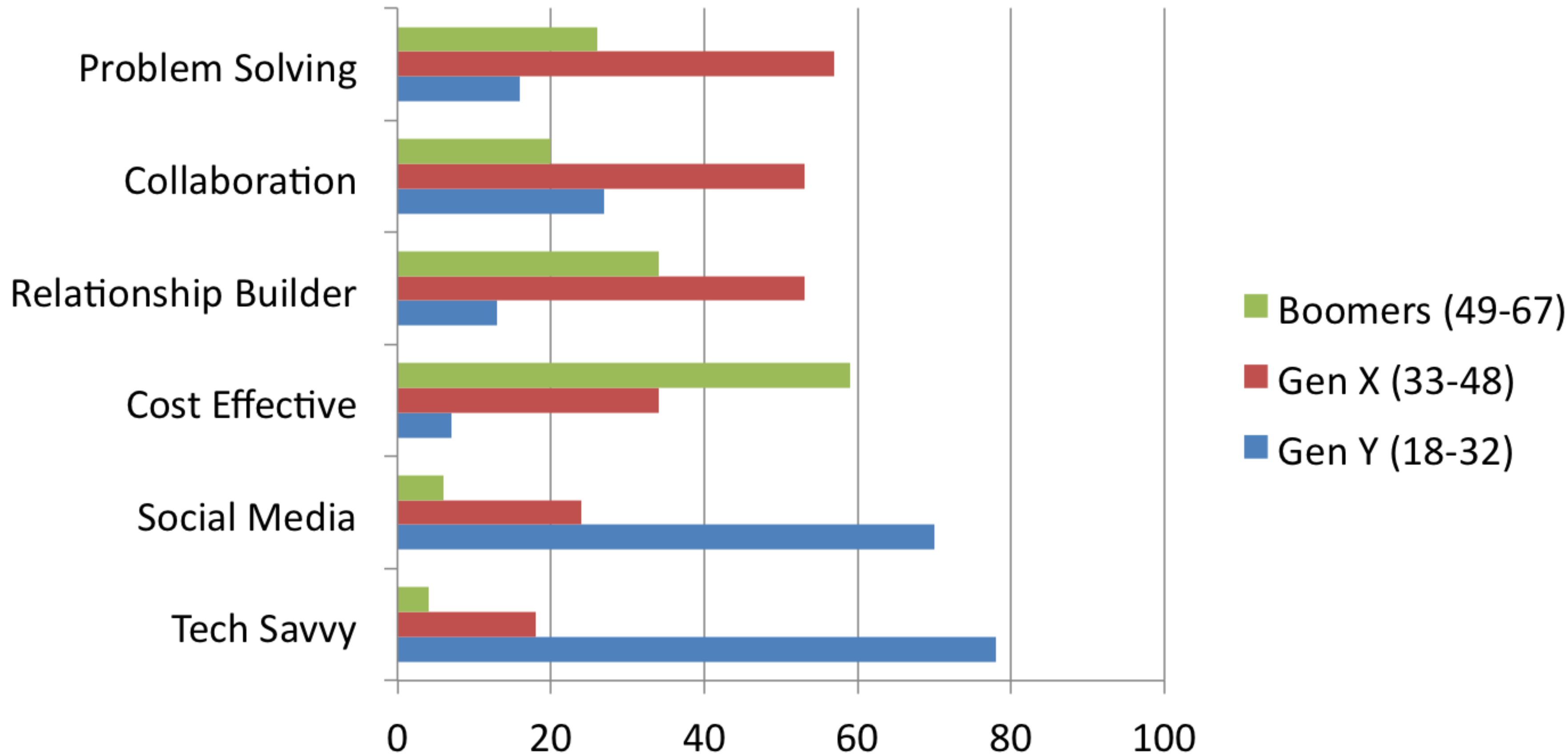
- More people are recognizing the power of information and how it can save them money and improve their lives.
- People are increasingly using the Internet to conduct research prior to making a major purchase.
- People in general are accustomed to having everything at the fingertips so they want it now.
- Relationship transactions are likely to fade away as Generation Y comes into power and Gen X retires.

Tire Buyers in the Information Age

- Needs are primarily generational then economic.
- If consumers cannot find the retailer online, half of the buyers could be out of the picture.
- Consumers are going to conduct their research, mainly online, and then make a decision based on the results and the recommendation of the installer.
- The majority of buyers are focused on price as the determining factor before making a tire purchase.

Generational Qualities

Percentage that agree which generation is best at displaying a characteristic.



Source: Ernst & Young

Traditional Generation

- Born between 1922 and 1945 and hold three-quarters of the nation's wealth.
- They value conformity, authority and rules with a defined sense of right and wrong.
- Command-and-control leadership with hierarchical organizational structures.

Source: Value Options

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Traditional Generation

- Team Players
- Indirect in Communicating
- Loyal to the Organization
- Respect Authority
- Dedication and Sacrifice
- Duty before Pleasure
- Obedience
- Respond Well to Directive Leadership
- Seniority and Age is Correlated
- Adherence to Rules
- Motivated by Self-Worth
- Not very Risk Tolerant
- Prefer Personal Contact

Source: United Nations

Traditional Buyers

- The Internet is still new for a lot of them, so any information received online must be easy to access.
- They are used to doing more with less so the brand may not be as important, but any change has to make sense.
- Feel the most comfortable when there is a sense of order and direction.
- For multi-generational family-owned businesses, this group wants to say they've been doing business for years.

Baby Boomers

- Born from 1946 to 1964 and experienced dramatic shifts in educational, economic and social opportunities.
- Value the freedom to make individual choices and the importance of being part of a team.
- Group decision-making is the best practice for a collaborative effort to achieve the goal.

Source: Value Options

Baby Boomers

- Big Picture/Systems in Place
- Bring Fresh Perspective
- Do Not Respect the Titles
- Disapprove Absolutes and Structure
- Optimism
- Team Orientation
- Uncomfortable with Conflict
- Personal Growth
- Live to Work
- Health and Wellness
- Personal Gratification
- Motivated by Salary
- Prefer Telephone Contact

Source: United Nations

Boomer Buyers

- Getting a lot more comfortable with the Internet so the search tool has become another tool in their tool box.
- Brand and service recommendation are important, but they are more open to change.
- They understand value and are willing to spend a little more if they feel they are getting something in return.
- Not in a hurry to make a decision and will often conduct thorough research prior to making a purchase.

Generation X

- Born 1965 to 1980 and pushed toward adulthood since both parents worked.
- Looking for balance between work and life, they work to live not live to work.
- Very independent that learned how to figure things out for themselves.

Source: Value Options

Generation X

- Positive Attitude
- Impatience
- Goal Oriented
- Multi-Tasking
- Think Globally
- Self-Reliance
- Flexible Hours
- Informal Work Environment

- Just a Job
- Techno-Literal
- Informal-Balance
- Give them a lot to do and Freedom to do it their way
- Question Authority
- Motivated by Security
- Prefer E-mail Contact

Source: United Nations

Gen X Buyers

- They want to solve the problem as quickly and efficiently as possible so they get back to their lives.
- Looking for someone to build a relationship and develop trust for auto maintenance so they don't have to worry about it.
- Understands value, but the ultimate decision may rest on other factors such as safety or economy.
- Will conduct research via multiple platforms and weigh all of the information before making a decision.

Generation Y

- Born from 1980 to 1994 have grown up in the era of technology.
- They expect everything immediately and have been nurtured and protected by their parents.
- Work is temporary and unreliable so it just needs to work for them.

Source: Value Options

Generation Y

- Confidence
- Sociability
- Morality
- Street Smarts
- Diversity
- Collective Action
- Heroic Spirit
- Tenacity

- Technological Savvy
- Lack of Skills for Dealing with Difficult People
- Multi-tasking
- Need Flexibility
- Motivated by Maintaining a Personal Life
- Prefer E-mail and Text as Contact

Source: United Nations

Gen Y Buyers

- Ruled by the information on the screen in front of their face.
- Want to be entertained and if valuable information is a by-product, then it’s a major win for retailers.
- Will use technology to get the best price since that is the most likely goal.
- More reliant on recommendations from friends and family since they don’t have as much experience as a consumer or independent thinker.