

Transcript

October 16, 2025, 5:59PM

□ **Carmelo Rosario** started transcription

0:48

OK.

OK.

Good afternoon, everybody.

And welcome to our October town hall.

I think I have my camera on.

I can't tell.

Make sure I got my camera on.

Have a chairman who.

We good?

Yeah. OK.

Good.

Good afternoon, everybody. Welcome.

Welcome to October 10th.

Thank you for joining us.

We are. It's I.

□ **Speaker 1** 1:14

I just noticed today we're more than halfway through the month of October, which is amazing.

This is supposed to be our not supposed to be, but it will be our busy time of the year, Q4.

I I was thinking as well I think about winter now completely differently than I did before. Before I joined Iraq.

I always wanted a warm winter.

With no snow and now every day I pray for bitter cold, heavy snow.

Icy conditions all across the United States, so let's hope that happens.

We need it.

But enough from enough about meteorology.

Let's jump in. We've got.

Two topics we're going to talk about today in addition to the normal business update.

I would say 1 is certainly.

Response to some feedback you've given us given us in the voice of the employee survey that maybe be a little more transparent about the organization, how we're structured, how we work, and then we'll talk about a critical initiative.

It's not a new initiative, but one that we want to bring and give new life to.

2:16

Read.

Speaker 1 2:18

That we'll talk about as well and then be plenty of time for Q&A. We did not have, which is OK.

We do not have any pre submitted questions, so hopefully that doesn't mean that through our first six town halls we've answered all the questions that you have.

So as we're presenting things, feel free to think about questions you might want to ask or put them in the chat or you know it doesn't have to be related to what we're presenting today. Any dialogue.

And any any opportunity to answer your questions is is really important to us so.

All right, let's jump in.

We'll start, as always, with celebrating our people and and the five year anniversaries 5/10/15 Al Webb, a 35 that we have here in the month of October.

You see, we have a pretty large group.

3:05

Trayvon Jackson.

Speaker 1 3:06

Esteban Alvarez, Connor Edmonds, Rancheronic Nicole Griffin.

Sonia Weiss Carver and Tyrone Johnson, all celebrating five years with tire rack.

Jessica Nemeth and William Strutner, both an ecommerce programming celebrating 10 years.

Steve Cooper, Ken Taylor and Adrian Thornton. 15 years.

Jocelyn Andrews 20 years, Chris Harvey and Jeff Klink, 25 years.

Michael Paris, 30 years and Philip Lee 35 years.

So again, we say it all the time, but one of the unique aspects about tire rack is the incredible.

Loyalty and dedication that people have and and I just can't thank enough the people that we see here and and many others who, for their loyal service to tire rack.

So congratulations to all of you.

I want to turn it over to Stacey, who's going to talk about some new benefit.

Options coming for 2026 that are still a little bit working in process, but Stacey.

 Speaker 2 4:17

So we're happy to introduce some 2 new benefits to continue showing our commitment to supporting our people. Full time employees will soon have access to paid internally and two paid floating holidays that are going to be designed to provide greater flexibility, balance and family support throughout.

 4:18

So.

 Speaker 2 4:40

So that you can take those two days whenever you want.

Both benefits are still being further developed, so more information will come, but there will be some restrictions to the cake floating holidays possibly.

But that just gives you 2 extra days.

To find that balance, so stay tuned For more information as that's developed.

 5:03

I.

 Speaker 1 5:03

Think I think both of these are great additions to the already. I think you know pretty attractive benefits that we offer. And so I think this is this is great news and.

 5:14

And again.

 Speaker 1 5:15

And just another reflection of the investment in our people, both at discount tire and tire rack. So thank you, Stacey.

When we talk about the headlines for the month of September, you may recall that August was a very difficult month for us. September in the overall economic environment, I think is you all know and feel and see in the in the press remains challenging some I summarize some.

Of the things that we've seen here in the last.

Last month or so, consumer pessimism on the rise, almost 60% of consumers expect the US economy to worsen in the coming year.

Projecting 10% less spending around the holidays. Obviously inflation and tariffs are influencing spending behavior.

And you know, there's a lot of hard economic data that confirms a pullback in we're seeing slower job creation. We're seeing weaker spending.

Tighter margins. So again the the the environment that we operate in remains difficult and you'll see that in a number of places in, in this presentation today in terms of tire racks results for the month of September.

They were mixed across the businesses. Our retail volume was down versus last year, but our margins per unit were up. Conversely, on the wholesale side, both car dealer and on the wholesale side, our volumes were up, but our margins per unit were down.

We are constantly trying to get the right balance and mix between obviously pricing and volume. Our overall margins, however, did improve compared to our very poor month of August where our margins took a hard hit.

If you look at our tire volume, it's interesting that and for those of you who may not be familiar, we often look at at we we segment the tire category in price tiers, Tier 1, the most premium products.

Tier 2, we actually do a Tier 2.5 Tier 3.

The only tier of tires that grew for in our business across the whole business in the month of September was Tier 3 tires. The cheapest tires that we sell and and remember in general, we tend to sell far more premium tires.

Than than most our retailers certainly even compared to discount tire and the fact that we see the only growth coming from Tier 3 is there a number of factors. But I think clearly one of them is the fact that consumers are pursuing lower price options.

That are gravitating towards cheaper products. Discount sees the exact same thing in their business as well, so it's A to me that's a reflection of the economic stress on consumers.

Our operating expenses are SG and a.

Was down in September versus last year, but year to date they remain above last year and so you know there there are certainly consequences of this difficult economic environment. As I mentioned we see.

In intense competitive price pressure in the market, a lot of focus today at Walmart at Discount Tire.

On what's called the opening price point tire, the absolute cheapest tire you can buy. There's a lot of attention on that because, again, many consumers are stressed and they're gravitating towards the cheapest and and sometimes those opening price point tires are used to attract.

Consumers in and, you know, hopefully with the hope that maybe you can sell a consumer up on a slightly more expensive product, but a lot of pressure on opening price point, tire discount tires business while outpacing the market. But at a much lower rate than they're typically used.

To discount is used to significantly outpacing the market.

And they're only marginally outpacing the market so far this year, which is a, which is a source of stress within discount tire.

On the manufacturer side, this week Michelin announced a profit.

Warning global profit warning.

But they attributed all of it.

All of it to their business in the United States, which is, which is pretty unusual. And as a result, their stock took a pretty big hit. And I suspect we'll see other tire manufacturers come out with proper warnings.

And again all that.

Just not the not the pile on, but it's a.

It's a reflection of the difficult economic environment that we're operating in today.

Maybe to to bring that point home. This is an interesting.

9:33

Uh.

Speaker 1 9:35

Map of the US that shows.

Q3 tire rack retail dollar sales compared a year ago and where you see red states, I don't want to get political here.

This is red and green, so red states.

This is a decline where our business, our Q3 retail business was down versus a year ago where it's green up versus year ago. And interestingly enough, accountant states it's exactly 505025 states are down 25 or up.

The problem is some of our some of the big states for us, you know, you take California, our second largest volume state Florida, our third largest volume state, they're down. And if you go along the sort of the border down here, some big declines that our business in.

Arizona down almost 12%. Our business in Texas down more than 8%.

So and if we superimpose the discount tire map on top of this, there's would be less red.

But you would see something fairly similar.

Now you might ask the question why?

What's going on in the red states versus the green states? And I would say we don't have the answer to that before quite yet.

You know, a lot of theories.

But you know, I think it's a the overall reflection is the the challenging market that we're in, so.

So with that kind of depressing context, let's turn it over and take a look at the business results.

And I think what do you lead us off with the market?



Woody Rogers 11:00

Well, it's always tough to follow bad news with a little more challenging news. We've looked at this snapshot the last couple of town halls, so the format should be familiar.

The overall tire market continues to be forecast at down and tyre retail units for the year.

Continues to be down our share of that total market. You know this is a arm's length calculation continues to be. And just of note, kind of reflecting the the quantity of bread states in the Scott was just talking about.

Using the the yellow and blue bar chart to the far right, you know we've had a roller

coaster of these last few months.

July, August, September Yellow shows our market share.

This is the change in our market share percentage.

So a relatively small numbers.

Moving by a few percentage points, but in September, which was a particularly tough month for us, we were not only down in units at retail, but we gave up some market share for the month.

Converse to that was August, where we lost a few units.

We actually gained some share.

The market was down more than we were, so it continues to be a roller coaster. And like Scott, I pray for horrible winter weather to drive sales for the remainder of the.

 **Speaker 1** 12:10

Year. Thank you, woody. David.

 **Speaker 3** 12:15

As a reminder, this chart that we're looking at here on the screen, this is really sort of a high level scorecard in which we try to just take a look at the business and get a feel for what's happening in a month. And in your date basis and.

So what you're seeing initially on the top is the injury rate it it looks like large percentage in a large variance between.

We both planned and and where we were last year and so the the negative number you're seeing there that increase in red versus plan that's really compared to an aggressive yet achievable plan we believe and and and unfortunately we're a little ahead of where that's at but we.

Have seen improvements over last year. I mean, for example, one of the things that we've implemented it warehouses is where we're doing stretch bands to try to reduce the shoulder injury as we were seeing and and that's actually been really effective.

And so we're, we're proud of that green dot there and that improvement, but we know we have opportunities to continue to improve in that area.

As you can see, a definite bright spot for the past few months, we've been talking about the customer delight index remaining unchanged, which is great. We're showing that 86% rate of happy customers. Now obviously it's got our alluded to we're heading into.

Season, when we often get the most feedback and and frankly, sometimes we see that number drop a little bit during that Q4 period.

So together we need to work really hard to keep those customers engaged and pleased.

Touched on wheels and SG and a little bit. I'll talk about that more in a second.

I do just wanna point out in terms of the gross margin, we look at it from this screen in terms of plan and a year ago it remained relatively flat but but starting to see some slight improvements there. And if you were to pull up the same slide.

From last month and look at that in it become while we are seeing red there from what our expectations are, we have seen improvement in both both areas over the prior month.

I was promised.

I wanted to just dig in a little bit deeper, just give a little bit better view of both the units and SG and a so that graph on the top left, what you're seeing there in orange, that's the dotted line is where we were at last year versus.

The solid lines of of where we are trending this year.

So both the orange.

Car dealer and green general wholesale you'll see for the past few months we've been.

Above where we were last year, so trying in a great direction. And as we allude to the the retail side has been very challenging as both Woody and Scott spoke to the one bright spot we are seeing there though is while the number of units have decreased. We've really taken the right actions in terms of the margin or the amount we're earning on each tire we sell and those are outpacing last year despite the slightly lower units as we move down the. This is the SG and a.

There's the the really the operating expenses are what it cost us to run that business, run the business and when what we're seeing there is 2 of the last three months. Not only are we trending below that grade line, which was our projected line, but we've also been.

Below that blue line, that blue line represents the actual expense last year and we're trying really hard not just to be below that Gray line, but we want to be below that point as well to help on that bottom line impact of the company in front, but we.

All play a role in different ways to help control that cost.

The only thing I'd say, David, on that you know that Gray line, the projection for 2025 is based on a much higher volume level than we're delivering.

So we should we shouldn't get near that Gray line.

Absolutely. The yellow line Gray line shouldn't touch.

And the Gray line is or the yellow line to your point, the actual should be much closer or below the blue line if possible.

 Speaker 3 15:54

The conclusion is we've talked about, you know, we we entered October halfway through it and really this is our busiest time of the year. And so during that we already play a key role in remaking the remainder of that year successful.

You know, so how do we do that?

Well, obviously we got to capitalize on opportunities we see throughout the next 2 1/2 months.

We need to focus on safety and supporting our team members.

You know, there's all of us can can look around and see opportunities for process improvement.

We need to, you know, talk with your managers and your team members about those and and really dig.

Dig into those and see how we can do some things together and how we can do in different, better ways. And that in turn really helps us control the SGNA.

You know, it's fair to walk around and say, hey, with what I'm doing or within my department, what should I actually stop doing and and what should I, you know, add a new process or task in that actually makes what we're doing more efficient.

All those things together really do contribute to to a profitable bottom line that were released driving towards in terms of the conversion charge, we got some more slides coming up on that.

So I'll defer until we see those OK.

 Speaker 1 16:57

Thank you, David.

 16:58

Thank you.

I.

□ **Speaker 1** 17:01

Want to shift gears and talk a little bit about kind of level set on go to market, but maybe more importantly how we're organized. One of the things that you told us in the voice of employees survey is that you'd like to have a little bit more.

17:17
Clarity.

□ **Speaker 1** 17:18

On not only how we go to market, but how we're organized, who does what in the company.

Have better visibility going forward on a career path on your job posting.

So this is only one small step.

But we wanted to to share with you at a high level our organization structure and give you a better understanding of who does what and will continue.

To improve the visibility for everyone, we think it's important that everybody understands the organization, the opportunities.

And that's what today's discussion is really all about.

Let's start with a very simplistic and you know, I think everybody probably knows this, but just a level set, a simplistic view of how we go to market.

Obviously, we buy tires, wheels and accessories from people that make those products.

We then sell those to either tire dealers who then sell them to end consumers, or we sell them to car dealerships, who then sell them consumers and in many cases our retail business. We sell directly to the end consumer.

And just as a reminder, you know the tire dealers and car dealers, that's our wholesale business you see.

There what they represent in terms of total company dollar sales and volume.

So you see right away the car dealer is a little less than 50% of our total volume.

So it's our biggest segment in volume.

A little bit less in dollar sales, which means that what we sell on the cart of the channel is below.

You know our average selling price for the whole business?

You see the general wholesale business is is pretty comparable both in terms of

volume and sales. Represent represents about 20% of our volume and dollar sales and of course the, the other part of the business is the retail business, which is about a third of our volume.

And almost 40% of our dollar sales because it retail, we sell more premium product and certainly high value product 'cause we're selling it direct to the consumer not through a distributor.

So I don't think that's news to anybody, but just you know I emphasize that because you when we talk about the organization.

Starting point really is these two critical channels that we sell through the retail channel, the wholesale channel.

19:29

So.

Speaker 1 19:30

Let's talk a little bit about our organization structure and I'll say that you know from what I understand, we perhaps in the past.

Haven't really showed a lot or talked a lot about our organization structure so.

The fact that some of the things I'm going to share today are brand new modifications to the organization maybe won't be obvious to you, but I'll try to point out which of those.

19:53

Are new.

Speaker 1 19:53

Let's start with.

The two parts of our organization that are focused on these two channels we are building and creating a retail organization that has responsibility of end to end, if you will from the website division of the website.

Retail sales order clearing installation, customer care.

You know, think about everything that touches the consumer, the retail consumer from the website.

The moment they enter the website to if they have an after sales issue after installation issue customer care end to end. We want a team that feels like they own

the retail business, if you will.

Same thing for wholesale.

Now, that's not new.

We we've had a group that's been dedicated to wholesale car dealer general, wholesale wholesale sales all together, but these are two critical pillars of the organization.

Represent, you know, really these these channels that we focus on in terms of how we go to market.

The next grouping of in the organization are groups that make up some of what I think are the unique capabilities of tire rack. Some of the things that really make us unique and different, everything from our product offering.

You know what we source?

How we source it, finding that the the hard to find stuff.

All over the world.

To our testing.

To the way we deliver product and deliver very quickly and efficiently. And so here you have three other parts of the organization.

The product part of the organization that has responsibility for determining what products we assort then going out and buying them, working very closely with discount tire so that we're coordinated at the enterprise level to make sure we get the we combine our volumes to get the best Poss.

21:42

Deal.

Speaker 1 21:43

And one of the things that's a little bit unique here is the fact that we're putting in the same department, if you will, tires, wheels, accessories all together.

In the past, they were kind of separate.

We think it makes sense to put them together to realize synergies, to be more efficient and to do a better job cross selling across the categories you know every time somebody comes to buy tires from us, we should at least ask him do they need wheels, do they?

22:09

Need brakes?

Speaker 1 22:09

Do they need other accessories?

And conversely, if somebody comes to us and wants to buy brakes, that's a good time to ask them if they want tires or something else.

But so that's, you know something we want to achieve more there as well.

Marketing organization's not new, but we've moved education and testing into that organization. We also are going to beef up our consumer insights. You know, marketing really needs to be along with retail kind of the the voice of the consumer within the in the company.

But more so, you know, doing research, learning, talking to our customers, to gain new insights, to drive the business, also in marketing responsibility for developing the tire rack brand.

And also driving traffic to the website, it's really marketing.

Who's gonna? Who will focus on search engine optimization?

Organic search, you know, bringing the consumer to the website, handing that consumer off to the retail team and the retail team takes it from there to maximize conversion, which will come back and talk about in a few minutes.

And the third pillar of the organization here is supply chain logistics, which is all about managing our warehouses, managing the parcel delivery relationships, working with our with our counterparts at discount to see where we can find efficiencies and synergies and either how we deliver a warehouse product.

Big part of our of our cost operating cost fall in there.

And then we've got a number of other very critical parts of the organization that, that, that are essential support elements supporting the rest of the organization with with key functions, a new one that we've developed here is what we call pricing pricing strategy.

Data analytics. This is where the pricing of our products will reside.

And also because there's so much.

Involved with price modeling.

We think this is a group that is well equipped to also support the entire organization in terms of analytical capabilities.

So this is kind of a new addition to the organization.

There's David's organization, Chief Financial Officer, which includes accounting credit.

Vendor program management so you know things that kind of fit together there.

Human resources know really fundamental change there.

Recruiting benefits, employee engagement all reside there, chief Information Officer.

What's a little bit different here is we're putting the web and IT organizations together under the Chief Information Officer as well as IT operations.

And then the general counsel, the legal organization handles legal and risk management.

So these are the key pillars of the organization and kind of at a high level what's underneath them.

We we have a, you know, a minute.

I'll show you the names that go in these boxes, but.

Role of executive VP and Chief Admin officer that that has the responsibility and supervises the the CIO, the Chief Information Officer and the General Counsel.

25:20

My role.

Speaker 1 25:23

That kind of rolls all this up.

And then you know MM joinies is moved into an executive chairman role and he will move increasingly out of the day-to-day business.

Into a type of role that Michaels Wybeck has had discount tires.

So. So that's that's at a high level how we're.

25:39

Structured.

Speaker 1 25:40

Now the people in these roles.

You know no.

No huge changes here. This new retail organization, which we've created Brendan Bridgford, will lead Aaron Reitman, who's already running the wholesale organization, retains that Cesar Aquino will take responsibility for the combined

product organization.

Woody, who was doing both retail and marketing, were allowed to focus on one job.

And he's going to.

He's going to head up marketing.

Jeff joins maintains responsibility for supply chain logistics. Brian.

Will move into the role of pricing strategy and leading the data analytics

organization. David remains in the CFO role, Stacey in the human resources role, the

Chief Information Officer. There was big news that perhaps you saw this week.

You don't know if.

No, Jean's not in here. But Jean Jean Roberson, after 30-4 years of incredible service, will be retiring at the end of the year.

And Mark Veldman will step in as the as an interim CIO. And so first I want to congratulate Jean and thank Jean for.

The the significant contributions she's made to the company.

And she has left a big mark here and will be will be missed. But Mark, the reason I put Mark's name in that box is that between now and when Jean retires, Mark's gonna be intimately involved.

Involved in in particularly as we as we now look at putting it and web together in the same organization, Mark will be very involved with that.

Mike Anderson, the general counsel.

And then I think you know the rest of it is pretty well clear.

So hopefully that gives you a sense of how we're structured.

But you know what I always say is an organization structure in of itself does nothing.

I mean, it's just a way to.

It's a way to delineate responsibilities.

What what really matters the most is not the structure of the organization.

It's it's, it's how we work.

And you know, I think it's important to talk about what I think are some of the key SuccessFactors.

In this organization in particular, I I could argue almost in any organization, but we'll talk about this one.

You know, I think that fundamental belief is that we need to more and more.

Collaborate and work in a transverse manner because the reality is the most business problems. Most challenges are transverse in nature.

Rarely is there a problem of any significance that just one one entity, one department

can manage and solve.

All on their own.

There may be some, but the big ones are always transverse and we need to work more collaboratively and we need to embrace transverse work, not you know.

I guess I got to get people together to solve this problem.

You got to you got to want to do that because it's the only way to to efficiently solve problems. And I if if one of the things I've sensed in my time here is that maybe historically.

That hasn't been a muscle that's well developed and we need to develop the muscle because I think it's the it's the only way to work and to solve tough problems quickly. And in today's world we will have more and more tough problems and more urgency to solve them.

So, working collaboratively, working to transverse way is fundamental.

Having a mindset.

And David talked about this a little bit having a mindset of continuous improvement and particularly as it relates to efficiency, challenging the status quo.

You know what are the things we can we can stop doing?

What are the things we need to start doing?

What are the things we should continue doing?

And and also looking for where and how we can leverage technology and data to work more efficiently.

And I think this is this is an area where we we've got to progress.

3rd continue to empower and and even more so empower our people and teams.

The delegate delegate means you know giving someone responsibility, but with great responsibility comes accountability as well.

And and really help help our leaders make sure that they're leading and not, you know, being taskmaster.

Past masters or Doers or super doers. But leeny means coaching, counseling, helping, breaking down barriers and then delegating to give me accountability.

One of these we talked about a few minutes ago was providing more more visibility to career opportunities, whether it's career progression, whether it's better understanding the organization, whether it's job postings, a lot of things, getting exposure to different departments say, I think I might want to work in.

That area. Can I go?

Find out more about what they do and how they do it.

You know, maybe we need to have job fairs here where we where we we talk about what what happens in each of the departments.

I don't know, but we we need to continue to work on that.

And I think the other thing we want to do a better job of is giving everybody a clear line of sight to the company's priorities.

We've been trying to begin to do that.

In in these town halls, as we finalize the work that we've been working on regarding to regarding the long term strategic plan, I think we can sharpen.

For all of you, what are our priorities?

Where are the big opportunities?

How are we going to measure success and share that with everybody so that everybody has that visibility so?

That's that's what we have today on the organization.

I want to shift gears now on a completely different topic.

That could be of interest to you, and that is what we call our conversion chart.

And I want to talk about this concept of retail conversion retail conversion, which I'll explain in a minute.

I'll preface by saying is not something new.

It's there's always. There's been a lot of work that's been done on it, a lot of great work that's been done on it.

I think what we're trying to do with this, this concept of the conversion charge is to say, look at, we need double down and try to find and look at.

New and creative ways to drive conversion.

31:52

So.

Speaker 1 31:52

Let me talk about that.

What is conversion and why is it important?

Conversion is the percentage of visitors that come to tireracktirerack.com that actually make a purchase.

And it's the measure how many visitors we convert into buyers and customers.

So it's pretty straightforward.

Why is it important?

It's important because it's really the ultimate measure of the effectiveness of our site and the online purchasing process that we offer to to our consumers.

And the reality is, I'll show you the numbers in a minute.

We get an enormous amount of visitors.

I mean huge and the more that we can convert, the more customers that we we acquire.

And we have the opportunity to delight and we have the opportunity for them then to tell their friends and we create this virtuous circle of opportunity.

And by the way, the more money we make as well, which is not not unimportant.

32:51

Ford.

Speaker 1 32:53

What, you might ask?

What influence our conversion rate?

There are a lot of things that influence our conversion rate.

First, you know to what degree are we offering a differentiated experience for the consumer?

You know, we talk about some of our unique capabilities, all this trusted, you know testing data.

Advice that we provide through our sales people, the breadth and depth of our offer, the stuff that we have that nobody else has the, the the speed of our delivery, so that there are a lot of things that can.

You know, so, so.

Experience is 1 is one piece of it.

But the experience has to not only be differentiated, it has to be easy for the consumer has to be seamless, effortless, intuitive.

End to end, not just, you know, one part of it, but the whole thing.

The research shopping by installing the whole thing's got to be seamless.

Another thing that influenced our conversion rates is not just the website.

There we have a lot of conversion touchpoint opportunities. Basically anytime we interact with or touch the consumer.

Is either a conversion opportunity or or an opportunity lost. Whether that's, you know, certainly on the website, online chat retail sales, you know maybe order

clearing.

Every contact we have with the consumer and customer service, maybe they've already bought, but the way we treat them and how we interact with them is potentially.

Could influence a future conversion opportunity so.

I think we need to think about conversion, not just, it's not just the people.

The web development team's responsibility? No, it's there are a lot of parts of the organization that can touch and influence conversion and certainly you know pricing and how price competitive we are as another is another factor.

Now to look at some numbers and some of you may be aware of these numbers, but you know we get 50 million unique visitors a year to tirerack.com.

That's that red line. 50 million unique visitors.

Who on average, visit our site 1.6 times, which means that we get 80 million roughly 80 million visitors, but 50 million that are unique visitors.

So we get a lot of people and we're always working to find how do we, how do we attract more people to come to the site.

And you know, I won't suggest that traffic generation isn't important because it is, but I think you know the bigger opportunity.

And more urgent opportunity is conversion because as you see here.

Only 1.2 percent 1.21.3.

It fluctuates a little bit 1.2% of those 50 million visitors actually buy something from us.

And you know the rest of them are either.

Maybe they're coming and using us for all of our wonderful data and test results, and then going to buy somewhere else.

Maybe they're coming to us with the intent to buy, but they get frustrated or they get confused and they go somewhere else.

35:47

Who knows?

Speaker 1 35:48

I'll come to that because I think we need to understand that better.

But what I want to dimensionalize here for everybody, and this is this, is significant.

Every .1% of conversion .1 point increase is 50,000 more orders.
It's 10 million incremental dollars in gross profit for tire rack.

36:08

OK.

Speaker 1 36:09

So think about that for a minute. If we go from one 1.2 to 2.2, you're talking about big, big, big, big money.

You're talking about \$100 million in incremental gross profit.

Umm. And so and again.

I'm not saying driving this number is easy, otherwise we would have done it a long time ago.

And you can see we've made progress from you know, where we were in 2013/2014. We're at point 8.9 below 1.

We've made progress.

The question is what would have to be true to make significant progress?

And with without, without changing who we are and what we stand for and how we operate, because that's non negotiable.

But so, so you know, as I said, it's not easy, but I think it's one of the best ways for us to ignite growth in our business.

And remember, we've been talking about the fact that our business overall business is strongly plateaued in terms of growth.

This is what I believe is our biggest growth opportunity and this question that I, as I already said, what would have to be true to convert more people who are already coming to tirerack.com to inquire about tire's accessories to actually buy from us.

And so what's our plan to increase conversion first?

It starts with and it gets back to the need to really, really really understand.

Our consumers, our customers, what are the, what are the biggest barriers to conversion?

Think we have a lot of theories about why consumers shop but don't buy from us, and I think we need to sharpen those a little bit more, probably quantify those a little bit more.

Certainly leveraging AI is an opportunity we think about.

37:48

1.

Speaker 1 37:49

Of our unique points of difference.

This is all this tremendous test data that we have.

There's a lot of data there and sometimes that data can be overwhelming if we leverage AI smartly, we can do a couple things.

First of all, we can.

We can synthesize that data to just the essential data that the tumor is looking for and better leverage the unique data that we have to help drive conversion. We can also use AI to customize and personalize the consumer journey as a way to drive conversion.

And we've had a chance to benchmark with some others. There's no question that both of those things and certainly customizing the journey personalized, the journey. Has a significant impact on on conversion rates.

And then and then the other piece of it is dramatically improving the online to offline experience by removing some of the conversion barriers we know.

But we think we know that, you know, one of the things is consumers don't like is. I pay for my tires now. Then you're gonna ship my tires somewhere, and I gotta go do a separate transaction with somebody that I haven't struck a deal with and get them installed. You know, that may be a barrier for us.

How do we make that more seamless?

Could be an opportunity so.

So how will we know if our efforts are working well? First of all, that conversion rate graph that I showed you I think is something we should review.

All the time in this meeting, I think it, you know, needs to be something that's probably on our overall scorecard or will show it separately.

But I think we all need to follow how our conversion is progressing.

And if we're do, if if we're, you know, making progress, it'll still up in the numbers.

And we'll, we'll monitor and report out on our progress because you know we want everybody to be aware of of this important indicator, so.

39:39

So you know.

Speaker 1 39:40

The question a couple questions.

I will leave you with and ask everyone to ask themselves this how can you help? Improve conversion on tiraack.com, you might say well, wait a second. I you know I'm in a department that's you know so far removed from conversion. I can't help think about it.

Be creative and and see if there's a connection between what you and your department does and retail conversion or you know.

I think all of us for those entities that do have a little more of a connection connection.

40:08

Read.

Speaker 1 40:10

To the website or to the retail consumer, look at what you do through a lens of conversion of saying look at if I if I wanted to really have a positive impact on conversion, what could I do?

What might I do?

What should I do? I don't know.

And again, I want to preface.

That by saying, you know, doesn't mean we want to do things that.

Are against who we stand for, what we believe, how we operate to drive conversion. That's not it.

40:38

I'm convinced.

Speaker 1 40:39

That we can grow conversion by staying true to what makes us unique and different and and we have to figure out how to do that. And again I don't want to discount all

of the hard work that's been done over the years on conversion.

But I think it's time to bring a new lens, a new focus.

And to try some things different to drive conversion, because I go back to what I said, the risk of being redundant, I think this is our biggest growth opportunity.

That we that we have.

Certainly on on the retail business, we have other growth opportunities in car dealer and general wholesale. But in terms of potential magnitude, this may be the biggest one.

41:19

All right.

Speaker 1 41:22

Let's shift to Q and AI. Don't know if we have any questions yet.

Remember these questions? Sometimes? There we go.

Ibrahim, I don't have my chat open.

So, Carmelo, can you put up on the screen or feel free if you want to just jump in and ask it, open your mic or the mic's open.

Ibrahim Chaaban 41:42

I yes, I I don't know. Can you guys hear me OK?

Speaker 1 41:45

Yes, go ahead. Who's first?

41:50

Name.

Ibrahim Chaaban 41:50

Can you guys hear me? OK, Yep. Thank you. I I really appreciate sharing all the information that you shared with us and I I'm wondering two things in terms of the conversion. Number one, do we have any data that you would be willing to give to some people that might?



41:51

I'm sorry, Abe.



Speaker 1 41:52

Abe, Abe, go ahead.



Ibrahim Chaaban 42:10

Do we wanna do some investigative work on this data to determine where we're falling short and where are the opportunities? So that's number one. Number two, are we trying to set up any data collection currently on the website to identify things like where are?

Those 50 million people coming from, what were they before and how did they land on our website and at what point on our website are they leaving?



42:42

OK.



Speaker 1 42:42

Let's let's turn it over to the EXIM experts Brend.



Speaker 3 42:46

So Tim, Tim is the expert on this. So I don't know if he's on, but you're on, Tim, go ahead.



Tim Joines 42:48

Yeah, I am. Yeah. Yeah. No, we do have that information. So we do. We use, we have a few different analytics tools that we have on the site that do track precisely where, where traffic comes from, what happens on the site, where they go. Well, not not necessarily where they go afterwards, but where they are leaving the site and it.

It tells us struggle points. It is a it's a complex question that we are, we are, as Scott said, we've always been working on it and it's it's something we want to continue to give maybe even more advanced looks at it and also.

I'm looking at it more holistically as a company, right? Not just the web interaction, but how everything that we do affects that conversion. You know, we could

dramatically increase conversion by selling tires at a loss. That's probably not a really good idea, so.



Ibrahim Chaaban 43:38

Sure.



Tim Joines 43:39

We it it is more of what what Scott had said earlier. We we want to take a a a non barriered approach to this so that we're working together as a as an enterprise to make sure that we're raising these. But we do have the tools to measure and analyze what's happening on the sites.



Speaker 1 43:57

And I think the other thing I would I would add is the, you know, the tools of how they're behaving on the site and maybe how they're where they're stepping away. We have that in terms of maybe sitting down with with some of our consumers and going deep deep on an end to end standpoint that's there's probably an area where we can learn more by doing that I suspect.



Tim Joines 44:10

Yeah.

Yeah.



Ibrahim Chaaban 44:17

Thank you.



Ron Thompson 44:20

I I look, I look.



44:20

OK.

Next question.



Speaker 1 44:23

Raul. Raul. Raul, are you up next?



Rahul Chenna 44:24

Hey guys, this is Rahul. So my question is one of the things that I think we should consider as part of the conversion rate is how impactful are Tire Rack gift cards on conversion. This is something that we deal today as part of the customer experience. If someone had a bad experience, we give them a gift card.

But we have never seen like, hey, does giving a gift card to a customer make it more likely that they come back and more likely that they purchase?

Right. So if we have some sort of metric around it, like how impactful gift cards are, it could be one of the things that we start doing more frequently, even if a customer is complaining about something very minute, if the gift card is going to lead to a better conversion.

That is an action that we can take that's in our hand today, so.



Speaker 4 45:16

Yeah, that's a good one, Rahul noted.



Rahul Chenna 45:16

Yeah.



Speaker 3 45:18

Yeah, actually, Rahul.

Yeah. Thank you for bringing that up.

So both Woody and Corey and I have been looking at that.

It's something that we're continuing to dig into.

We do actually have some things behind the scenes that really put a put a marker tracker on why and how we issued the gift card so we can look at those separately between a gift card.

Customer guide versus one we gave as accommodation or or maybe a promo or an award NSCCA event.

So we're looking at that.

We're looking at customers.

We get them.

To who haven't come back and those who have and and are hoping to learn more from those in the very near future.

 **Speaker 1** 45:52

I think, yeah.

Thank you very much for that.

Certainly something to look at it.

The the number the the.

The highest priority is how do we drive conversion without having to discount?

 46:04

So.

 **Speaker 4** 46:05

Yeah, I think these are given as concessions when something went wrong. And I'm really interested in understanding what's going wrong that's driving these concessions.

 46:08

OK.

I was going.

I.

Into my my.

 **Speaker 3** 46:14

To say getting back a step.

So we're not having to fix problems after the order is shown.

 **Speaker 1** 46:19

I was going to say if that's the case, I would hope we we don't ever have to give out any gift cards.

But anyway, that's all OK.

 46:23

The.

 **Speaker 1** 46:25

All right. Next next question.

Who's up next?

46:27

Sean, I think you're next.

SG

Shawn Gutzman 46:30

Yep. Hello. So my question is, I've noticed Tire Rack has a much older audience to older audience. How do we plan on marketing to a younger generation? An example would be the 20 to 30 year old crowd who attends car meets on a Friday night. And who are constantly on their phone using social media?

WR

Woody Rogers 46:56

But we we definitely need to, you know, increase our efforts marketing to the customer of the future.

And a slice like the 20 year old at the car show on a Friday night is a good example of that.

So we do it in kind of endemic ways today with the car clubs that we sponsor at the national level, the car clubs, we engage.

On the weekends at Tirerack headquarters, utilizing our track for free as a place to come, safe place to come enjoy their cars.

In the past we dabbled in a coffee before there was much of a scene in South Bend Pre.

47:31

COVID.

WR

Woody Rogers 47:32

We're not active in that space in town today, but it's on our radar for seeing how we can leverage that and go out and do that in a GR.

Marketing with the younger crowd.

To to tap into those customers in the future.

□

Speaker 1 47:46

And I think it's, I think it's a great question because I think that you know it's

something we've talked about.

We were the pioneer in many ways in terms of grassroots weather, scratching motors.

With these clubs very unique PR and the reality is a lot of those things have shifted and it's a little bit like the discussion we just had on conversion.

48:09

We need a.

Speaker 1 48:09

We probably need a fresh lens and a fresh look at some of that to make sure that we're in the right places.

Both physically and virtually to be reaching out to those people. If you think about, you know, buying stuff online, even buying tires online.

We should skew.

Young, I mean we're we're we're the place for that.

Between that and the fact we got all this unique product hard to find stuff. If you're a tuner, we got it. Not just the tires. We got the accessories.

We should be the go to place for that and you know, the question is.

What's the barrier?

Why aren't we if we're not?

And what would have to be true to get there?

So I think I think it's a, it's a great question.

It's something we we talked about when you look at.

48:54

K.

Speaker 1 48:54

Who's up next?

48:55

Ron, I think you're next.

RT

Ron Thompson 48:59

Yeah, hi, I just have a quick question for what is considered your conversion that you're trying to convert over. So I personally use the Ty Racks website. What happened there? I personally use the Tire Rack website for myself to, you know, try to answer technician questions or to better assist customers when we show up to an installation. And you know, maybe the customer has better questions like, hey, these tires may not been the right fit for me. Maybe I ordered the wrong tire. So I I'm looking up, I'm using the Tire Racks website. Myself to try to help my technicians out on a day-to-day. Am I considered somebody who is bringing that conversion rate down?

 **Speaker 1** 49:40

Yeah, you are, but that's OK.
You can keep doing that.

 49:43
It's a.

 **Speaker 1** 49:43

It's a noble cause. Yes, yes, you are.
And you know, I do the same thing, but the reality is the difference between me and you and the impact we're having on conversion and the 50 million.
Person opportunity that we have.
We got a lot of head.
We got a lot of gross opportunity.

 **Speaker 4** 50:00

Yeah, I think if anything, we want more we.

 **David Lute** 50:00
We.

 **Speaker 3** 50:02

Want more tire rack employees using the website and seeing the journey through our customers eyes?



Tim Joines 50:02

Yeah.



Ron Thompson 50:08

Yeah, so I was kind of getting at.



Tim Joines 50:08

We do exclude any traffic. I'm sorry, we do exclude any traffic that comes from our own internal IPS from our reporting.



Ron Thompson 50:15

OK. So what I was getting at was like maybe there's other companies out there that are also doing the same thing, you know, trying to get use our data sources to, you know, provide their customers with a good experience.



50:28

Well, we we we know.



Speaker 1 50:29

Certainly you know, to your point.

And by the way, we do it as well.

But you know, there's a lot of bots out there, scraping, coming to our site, scraping information, pricing, whatever.

And that's all part of that traffic. That's all part of that number.

I mean, we try to exclude some of it, but I don't think we can't do that perfectly, so.

There's pollution in there, but it's again, I I don't think it.

I don't think it dramatically changes the picture in terms of the size of the opportunity we have before us.



Ron Thompson 50:57

Is there a way to maybe prompt the site with the question like what what leads you to our site today? Are you looking for data or are you looking to purchase tires so that this way we could kind of not filter out the people like me, but in a sense get a better idea of who's actually coming to our site to purchase tires and not buying

them at the end of the?

Today.



Speaker 4 51:20

Yeah, I think these are called.



51:20

Good.



Speaker 4 51:22

There's a name for that type of survey that pops up throughout the journey. I know Tim and team have been looking at this.



Tim Joines 51:29

Yeah. And we're we're careful about adding those kind of questions because anytime you interrupt a customer's journey, you can cause them to be annoyed or leave. So we're we're very careful in in only asking things that we think are really relevant to their purchasing decision.



Ron Thompson 51:45

Understood. Well, thank you guys. Appreciate.



Speaker 1 51:49

Thank you, Ron.



51:51

Some of the chat questions someone asked where can we submit ideas to drive conversion?

Say again, where can they?



Speaker 3 52:00

Where can they submit ideas?



52:03

For driving converts that.

 **Speaker 1** 52:04

I would say if you have any conversion ideas, you can send them to.
E-mail Brendan to me to your manager.

 52:10

Me.

 **Speaker 1** 52:12

The more the merrier.

So bring bring them on. We would love to have those.

 **Speaker 5** 52:18

And then another question is about AO Racing has built one of the biggest and most passionate fan bases.

Has tire rack ever thought about teaming up with them for a sponsorship?

 **Woody Rogers** 52:29

So we love Rexy and Roxy and the AO team with INSA Racing.

We've done partnerships with Team Penske with primary sponsorships on their cars.

Let's say we're still assessing the midterm and long term impacts of that to know is it better to partner with a team?

Or partner like we do with the battle on the bricks race at the Speedway. Is it better to be on the race or on the cars and both in the near term and long term, so work in progress?

 **Speaker 1** 52:58

But you know, there's there's a great example of their their approach to sponsoring a race car has, I mean, transformed the the people they attract, the age of the people. And you know, you would say, well, you know, sponsor race, car sponsor it hockey. But man, they've done it completely differently and I think we should be inspired by that.

In in in other areas about how we can look at you know, look at traditional opportunities we've done in a different way.

 **Speaker 5** 53:26

Another question was what is our goal conversion rate and are we looking to be to convert better than the industry average or catch up with the current average?

 **Speaker 1** 53:36

I'm not sure we know what the industry average is, but we we want to improve it and improve it substantially.

We're not going to commit to a number at this moment.

And once we get around 10%, then we'll start talking about.

 **Speaker 5** 53:55

Another question was.

Border national and global economic challenge impacting our profits and market share, which consumers, especially in the lower and middle income groups facing reduced buying power and how much of our current performance is being affected by these external external factors.

 **Speaker 1** 54:14

Well, I think you know there are a number of factors that are affecting our performance.

The market is certainly one of them and you know, I think as we in the summary slide, I'll mention the fact that you know, we're at risk of delivering lower profitability this year than we did in the last year. And and there haven't been too many years where?

That's happened, so I think.

You know, that's somewhat a byproduct of the market environment. As I mentioned, we see the changing consumer behavior and some of the tires that they're creating down to.

We see that discount sees that.

So yes, it's having an impact. I think, you know, remember, we tend to be.

Relative to most other wholesale or certainly in retailers, more premium oriented in terms of we saw more Tier 1 tires, larger seat size tires, more expensive tires.

So now you can say, well, that's good because our our, our, the majority of our

consumers may be a little less price sensitive but.
When we see our number one volume.

 55:10
Right.

 **Speaker 1** 55:11
Priced tier that we sell it's Tier 3.
There's indication something's going on, so I think the answer is yes. We're seeing an impact on our business and we have to.
It's it's why we have to find ways to.
You know, really get back to Y tire rack.
Why should someone buy from us?
And and double down and leverage our unique capabilities.

 **Speaker 5** 55:37
Another question, in a in a changing interest rate environment, what steps are being taken to optimize the balance sheet, the balance sheet?

 55:46
Here's David.

 **Speaker 3** 55:49
Yeah. So obviously a strong balance sheet is a very important part of any company. And so it goes beyond just looking at the tire rack balance sheet. We obviously part of the larger entity discount tire as well.
And so we do work together to leverage things such as cash.
Interest rates and how we use our funds.
And we do have an extremely strong balance sheet, not just within the industry but but for for the entity itself. And and it is something that we regularly look at and talk about and and look for opportunities to to take advantage of.

 **Speaker 1** 56:22
If we we were a company with a lot of debt, it would be a concern more fortunately not.



56:26

Correct. Yeah.



Speaker 5 56:29

Another question, have we explored implementing a purchase program for our consumers?

I've seen some larger businesses offering services like shop pay to have flexible payment plans for larger purchases.



Woody Rogers 56:41

Well, clearly I need to step up our marketing game because the tire rack credit card that we offer on the site has six months, no interest on any purchase above I think 100 or \$200 should know the numbers.

So we have that there, we have that option.

We also have probably the largest.

Financing option of a firm on our website.



57:02

Those.



Woody Rogers 57:02

Are baked in, but we we probably should message that better. If it's not obvious.



Speaker 1 57:07

Are we working on some other options for paying on on on the site in the future?

Apple Pay or things like that.



Woody Rogers 57:14

Yes, we're looking for digital wallet options like Apple Pay and Google Pay, and those also tap into any of the many of the extended terms payment option sources also forgot PayPal, which we've accepted for many years.

Has a extended terms option as well.



Speaker 1 57:33

But that's a great question with the with the price of tires these days.
You know a lot in the environment.
The opportunity to have, you know, some kind of credit or pay over time is really.
Important for consumers.

 **Speaker 5** 57:47

Another question, have we or can we establish a relationship between conversion rate and CDI?

 **Speaker 1** 57:54

So essentially, customer, consumer satisfaction and and conversion, you know I think I'm not the expert on that, but I would think that you know certainly.
If somebody buys from us and has a great experience and therefore they have a, they have a a low customer satisfaction, it's it's probably gonna have an impact on their on their next one.
I would imagine we could, but I don't know.
Yeah, it's a great question.

 58:18

Yeah.
Great question.

 **Speaker 4** 58:19

That's good idea.
Let's take a look at it.
I know the issues that affect CDI are typically post purchased so late delivery problem with the installer problem with Rd. hazard.
These are the types of things that my guess and I'm interested to see if the data supports. This is that customers assume that that's all going to go smoothly up front, or they wouldn't buy in the first place.
So it's really critical to address those post purchase issues so that we.
Reassure customers that they will buy and. But I think that's a really interesting one to look at, Mary.

 **Speaker 5** 58:54

And then another one.

Have we done more to look to understand profiles of our online retail customer base and how to target their potential customers who would be more likely to purchase?

 **Woody Rogers** 59:05

So we utilize a lot of look like audience targeting in our off site advertising.

So we have a huge customer database and with appropriate privacy layers in place, we're sharing anonymized information in our marketing tools to go find people who look like our best customers.

Find it to reach the people that are buying from us. More of the people that are buying from us already.

 **Speaker 5** 59:31

And then another one.

Have we considered revamping the app?

It's its rating compared to the other tire sellers on the App Store as well. And with the rise of AI, have there been talks of strengthening that as a conversion tool?

 **Speaker 1** 59:44

I think that's some of what you know when we talk about stepping back and taking a new look or a different look at conversion, it's exactly, you know, some of those types of things. You know everything from.

How I you know, search for the tires for my vehicle the year. Make model to how those shirts search results are displayed.

How the you know, it's everything on the table. Again, not to say that.

What we're doing today is is not right, but but looking.

Everything through this lens of hey, if we're willing to step back and make some big shifts.

Or do we think we can drive conversion? And I think you know some of those those points that were addressing that question are are are very good ones. We need to look at.

 1:00:27

Another question.



Speaker 5 1:00:28

Someone asked is considering making the site more accessible to those who are not car people. They say it can be intimidating to try to buy something online if you don't know what you're really looking for.



Speaker 4 1:00:41

So I think.

Our customer base is pretty squarely car people and people who want to do research on tires, right?

So I think it's a delicate balancing act.

I was actually on a.

I rode along with a UI research called us earlier today and.

That was one of the trade-offs that they're trying to balance is they're thinking about how to lay out the detail page, for example, is that people who are really into cars want a certain thing out of the detail page.

And people who know less about them want a slightly different thing.

It's delicate balancing act.

I know the UI team have looked closely at this and continue to look at this, but we have to stay be clear about who our target customer is though.



1:01:25

That's right.



Woody Rogers 1:01:26

And it is definitely a balancing act to not disrupt one while trying to attract another.



Speaker 1 1:01:33

Guys, first of all, I want to thank everybody for all the questions.

Fantastic questions and they're more pouring in.

And I'm sensitive to time.



1:01:42

We're over.

 **Speaker 1** 1:01:43

So here's what I would propose if it's OK is that we we end the meeting now, but we will respond to all the questions that we have here.

 **Speaker 5** 1:01:53

I can send you.

 **Speaker 1** 1:01:54

Is there a way that we can respond so that everybody can see them, you know, all the people that?

 **Speaker 5** 1:01:58

Maybe when we send out the like when I send out the recording of it or just send out to everyone, these are the questions that weren't answered.

I can just send out an e-mail to everyone and then if someone does need it, they can always reach out to me in the chat, but I'll send these questions to you, I'll send.

 1:02:09

OK.

 **Speaker 1** 1:02:10

Good but fantastic questions.

 1:02:13

Great questions.

You.

 **Speaker 1** 1:02:14

And and it's exactly what I wanted to, you know, put this this topic on the table.

I want everybody 'cause. I think a lot of great questions, great, great ideas. I want everyone to be thinking about this.

And and see how we can work together.

Let me just close it out here real quick.

You know, again, I don't want to.

I don't want to.

Kind of rain on the parade here, but I think you know the reality is that the environment we're operating in.

Is and will continue to remain challenging our business year to date is we closed some the gap somewhat, but we're below plan and we're below last year. It looks like our profitability is projected to decline in 2025 versus 2024 and you know Q4.

As David said, is going to be really important.

We got to execute with excellence.

Our priorities, and no surprise conversion or conversion charge continuing to work to optimize our pricing and margins in you know using this data-driven approach.

To optimize in our pricing, carefully managing our expenses, whether it be overtime or there is we can reduce cost.

David talked about how do we improve operational efficiency.

What can we what can we stop doing?

Do more efficiently and where can we find pockets of growth?

Those are all things we had to go after, but I think you know at the end of the day without being overly dramatic, I think we're an inflection point. You know, we, we we last couple years.

Doing the same things in the same way won't help us restore this business to profitable growth and enable us to to to make dreams come true for future generations. And so you know, we're at that decision point.

1:03:46

Say again?

Speaker 1 1:03:49

I'll reiterate what I always reiterate. Foundations of this company are unbelievable. Extraordinary customer service, extraordinary employee engagement.

And you know, incredible ups of brand trust.

How do we build on that?

But step back and look at new ways to do things, whether it's we operate more efficiently, how we find new opportunities for conversion, whatever it's it's time to look at that those things.

And you know, the market's a little tough.

I wouldn't call it a market crisis, but you know the old saying? Never waste a good

crisis.

We need to take advantage right now of this environment to to to use as a catalyst to do some things differently, to think differently about our business so.

Thank you all.

Sorry, we went over.