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CASE STUDY: DISCOUNT TIRE FREE SERVICES FREQUENCY ANALYSIS FOR B2B CUSTOMERS

JANUARY 2021



EXECUTIVE SUMMARY

SITUATION: Our Fleet organization experiences customers asking for deeper discounts. Many competitors may price higher than we do which allows them the ability to lower pricing. However, our competitors may charge for services that we perform for free which saves our customers money. **We want to be able to quantify the frequency and financial benefits of the free services to our customers to be able to demonstrate the total cost/benefit of our services vs our competitors.**



EXECUTIVE SUMMARY

RESULTS: We used data to simulate B2B customer behavior, by looking at vehicle age (3-5 years old), purchasing history (3+ years) and invoice details (2016-2017 with 4 tire invoices). For monetary quantification purposes we focused on one of three layers of conditional analysis applied based on post-tire purchase behaviors for the free services:

- **Flat Tire Repair:** 9% to 20% to 37% of purchased tires experience a flat repair
- **Rotation & Rebalancing (Real World):** 0.05 to 0.11 to 1.06 times per 4 tires undergo rotations & rebalancing
- **Rotation & Rebalancing (Simulated Ideality*):** Average 8.25 times per 4 tires undergo rotations & rebalancing
- **Flat repair** was only category we decided to quantify monetarily based on the unique stance of Discount Tire in the marketplace of not charging for this service

* Simulated Ideality refers to a recommendation of tire rotation and rebalancing per every 6000 miles

EXECUTIVE SUMMARY

RECOMMENDATION: Given the competitor pricing received from our research, we recommend utilizing the **20% for free flat repair only**, which includes free flat repair and free TPMS rebuild kit.**

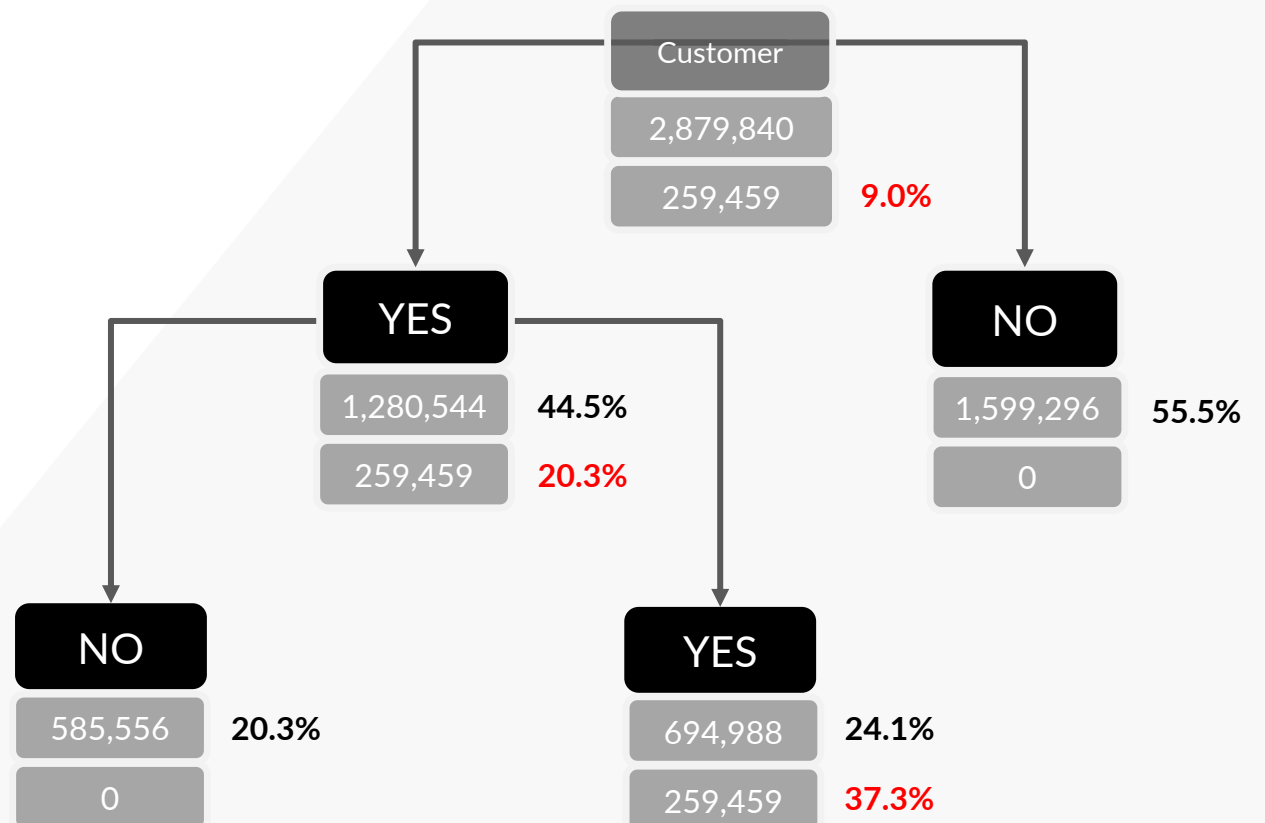
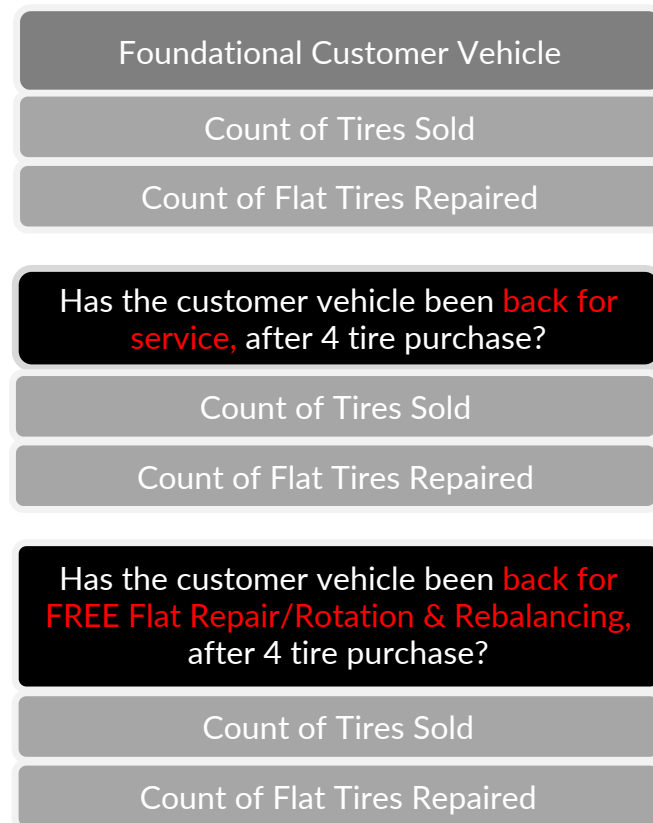
Based on the data and our experience with customers, a fleet of 1,000 vehicles would save \$20,544 over a three-year period by utilizing Discount Tire vs a Competitor.

** Product Team provided market cost of free services is \$18.71/flat repair and \$6.87/TPMS kit.



FLAT TIRE REPAIR

Depending on base population, the free flat repair frequency for simulated B2B customers could range from 9% to 37%. Our **recommendation** is focusing on the customers who have come back for services. We conclude that, of this group, **20.3%** of purchased tires undergone a FREE Flat Repair over the life of the tire.



MONETIZATION ANALYSIS

The savings Discount Tire provides fleet Customers with FREE services compared to our competitors shows clear savings the more tires the fleet purchase with us

Discount Tire FREE Services Monetized Value based on Market Cost						
Vehicle Count	50	100	500	1,000	5,000	10,000
Tire Purchase	200	400	2,000	4,000	20,000	40,000
Tires expected to have a flat repair (20%)	40	80	400	800	4,000	8,000
Fleet FREE Service Savings by purchasing with Discount Tire	\$1,027	\$2,054	\$10,272	\$20,544	\$102,720	\$205,440

The Product Team provided competitor cost of flat repair service to be on average \$18.71, along with an average \$6.87 for TPMS kit, in total of market cost of \$25.68 per Flat Repair which Discount Tire provides for free. With a focus on customer group who would come back for services after POS, it shows a frequency of 20% of total tires undergone a free flat repair over the life of tire (3 years period).