



PURSUING

EXCELLENCE | EPS

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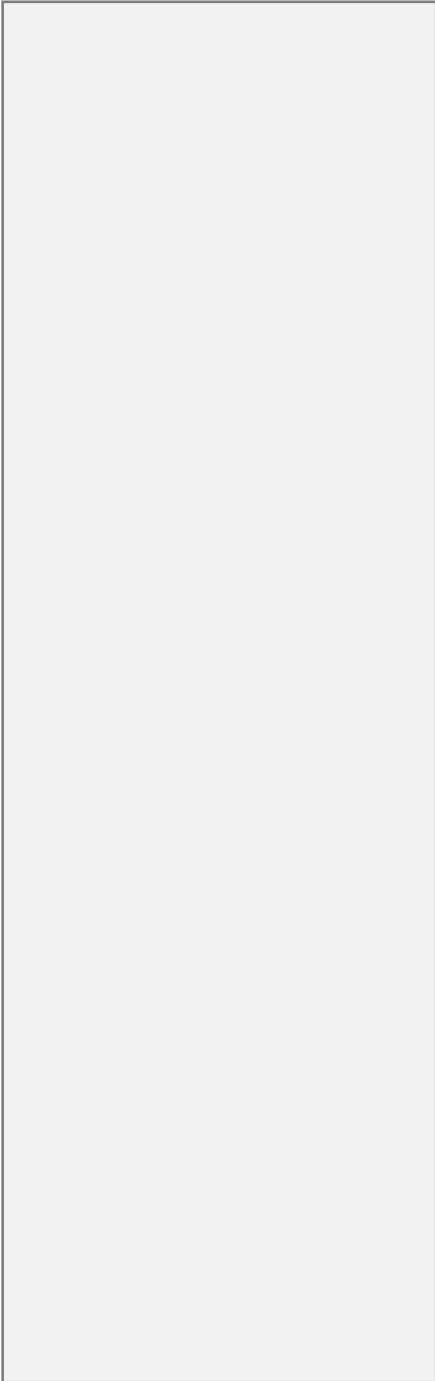
EXCELLENCE IS NEVER AN ACCIDENT. IT IS THE RESULT OF HIGH INTENTION, SINCERE EFFORT, INTELLIGENT DIRECTION, SKILLFUL EXECUTION, AND THE VISION TO SEE OBSTACLES AS OPPORTUNITIES.

- ARISTOTLE


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KEY POINTS



MY NOTES:



MY ACTION ITEMS:



THE FIRST P: PERSEVERANCE

Identify one area of opportunity where you can apply a little continuous improvement to your business this year. Think about your customers' experience before they visit you. How about during their store visit or maybe even after they've paid and left after the sale. Where can your customer experience be improved?

THE SECOND P: PROFIT

Identify one area of your business or one service that you offer where you can focus on improving your profitability. Remember, profit is the lifeblood of any healthy and successful business. Are you charging a fair and reasonable amount for your labor? What about recouping some of your shop supply costs? Are you getting your fair share for flat repairs? Identify just one area of opportunity where your gross profit could be re-evaluated.

THE THIRD P: PEOPLE

Reflect on your key takeaways from this Pursuing Excellence Ep. What is your single action item from this episode? Will you double down on your hiring efforts on Facebook? Will you join and contact your state's tire association to find out more about upskilling your people? What about training grant programs offered through your state to help reskill your team? Think hard about this and then commit to taking action today.

THE FOURTH P: **PROCESS**

Identify one action item for yourself in order to improve the processes that drive your business on a daily basis. Think of your business as a system, which is run by the processes that you have in place. Put yourself into the shoes of your customers and think about how their experience with your business could be improved.

THE FIFTH P: **PRODUCT**

Depending on who you ask, either Benjamin Franklin or Mark Twain said, "Don't put off until tomorrow what you can do today." The point is that proactivity pays. And in seasons of scarcity like the one we're currently working through, planning ahead pays a daily dividend. In this module, we answered three questions: 1) What's the problem? 2) What is K&M doing about it? 3) What can you do about it? Now, it's time for you to answer that question. If it's true that those who win between now and this time next year are those who have the right products, what will you choose to do today in order to set up your business for success throughout 2022?

COMMIT AND ACHIEVE: **SET A GOAL**

The research on this is crystal clear: High achievers who identify and then write down their goals are about 42% more likely to actually achieve their goals. Where you point your focus, your energy follows. The results you seek are the byproduct of where you choose to point your focus. So capitalize on this opportunity to identify just one goal for your business this year. Then, critically, identify the first step you must take in order to achieve your goal.

My goal for my business this year is...

The first step I must take in order to achieve my goal is...

I will begin working on this by...

(Date)

TIRE AVAILABILITY: A SIMPLE CHALLENGE IN A COMPLEX WORLD

Written by Jeff Wallick

15 Minute Read

To understand the tire availability issues we're currently experiencing is to understand the difference between complication and complexity. In other words, we know that something can be complex without being complicated, and vice versa. For example, your business is complex. Whether you're a one or two-person shop or an operation with a dozen or more people, your business requires a lot in order to operate effectively.

People need to show up on time, phones need to be answered properly, customer vehicles need to be serviced efficiently, technology needs to work like it should, and your customers need to be served well. Your business is a complex system. But is your business complicated? To an outsider, maybe. But I'll bet you understand your business about as well as anyone possibly could. To you, I'll bet your business isn't so complicated.

The same principle is true for tire availability. It's not a complicated issue: Some of the tires you need and the tires your customers are demanding simply aren't available. That's not complicated. But because tire availability is dependent upon global supply chains working the way they're supposed to, tire availability is about as complex as it gets.

But before we dive any deeper into this, I need to be clear about two things:

- 1. No Excuses:** Here at K&M Tire, we embrace continuous improvement. And that necessarily requires us to have a very low tolerance for excuses from ourselves. So you won't get any of that here. When it comes to tire availability, our objective is to control what we can control so that we can get our unfair share of limited tire availability because our interests are aligned with yours. What's good for you is to be able to buy the tires you need and what's good for us is to have the tires you need available for you when you need them. In this way, what's good for you is good for us too.
- 2. Hope is Not a Strategy:** This article will be divided into three distinct sections: What's the problem? What is K&M Tire doing about it? And what can you do about it? Because without action, all we have is hope and hope is not a strategy for success in 2022. Together, we can work to help you get more of the right tires at the right times. And in order to do that, it will require some action on our part and yours too.

So What's The Problem?

The problem is that 2020 represented an inflection point for the tire business, but I don't need to tell you that. The tire industry as we knew it fundamentally shifted in a few important ways last year and we are likely to feel those effects for quite some time to come. And in order to understand this, we need to peel back the curtain on the tire supply chain because that's where this story starts.

The best way I can think of to do that is to start from the beginning. Whether we're thinking about TV's or tires, all products that consumers demand require raw materials from metals like steel to carbon black, natural rubber, synthetic rubber, and oil in the case of tires. And right now, moving anything from point A to B to C requires a complex global supply chain that is currently stretched about as thin as it gets. In other words, tire manufacturing facilities in Fayetteville, North Carolina and Des Moines, Iowa to the Binh Duong province in Vietnam and Qingdao in China can't get enough of the raw materials they need to build the tires that you and K&M need. This is not a raw materials issue. Rather, this is a shipping issue.

Probably not too dissimilar from your business, manufacturing facilities around the world are running at or near full capacity while working through worker shortages. And once the product has been built, the next step in the supply chain is to move the product to the destination. For the tire industry, that means gigantic container ships like the Evergreen Ace, which is currently the largest container ship in the world at more than 1,300 feet in length and capable of carrying up to 24K containers. But this is where things get extra difficult because the supply of shipping capacity is still recovering from 2020. This has resulted in fewer container ships on the water, fewer shipping lanes between Asia and North America, and historically high shipping rates.

Once those mega ships have made it to major U.S. ports in California, Texas, and Florida (among others), containers must be offloaded and cleared through U.S. customs before facing the next major hurdle, which is domestic transportation. As of the time of this writing, the U.S. needs about 80K additional truck drivers to meet the current demand. Pair this historic driver shortage with truck and chassis equipment shortages and a rail system facing its own shipping difficulties and we're left with a perfect storm of an imperfect global supply chain. Complex? Definitely, but not necessarily complicated.

Under normal circumstances, we could reasonably expect to see tire availability in the neighborhood of about 90% when K&M places our tire orders with our manufacturer partners. As of the time of this writing, we're seeing availability on consumer tires of around 60-70%. But on truck and farm tires, availability is as low as 15-25% right now. Part of this is due to demand from original equipment (OE) suppliers like Ford and GM. But because passenger & light truck (PLT) OE demand has been negatively impacted by equipment shortages like semiconductors, this is actually having a positive impact on our PLT availability. However, strong OE demand for truck and farm tires from companies like John Deere and Freightliner is having the opposite impact on our truck and farm tire availability. Based on ongoing communication with our tire manufacturer partners, we expect PLT availability may continue to be negatively impacted for the remainder of the year and truck and farm tire availability may continue to be a problem into 2023.

What is K&M Doing About It?

In a word, we're doing a lot. So now that we generally understand the problem, we need to understand the solutions. And remember what we said earlier about hope. Without action, all we have is hope and hope is not a strategy for success. So what specifically is K&M Tire doing about product availability to make sure we have more of the right tires for you when you need them?

- 1. Professionals:** In the past 18 months, K&M has worked to build a brand new supply chain team with dedicated and highly skilled supply chain professionals whose primary objective is to match the inventory we know our customers like you will need with the manufacturing forecasts that our manufacturer partners provide for us, all while utilizing...
- 2. Technology:** K&M has made significant investments into software that allows us to stock more of the tires you need precisely where you need them by evaluating past tire sales data and projecting future tire demand. In this way, we're able to order and stock more of the right tires in more of the right places for you by...
- 3. Collaborating:** On a daily basis, K&M supply chain, inventory, and purchasing professionals collaborate and communicate with each of our tire manufacturer partners to understand when specific tires will be available. We also track existing orders, and place new tire orders. For example, as of the time of this writing, we currently have nearly \$150M worth of tires on order from all of our tire manufacturer partners. Which is saying a lot because we sell more than 50 total tire brands.

Ultimately, for us here at K&M, we recognize that our business is aligned with your business. When we don't have the right tires in stock that you need, we understand that you may need to buy them elsewhere and that's bad for our business too. Our interests are aligned because when we have the right tires in stock for you in the right place and at the right time, this allows us more opportunities to do business with you and better serve you in more ways. As our very first company Value says: You are the most important person in our business. So in other words, what's good for you is good for us too and that's why it's so important for us to make sure we're ordering and stocking the right tires in the first place.

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YOUR TALK TALKS, BUT YOUR WALK TALKS A WHOLE LOT LOUDER THAN YOUR TALK TALKS.

- John Maxwell

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What Can You Do?

So at this point, we understand what the problem is, why product availability continues to be a challenge, and we've covered at a high level what K&M Tire is doing about it for you. Finally, we'll dive into what you can do.

Because you're reading this, I know that you are a tire professional just like us. You may be a technician, a store manager, the business owner, or perhaps you serve your business in all three of those roles. The bottom line is this: You are a do-er. The kind of person who gets things done because you have people who depend on you.

And for someone like you who steers your business from the driver's seat, what can you do about it?

1. **Inventory:** K&M fills our customer backorders in a similar way to how most companies manage their inventory. On a first in, first out basis. You may know that as 'FIFO' and that's why it's important to put product on order, *especially* when it's not available. For example, if you know you typically sell several sets of 265/70R17 all terrain tires in a given month, but the specific brand and model you need is not currently available, ordering that product and putting it on backorder will secure your "place" in line so that you are among the very first to receive that product when it does become available. In this way, proactivity pays. Get in the game by getting in line for in-demand tires. This can all be done quickly and easily on our Weblink online ordering website.
2. **Communication:** Here at K&M, we are proud to be tire professionals serving other tire professionals like you. And when it comes to product availability, communication is key. Our customer service team in Ohio fills customer backorders several times per business day as more inbound tire shipments hit our inventory. If you want us to communicate with you when your backorders fill, simply mention that to us when you place the tire order either by phone or through Weblink and we will be sure to proactively communicate with you when your backorders ship. Our customer service team in Ohio is here to serve you and can be reached during normal business hours at 866-879-4020. I know many of them personally and they are genuinely excellence people.
3. **Cash flow:** The hard reality is that the tire retailers who win between now and this time next year are those who have the right tires in stock at the right time. And at least part of that equation is having extra tire inventory on hand, which directly impacts your cash flow. That's why it's so important to keep an extra close eye on your cash flow, especially as your backorders fill when K&M receives more inventory on a daily basis from our manufacturer partners. And remember: "Revenue is vanity. Profit is sanity. And cash flow is king."



We Have Your Back

Our very first company Value is one we absolutely do not take lightly: To make our customer the most important person in our business. That's you and you really are the most important person in our business. It's been that way for more than 50 years.

The past two years have been difficult in so many ways. And looking ahead, we're not out of the woods just yet as product availability continues to be a real challenge. But please know that we'll continue to work hard all day, every day on our end to get our unfair share of limited product availability so that we can stock more of the right tires for you.

The industry we know and love is complex, but please know that your partners at K&M are with you every step of the way. We're here for you even when you're not thinking about us and we're absolutely dedicated to earning your trust and your business every single day.

Thanks for allowing us to be part of your business. That's a responsibility we don't take lightly. We appreciate you and we'll continue to be here for you. The best really is yet to come.

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SCAN THIS QR CODE ABOVE TO ACCESS OUR 'PURSUING EXCELLENCE EPS' VIDEO SERIES, WHICH BREAKS DOWN AND EXPLAINS THE FIVE P'S OF PURSUING EXCELLENCE IN YOUR BUSINESS THIS YEAR.

**BROUGHT TO YOU BY JEFF WALLICK
SECOND GENERATION TIRE GUY AND K&M TIRE DIRECTOR OF TRAINING**

