Road to Technology: Lessons Learned Along the Way

The questions and answers from the 2012 NAMA OneShow Technology Panel

The vending industry is talking about telemetry, but no one is really talking about what it takes to be successful. Or the bigger story... that telemetry is not the only path to success.

This panel discussion, held at the 2012 NAMA OneShow, was a chance to hear from operators who are actually implementing many effective processes and technologies that include — but are not limited to — telemetry.

The best way to learn is to hear from operators who have already achieved success. Three major operators — Coca-Cola Bottling Company United, Black Tie Services and D&R Star Vending — share candidly about their experiences deploying intelligent vending, dynamic scheduling, pre-kitting, forecasting and telemetry from different stages in the process.

These insights will help you prepare your business for what’s next in full line vending.

**Moderator**

Cliff Fisher  
Sales Manager – VMS, MEI Group

**Panelists**

David Sours  
Director of Commercial Leadership – Coca-Cola Bottling Company United

Stu Riemann  
General Manager – D&R Star Vending

Scott Meskin  
President – Black Tie Services

Doug Haddon  
Global Director – VMS and Professional Services, MEI Group

**Was cashless rolled out at the same time as telemetry?**

**Sours:** We had cashless in our markets before telemetry. We have about 2,200 units out right now. So it’s about 10% of our base. We’re kind of in a holding pattern right now. We have some stuff that we’re doing with the Coca-Cola Company from a transaction standpoint, and they have a new settlement transaction called Swipe, and we’re going to switch over to that. So we’re just in a holding pattern right now until they get that finalized.

**How does connectivity work if you have rest areas and there may be a dead spot? Does your telemeter still work?**

**Sours:** The only place we found we can’t get a signal is in chemical plants in Baton Rouge. There are some facilities there that are highly secured areas with big, concrete walls, so those are the ones that we really struggle with. But out in the marketplace we’ve found signals everywhere we’ve gone.

We’re using AT&T right now, but plan to switch to Verizon as we go to the East Coast of Georgia, but we have not had an issue with signal strength.

**Riemann:** I know there are places out there that have signal strength boosters. If I get into a location that has a problem, I’m always able to correct it with a first- or second-level signal strength booster.

**Meskin:** We’ve actually had a few problems with signal. Nine times out of ten the high-gain antenna option usually takes care of the problem, but we’ve had to buy a signal booster in a few different instances. It’s a costly device, but well worth it.

**How did you decide the mix of online and offline machines and why?**

**Sours:** Our first decision was to go 100% online in every market. In the back half of last year our CEO challenged us, “Are you getting the return you said you were going to get?” We went back and looked at it, and we talked about it, and what we realized is, while the overall return was great, if you look at the lower-volume machines, to buy
the piece of equipment, plus telemetry costs every month on that, it was a negative return on that equipment.

Any machine that’s less than 50 cases annually really doesn’t pay out, but we wanted to make sure and manage the most of our business. So after we completely deployed telemetry in three of our markets, our strategy now is to cover 90% of our volume, so that looks like about 60% of our equipment.

A machine that does 40 cases, it doesn’t work in a dynamic dispatching model, and it doesn’t work in a predictive dispatching model. So, we set them on a static route cycle, and we’re bringing telemetry in for most of our equipment, and those that don't justify it, we’re just using that in a static route environment. We’ll have about 21,000 pieces of equipment with telemetry devices by the first quarter of next year.

**Are you taking advantage of the service alarms that telemetry can provide?**

**Sours:** I had a lot of time to reflect on all this last year. I have very mature markets in Baton Rouge and Chattanooga. They’ve been in telemetry three years. It’s kind of the crawl/walk/run scenario. The first thing we worked on was route efficiencies. We pulled 25% of our routes out of Baton Rouge. We really learned how to dispatch dynamically so that was kind of the crawling piece.

Last year we started working on technology for the technical faults. We wanted to look at anything that would prohibit the product from being served to the consumer—changers, dollar bill validators and column jams. It was quite overwhelming when we started looking at the first report we ran for just those three things in Baton Rouge. We had 700 faults the first day we ran the report. We had column jams out the wazoo.

I mean it really identified that we had a serious problem with Dasani soft bottles, and we were able to engage the Coca-Cola Company and work on that. We’ve learned a lot about our equipment, more than we ever knew. The manufacturers have been into our markets and have helped us solve those issues.

And then Chattanooga and Baton Rouge, which were my two mature markets, they’re now working on space to sale, so we’re back into the efficiency piece again. But we plan on probably eliminating another 20% of our routes just for space to sales now.

**Riemann:** We kind of had the same thing when we started pre-kitting. It really brings problems up to the table so we can react to them and deal with them, just like your 700 machines. We found a lot of things going on out there when we started pre-kitting. And it’s good, because you realize you have to be able to react to it also.

**Meskin:** I run reports on items that haven’t sold one in 30 days, and I can’t believe the amount of items that we have in a machine that we haven’t sold one item in 30 days. Whether it’s a bag of chips or a candy bar, the information that it gives you to now merchandise and try to get the right mix of products in the account is really amazing. It’s certainly a technology that was game changing for us.

I know I’m a little different than David on telemetry because due to our demographics I’m pre-kitting right now, and I’m probably doing in the mid 90% accuracy in pre-kitting. So I have a smaller percentage of machines that I’d use telemetry on. This goes with what Cliff was talking about, all the technology and what tools are right for you, the application of your business.

So I’m looking at less than probably 10% for telemetry at this point, but we all have ‘unpredictables,’ or geographic areas or whatever the point may be.

**When you say that you’re not using telemetry because of the cost of goods and the return on investment, or the number of units sold, are you DEXing the equipment and still having that route accountability?**

**Sours:** No, we don’t DEX any of our full-service machines. We are DEXing in Birmingham with our snack business, but we’ll start getting that DEX information. There are really two reasons why we did this: one was the efficiency we would gain. We’re a very customer service focused organization. The customer comes first in everything we do.

We over-service our customers and in the pilot that we ran we were getting 13 service calls per week on that route, where the customer would call us. At the end of that pilot, we only got one call. We still had the 13 service issues, but we were fixing the machine before the customer even knew it was broken.

The other side was the technical faults and being able to keep our machines up and running. We found out as we started focusing on technology in our Chattanooga and Baton Rouge markets last year that the customer doesn’t always call you. We’re finding a lot of issues in the machines that have been issues for a long time: columns jammed, button mapping incorrect, etc.

I met a Budweiser distributorship in Baton Rouge, and we said, “Why didn’t you tell us the buttons were all messed up?” He said, “Oh we figured when you pushed Diet Coke you got Sprite, and when you pushed Sprite, you got Orange.”

**How has your richer dataset, driven by telemetry, changed the way you merchandise?**

**Sours:** So that’s what we’re working on right now, the space to sales. Some of the bottlers work on efficiencies, and they’ll put five or six brands in the machine.

They ask me, “How many brands?”

I ask, “How many buttons?”
We'll put a brand in every button. We'll put 15 or 16 SKUs in a glass front, so we know we've got some opportunities with some brands in machines. And switching those out and adjusting the space to sales, that's something we're working on this year. But it's a much richer dataset.

**Riemann:** I run a report every day on no bills counted. I don't know how many other people look at that one, but you'd be surprised how the customer will not call in or even your route driver.

You would think that when he went to that bill validator and he didn't pull bills, he would call it in because most of them are commission-based. They don't. I run that every day, and you'd be surprised at the cash flow that you'll increase just looking at that data coming from your count room.

**Do you have a high-vandalism location that you've considered taking away cash payment to instead only accept credit cards? I know you get a drop in sales, but does it work?**

**Meskin:** I have a location like that. We didn't have a drop in sales. Sales pretty much stayed the same. In some cases we could see that the person swiping the card is buying multiple sodas, which we couldn't see with cash, but it's working fine.

**When you say you have 90% accuracy with pre-kitting, could you tell us what your bring-back percentages are with and without telemetry? What are you seeing?**

**Riemann:** Our drivers do not bring product back. They put it in the machine and we allow them to. Let's take the scenario: the machine calls for ten Cokes, but the guy who drinks the Cokes is gone that day. But the pre-kit still gives it to him, so you're going to have an overfill situation at this time.

We're allowing our drivers to, especially on our snacks, because we don't have as much problem in the bottom. They'll keep the snack in the bottom of the machine, and next time he's there, he fills that back into that spiral. The only time we get an overfill situation is on a high-volume product, because it's trying to keep that product going.

So evidently the spirals are turning a lot for that product so, I don't have waste issues. I'm saving labor on the route driver having to edit his fills all the times and the labor to put the returns back in and then quality of the product being handled so many times, especially like on a bag of chips.

**Meskin:** We're actually bringing back returns. We have routes that have full telemetry and routes that are forecasted. Even routes that are full telemetry have locations that are higher volume. You still have to forecast, even though there's a telemeter in the machine. You still have to set it for forecasting. So there's still that error, or room for error; there, and we do still bring back product on a route, whether it's telemetry or forecasted.

**Sours:** I was in our Birmingham operation last week. They're currently running four routes pre-kitted, and they all had one tub that they brought back that maybe had 7-10 items in it from that day, so it's a really low amount.

We don't allow overfill, and we don't allow it in our full-service business either because it messes up the inventory in the machine. But it's a really small piece, and the other piece that we didn't even think about is, we were carrying 38 snack warehouses around the street every day. It's all now in the warehouse. We really worked on the stales and all those types of things, so there are all the benefits that you really don't even think about that are out there.

**Riemann:** It is true, there's a lot of savings in your rolling warehouses: how many dollars you'll take off the street and put back into your business and quality of the product wasting out on the truck.

I even look at how the labels and bottles look when we started pre-kitting compared to after they'd roll around in the truck and get scratched or the labels would get torn or dirty. That product now goes from the warehouse to the truck to the machine that day.

**We are implementing 45 route operations right now. I want to find out from your experience, what were your obstacles in the process of implementing EASITRAX and your biggest results?**

**Meskin:** Data, data. Getting the most accurate data entered, whether it's the right spiral counts or capacities. You want to make sure all that data is clean. That's been the biggest obstacle. Getting the right product, knowing that it's in the right row or the right column, and that is the biggest time-consuming aspect of the whole process, I believe.

**Riemann:** Yeah, good DEX data.

Generic products...I don't know if anybody else has experienced that, but that's one of the things we found. We'd have a generic “pastry” label before we went and got into item level, and it's hard to predict that one. Also, if you have a driver substituting on that route, we found that we had some customer satisfaction issues because they like this kind of cinnamon roll or whatever it is. The driver is sick or on vacation so somebody else substitutes it, and they put in a cheese danish and the phone's ringing right way. You know, “Why did you change that product on us?”

**Meskin:** We had the same type of situation where we would have just “generic pastry.” Pastry is an item that we would carry sometimes 50 different items or 50 different SKUs in the past, and you really have to streamline that a little bit when you're using telemetry and pre-kitting.

Certain accounts want a certain brand, so we've had to make a lot of different changes and adjustments to accommodate all those without hurting pastry sales. I struggle with pastry to this day.
Riemann: And once you get to that item level, it allows you to really profile to that customer. Once you start looking at some of the marketing tools through EASITRAX to where you can really start to zoom in on that customer—they’re really pastry eaters or they’re not. They want more Hostess or whatever it may be. It really allows you to do that. So once again, just accuracy of data.

Riemann: I think the three of us learned years ago, the processes, the “How would you do this?” We really didn’t know. We just kind of dove into it, and then all these problems came up, and I know EASITRAX has some different phases for you to follow, kind of a roadmap for you to follow. Boy, all you need to do is just really get that and follow it.

Step 1, Step 2, Step 3...I didn’t have Step 1, Step 2. For me, it was Step 4, oops, back to Step 2, 1, and once we got through it on a route or two, then we kind of had those processes in order. Kind of what you learned, David, you’re able to implement it real quickly through the rest of your routes. There are some great tools available for you folks.

Meskin: I believe all of this, whether it’s forecasting or telemetry, this is not something you try. This is something you have to be dedicated to do. It’s something that’s very easy for you to just walk away from if you’re not dedicated. After the time and the investment, you want to make sure that your people are trained and that everybody has the same goal: to be 100% pre-kitted or 100% forecasted or whatever. You have to be dedicated to it every day.

Haddon: Absolutely. I’ve had the luxury of working with all three of these companies, and I think one of the most important things, and it took a different amount of time for each one to realize it, is you have to internalize the system.

If you’re reliant on MEI to come out and get you up and running, which we will help you with, but then kind of continue to guide your business, unless you internalize the processes, unless you develop the expertise internally, you’ll never get the benefits out of the solutions.

I feel like when we walk up to a cold food machine, we have a cooler full of stuff and it’s pretty much been pre-kitted through someone’s knowledge of just what they think will work in there. No one seems to have a good answer for me on how I can actually move to a software program or a telemetry unit helping me actually understand the cold food. So what would you guys say about cold food machines and just food generally?

Meskin: I actually have a commissary. We make our food. It’s something we’ve been doing for 20+ years. I know EASITRAX has food forecasting, which we haven’t used, but I know other companies have had success with it. We kind of do food similar to you, where our commissary is pre-kitting the food for each machine.

It’s more feedback from the driver than anything, and it’s the one area I don’t want to mess with because for us it’s been working. Am I throwing away food? Yeah, of course. Food is a loss leader. There’s no question about it.

Riemann: We have a commissary and we probably are almost 50/50 on what we buy and what we make to try to make up a mix. We are not at item-level tracking for cold food. Everywhere else we are. The issue I have with cold food is I don’t know how to take its inventory on a machine that spins and how I keep track of having one cheeseburger and one sandwich and three salads and four of this and two of that and, as it’s all spinning around.

Meskin: That’s one of the reasons I didn’t want to go item-level on food machines. Some of my competitors count price lines. They fill a machine with ten at $2, ten at $2.25, and then I really have no idea what’s in a machine.

So I know that if my commissary people are pre-kitting the food to how we’ve decided the machine should be filled and they come back with a basket at the end of the day and this is what didn’t fit. For right now that’s my best solution for food machines, but I know that there’s better technologies out there than that. I’m just not ready to tackle that at this point.

Fisher: Well, Scott mentioned that EASITRAX does have a food forecast module and that is menu planning. It is based on item level. It looks into the future based on certain menu items that you want to have: day-specific, location-specific. And then it will automatically track that for you. As you bring product out in waste, it tracks it that way using a handheld and recording that.

So it’s delivering the product to you in the menu form on the handheld for delivery to the machine, and then if the product comes out as waste, then it’s tracked. Otherwise, it assumes that the product is sold, and you do your reconciliations.

So it’s a little more manual process as it needs to be, but it’s there and I think most operators really will find that the waste in the cold food is going to be higher simply because if you chose to put only in what was forecast, you would have a nearly empty machine, which wouldn’t look particularly appealing.

When you all first got into it, did your eyes get so wide on realizing how much equipment you had that was so old that it didn’t work on? And how did you overcome that?

Riemann: Yes, we had a lot of old equipment, and there are kind of different ways to do it. If you’re going to have something that’s non-DEXable, let’s call it a very old vending machine. We kind of did some swapping around. Once we realized through reporting where those machines are in a kind of a ranking list or by the manufacturer, you have to set inventories. You have to keep accurate data all the time, so when you’re pre-kitting or whatever you’re doing, you have to have your inventories done.
I know a lot of us have some once-a-month accounts. I always inventory it every time I’m there. If I’m at a location every day, I inventory that machine on a weekly basis to keep my data good. So I would take this old equipment and I’d move it to a spot that was once-a-month inventory, because I’m going to inventory it anyway. I’m losing a little cash accountability over time, through EASITRAX reporting, I always do a ranking report on my machines, on dollars, and I use that one a lot.

If we’re going to get a location or I want to upgrade the equipment in a location, I’ll run my ranking report and see where I have a pretty good machine that maybe as a new customer I put in a year ago and it’s just a poor performer. I’ll start doing some machine swapping to allow my good customers to have the best equipment. It stops me from buying equipment at that same time too.

**Meskin:** About five years ago is really when we started making sure every machine would DEX. So we know there’s a handful of machines out there that aren’t going to DEX. They’re in a low-volume area somewhere, and you just don’t want to spend the money to upgrade the machine or whatever. I’m sure everybody’s got machines like that. Because a machine DEXes, doesn’t mean a remote monitoring device will work on the machine, and boy did I learn that the hard way.

You see, I skipped Step 2, went to Step 4. We installed all these telemeters on the machines and again, machines are designed, or at least years ago were designed, to DEX with the door open. DEXing with the door closed is a whole different thing.

So now as soon as it tries to send out that DEX file, it locks the machine up and sometimes customers don’t call, and I mean this was a nightmare. You send the service tech, he opens the machine, he closes it and now it’s fine. He leaves it, and two hours later it’s out of service again.

You have to upgrade software. You have to make sure you have the latest software in every machine if you’re going to remote monitor for sure.

We’ve had to change out a lot of machines. We’ve upgraded older machines with new smart boards, whether it’s different manufacturers. Then there’s a handful that we’ve just decided aren’t worth putting a telemeter on.

**Sours:** We did the same thing. Stu talked about the data integrity, well its the first thing you have to do is start surveying your machines. While we’re out doing that from a product standpoint, we’re also making sure it has the right board in it, the right EPROM on the board, making sure the DEX port works, checking everything out. We make decisions the same way as if it’s not DEXable, if it’s an old machine, doesn’t have a board. Then we just look at the account and say, “Is it worth investing in a new piece of equipment, swapping this out, or do we just leave it there?”

So we had a goal of 100% online, but it was really about 93% or 94% because of those types of things.

**Where do you get the information as far as what do I have to do to upgrade this machine? Do I need to just change an EPROM? Do I need to actually replace the entire board?**

**Riemann:** EASITRAX provides that. They have a sheet that’ll look at the machine, the model, and it’ll tell you what firmware is needed to be DEX-capable or telemetry or whatever you’re looking for.

**Haddon:** Right. So as part of our implementation methodology, if someone wants to DEX or somebody wants to get in telemetry... through our analysis of machines we have a list of all the various manufacturers, makes, models, types, minimum firmware versions. Those are the type of things that we will work with our customers to make sure that they’re going through the right process to be ready when they start DEXing or when they start installing our telemeters.

**How many times was each machine required to be visited or touched in the whole process of verifying DEX and getting the machines and population ready before going live with DEX?**

**Sours:** It was twice early. The first time to go survey, and then send the service tech back out.

Now we do the survey on the machine with the service tech and he knows what needs to be done. So we’re visiting the machine once to do all those things, and they carry boards, EPROMs and all the things they need to fix the machine while they’re there.

**Riemann:** I would agree that we have the same process there until we became educated and we got our feet wet a little bit. It was a two-trip deal. Now, once we know through either EASITRAX, the machine, when it’s entered in, the model and everything, now it’s a one-trip deal. He’s going out installing the board upgrade, the EPROM, DEXing and it’s ready to go online.

**Meskin:** We have a very similar process. Sometimes there’s an unforeseeable that requires a second trip, but usually we can knock it out the first time around.

**Haddon:** And as part of our telemeters, we actually provide our customers with some tools that help with the installation process. It comes with the telemeters. They can put them on their handhelds, and it will step them through. There are wizards, and it will do a bunch of analysis for them and bring that telemeter online.
How easy is it to make a change with telemetry, with telemetry machines and DEXable or non-DEXable machines? How do you make the change to the planogram?

Meskin: It’s not a difficult thing, but it is a process, some things have to happen. The way I do it, and again, I’m sure there’s other ways to handle it, but if I know that an account at this particular location doesn’t want Honey Buns anymore...Tasty Cake in Baltimore is a very big brand, so they want a Tasty Cake chocolate cupcake. I actually create a new vend ticket the day that they ask for it. I put in a zero and I change the item from, if it was a Honey Bun, to the new item, so the next time that machine is pre-kitted, it thinks that there’s zero in there and it’ll fill it to capacity.

We communicate that to the driver. I also put a note on the machine page under handheld note, so it’ll come up, “Remove Honey Buns in FO and replace with this item,” just so he knows. That’s pretty much how we do it.

When there’s multiple items that haven’t sold in 30 days, which sometimes blows my mind, then I have to leave him a list, “Take these three items out, replace with these three items,” that type of thing. But I’ll have it already set up in his handheld.

So you don’t let your drivers make those decisions? You make all the decisions?

Meskin: I let them do it, but if I’m going to make the decision without them, then I do it ahead of time.

Sours: Right. And that’s typically what we do is we don’t allow our drivers to make changes at the machine. We actually push those changes out. We have so much data now that tells us what’s selling and what’s not that we make those decisions and then we manage those changes in the EASITRAX system on the back side.

Riemann: I agree. I don’t really allow drivers to make what I call “administrative decisions.” And to swap a product out, probably about a 10-second keystroke when you’re sitting at your office, as long as you don’t have to change price or anything, you’re just swapping them out, very quick process. That’s where you really start looking at your marketing tools, poor performers in a machine, and you’re able to once again keep profiling to that customer.

On your forecast of the change, how do you deal with seasonal changes? For example, after winter when the forecasts are low, when the sun comes out and you have to change what’s in the machine, how do you deal with forecasting?

Riemann: When you work with your control panel and your settings on how many tickets you’re looking at and how much data you use, and right now with my forecasting, within two tickets I’m reacting to changes.

So in Minnesota it’s basically winter for nine months, and all of a sudden the sun shines and it’s hot and all of a sudden bottle sales go up. Within two tickets, I’m right back up to speed on that, so it reacts on the first one. It’s reacted to the weather change.

So you’re just taking it off the last two tickets?

Riemann: I look at four tickets worth of data, two months, and I don’t weight any of my prior tickets. I did quite a lengthy process in determining that on our control panel. I put an MEI system on laptop and I just put in nine different machines going through nine different scenarios; slow seller going high, high seller going slow, and I started playing with the control panel and that’s the settings that I found worked best for me.

On your soda machines, are you pre-rolling or pre-kitting them?

Riemann: I pre-kit. I pick right to the individual unit. I know a lot of people will pre-roll their sodas. I started right off pre-kitting, and bottles were the first thing I looked at because that’s where our income comes from.

Did you find there was room on the trucks to pre-kit on the soda?

Riemann: Oh yeah. What pre-kitting allowed for me to do on sodas in glass fronts, here is the showcase that I can sample 40-some different products on your juices and energy drinks and all these things, and when I left it up to the drivers they were case filling on me.

And if they only had a few glass fronts on their route, either they weren’t putting it into the machines and they were empty or it was wasting out in the truck, and the minute I started pre-kitting, I was able to shop that machine out and make it look presentable to the customer.

Meskin: We also pre-roll, and two weeks ago we started pre-kitting glass fronts only, and so far that’s been working out well, and we discovered the same thing: a row of let’s call it Monster Energy, they called for three cans and the driver decided, “I’m not going to put it in today.”

I wanted to eliminate the driver from making those decisions, so the pre-kitting of the glass front seems to be working out well.

Riemann: I looked at glass front machines and healthy machines. They’re kind of the same animal. If you have a route that has some healthy machines, a school for example, I had the same two scenarios; either he wasn’t filling the machine or the product was wasting out on the truck. Once you start pre-kitting, you get away from that.
Haddon: One of the things I found is you can establish, I call, rewards, but even punishments, for lack of better term. The company that I used to work for, we actually bought with EASITRAX, the old Rutherford & Associates back in the late ‘90's. I brought all of our routes up online with DEX, and one of the things before pre-kitting got very big was that we would do truck inventories.

And we established that you do the truck inventory and we found that some driver is just going, ten, ten, ten, because no one’s paying attention to it. They’re just going to try to get through as quickly as possible. We actually implemented a process that we’d take a supervisor to look at their truck inventory. They would go back in the truck and randomly count and validate ten items.

If more than two were off, they had to re-inventory the whole truck. So once they had to do that the first time, we found that our data accuracy started climbing very much. So it’s those type of things... the discipline that they know that you’re watching them or they know that you have expectations that are very important to establish.

How often do you inventory your trucks now?

Haddon: Weekly. With pre-kitting you really don’t have to do a lot of that.

Riemann: That’s one of the things the drivers love about pre-kitting. He might have some OCS on there or a few other things. But to inventory the truck at the end of the day, it used to take an hour, and they’re not getting really paid much at that time, so they really resisted it and would do the things Doug would mention. Now the truck comes back empty and it takes them just a few minutes.

Haddon: One of the other things that I did was talk about rewards. I talked about punishment. If we saw a driver was very accurate, therefore we could trust the data in the system. Let’s say we were inventorying every week, if they went, I think it was like six weeks in a row with an accurate inventory, we moved them to every two weeks.

So we gave them a reward because they were continuing to provide us accurate data. The key is making sure that they’re giving the data that you need in order to run your business.

What are some of the unforeseen benefits?

Riemann: I had one driver who resisted change. But after we implemented pre-kitting on his truck, he called me, “Hey, Stu, you need to send down a stepstool.”

I said, “Why?”

And he said, “Well, thanks to your pre-kitting, my truck sets about this much higher off the ground.”

When you talk about some of the hidden benefits; less weight on that truck. We were busting leaf springs and different things and maintenance on our vehicles was high. Fuel economy these days, that’s important.

One of the other things I was just talking about with Cliff the other day, and it’s amazing how every day you find new things, but we all have trucks that break down. And when the truck breaks down under the old system where it’s a rolling inventory, switching that entire inventory to the spare truck and then back to the truck was very time-consuming, and our customers lost out because we’re not seeing the stops that day. With the pre-kitted situation, switching from one truck to another truck is a very quick and painless process.

If we want to do some routine maintenance to a truck; paint it, do oil changes, whatever it is...when that truck comes in at the end of the day, it’s empty. Except for just a very few items. He switches to another truck and it’s quite painless. Prior it was a nightmare. So there are just some hidden things that keep cropping up that we didn’t realize when we got in the game.

Sours: That’s something we saw too in our full-service routes. We were bringing back about 55% of the product that we loaded on the truck in the morning. With online telemetry, we’re bringing back around 20%, but we’ve got 40-some-odd SKUs on there, so it’s actually about ½ case per SKU.

So the driver is selling everything on his truck every day and we’re filling to the unit, so that was one of the hidden benefits. The other is because of that, our full-service drivers today have to have a CDL license because of the size of the truck. We’ve now designed a new full-service truck; it’s an F-550, which is a 3 ½-ton pick-up. We don’t have to compete with those drivers going to other jobs in the facility because now they don’t need a CDL, so they can’t go drive the bigger trucks. They stay in full-service longer.

Are you moving to smaller vehicles given the efficiencies of the routes? Also, with regard to the wages for your drivers, you all have made comments that they’re paid on a commission basis for the most part, and I’m curious if there’s a contemplation to move to a salaried position?

Riemann: We realized that when we got into pre-kitting and our route sizes were going to double and we were paying them straight commission, they were going to get all the benefits.

And so we switched them to a base plus at this time. We still wanted to give them an initiative to do the job we’re asking of them; to fill the machines, clean the machines, be a sales person for our company to the customer. There’s still a little incentive there, but yeah, we immediately had to get away from a straight commission base.

Sours: We do a day rate plus commission also.

Meskin: We were 100% commission prior, and I’m thinking about how we are going to pay for this system. Now we’re going to have
routes doing, you know, 50%, 60%, 70% more than they were. Where is the savings?

So a salary plus a small commission, which is the incentive of course, to want to do more and have a bigger route. Basically, if a route averaged before $10,000 a week and now our average route on a remote monitored route is like $16,500. The guy makes slightly more than he did before in slightly less time.

How often do you require your route people to inventory their machines?

Meskin: Every fourth time they service the machine.

Does anyone ever go out and spot check? Do you have supervisors that go out and spot check?

Meskin: Not as often as I would like, but yes.

On their inventories?

Meskin: Yes.

Riemann: All you have to do is run a skipped inventory report every day. That’s what I do every day and if they don’t inventory it, it shows up. So that’s something that’s run every day.

Okay, and what do you do with chocolate in the summer? How do you pre-kit that or how do you pack that?

Meskin: We’re going to pre-kit anything that could melt in plastic bags and that’ll go in their cooler. There will be a note on the tub that there is a bag of chocolate that accompanies that pre-kit. This is going to be the first summer we’re pre-kitting. We just installed LightSPEED three or four months ago. I’m not 100% sure how it’s going to work out, but LightSPEED has the solution for that and we’re going to follow what they tell us.

Riemann: I do the same thing. We put it in bags and they get it on their tote.

When you’re seeing these efficiencies on the route, and you’re throwing that work back into the warehouse, what has the ratio been from a cost savings on route versus perhaps a labor increase inside the warehouse?

Riemann: You definitely pay your warehouse people a lot less. There are all sorts of different avenues. You can use some college students, part-time people, etc. Your cost per unit having your driver pick it, compared to a warehouse person, there’s quite a dramatic change in that. So you’re able to do a lot of different things in your warehouse with what staff that you use.

Specifically, what’s the number of routes that you’ve been able to take off the streets versus how many bodies or resources you had to add to the warehouse?

Riemann: We took about five routes off and we added about a person and a half. When you go to getting out of a manual paper picking process to a LightSPEED or some sort of pick to light system, that’s really where the cost savings comes in. They’re picking so fast at that time, that’s the key to that.

If you stay in a manual process, you’re not getting all the true benefits that you need to get out of it. And our warehouse guys do a lot of other things now. Our warehouse guys also fill the trucks. They’re filling the truck for the driver. The ideal situation is the driver comes in in the morning, he grabs his keys, hops in his truck and he’s hitting that first customer right out the gate. That’s what our goal is and we’re pretty close.

If they have a little cold food or something, they have to grab that or stop by the count room. But they’re off and running real quick out of the gate. The drivers enjoy it because they’re not getting paid to load their truck at the end of the night, so that works out quite well.

Sours: One of the things we didn’t expect going into pre-kitting with LightSPEED was the amount of trash that’s generated in the warehouse. Oh, my God...cardboard recycling. The drivers get rid of it all day long and all of a sudden it’s all in the warehouse and we’ve got stacks and stacks and pallets of cardboard, so we had to go buy a baler, but we were really surprised by how much trash there is.

Meskin: Yeah, it’s unbelievable. We just bought a baler. It’s being installed next week as a matter of fact, because I can’t believe how much cardboard you go through. The cost savings from two dumpsters being picked up three times a week for recycling to a baler is actually a positive cash flow now instead of a cost. We recycle our cardboard and we get some cash for it.

Closing Statements

Fisher: It’s important to recognize we have three different types of users here. If I didn’t articulate that clearly enough up front, D&R has achieved some really great things using solely forecasting, item level control. Telemetry is what they’re preparing for.

They initially thought they were going to need telemetry on 20% of their machines. As I think Stu mentioned earlier, he anticipates that based on the accuracies, that’s down to around 10% just for dynamic scheduling. Machine alerts are a different thing altogether. He has seen some really impressive results simply by using forecasting; getting fundamentals in place, high quality data, putting that data to work.

Scott has taken more of a hybrid approach starting with more traditional elements, trying to weave in telemetry to see where that
balance lies for his business and that’s becoming more apparent. As he’s looking at data, the data begins to tell you where telemetry makes the most sense, or where other tools would have the greatest impact from an ROI perspective.

David Sours and Coca-Cola United had a very well-planned approach to technology; a little different marketplace, full service, bringing it into full line; very much more dependent on the telemetry aspect.

So, three different perspectives using technologies in various ways, but with the same underpinning principles; the competencies that need to exist within that business in order for it to flourish and to see the ROI that you’re expecting, whether it’s MEI technologies or any other technologies that exist.

It takes some reflection on your part. What’s happening within your business?

You’ll see some great, shiny, very impressive things on the NAMA show floor and it’s easy to get excited. As I mentioned earlier, we live in an impatient world and it’s not our fault. It was just marketed that way, so we want it all and we want it all now.

But there’s a penalty to be paid if it’s not done correctly.

Meskin: No matter whose telemetry you use, no matter which pick to light system you use, they have to interface with EASITRAX. That’s where the key to the accurate data comes in. If that data in EASITRAX is good, then you’re going to have good results. If it’s not good then you’re going to have a rough road ahead.

Fisher: We will have a “Road to Technology” pamphlet available at the back of the auditorium. Any additional questions, please stop by the MEI booth and I’d be more than happy to go into some more detail with you. Take one of the technology pamphlets as well, and we do have a copy of the competencies checklist.

Riemann: The only thing I’ll say is stop by the MEI booth or talk to them about getting a roadmap, if you’re going to get into the pre-kitting world, because it’s got all of our experiences and it lays it out, Step 1, Step 2, Step 3, and how to implement it into your business.

We learned the hard way. MEI has some great things to help you with that and you’ll not go through some of the pain that we did.

Contact MEI representative to request a technology roadmap.