

Automatic MERCHANTISER

A Technology Success Story

Paresh Patel gains
the competitive edge
in the Oregon
vending market.

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A technology success story

By Emily Refermat, Managing Editor



When the recession hit, a mid-sized Oregon operator looked at how adding programs to his existing technology could create more efficient business practices and help him stay in the black financially.

G

etting the latest gadget isn't what drives Paresh Patel, owner of Courtesy Vending in Portland, Ore., to invest in technology. He learned early on that computers assist in operating a business, a lesson reinforced when the recession squeezed his profits.

Patel excels at making technology work for him, earning him money — like an investment. He starts by rating any technology purchase against specific criteria, such as, will it improve sales or reduce costs? According to Patel, this is the number one reason for implementing technology.

Patel also asks if the technology will improve safety or security. "Security is important as this is a cash business," he said. And finally, Patel looks at whether the technology will improve customer service, which ultimately increases sales. Each criterion is weighted against the cost to buy and implement the technology.

BUSINESS ROOTED IN EXTENSIVE EDUCATION

Patel's approach to investing in technology is rooted in a well-honed business education. He holds an MBA from the University of Washington. In fact, his vending company began as a way to finance his education. As a senior in high school, Patel planned to go to college and get a degree in business, but he needed a way to pay

At right, Angie Hobbs, inventory and purchasing specialist, uses a handheld computer to scan shelf-tags while taking inventory in the warehouse.

At left, Paresh Patel, owner, meets weekly with his management team. At left are: Nemisha Patel, service manager; Dean Moore, route manager; Kim Hellner, account executive; Angie Hobbs, inventory and purchasing specialist. Not pictured is Lisa Huddleston, special assistant to the president.



for it. He contemplated working a part-time job, but didn't like the idea of being subject to someone else's schedule.

He came across an ad for a vending route, which was most likely a blue sky business opportunity. Still, the notion of a vending business got him thinking.

Patel stopped in a mechanic's shop to ask if they'd like a cold beverage machine. The mechanics were excited about the idea and agreed. When he returned home, he started looking in the phone book for a vending machine supplier. "No one wanted to do business with a 17-year-old," remembered Patel. It took him a few months to get and install his first machine.

Good business practices were important to Patel from that first customer. He assigned the mechanic shop a customer number in his database and an asset number to the beverage machine he placed there. "It was nice to have a system for doing that as we grew," said Patel.

He placed the first machine in 1992 and grew the business while he attended college in Portland. He learned a variety of business practices and tools, from creating marketing campaigns and materials to inventory control procedures. "The structure is built up like a big corporation," said Patel. Taking what he was learning and using it in a real world application also helped him do well in school.

In 1995, a year before he graduated, Patel hired his first full-time employee. He trained this first employee to run every aspect of the business, and to service the 50 locations he'd accumulated as he planned to continue his education at the University of Washington.

Unfortunately, a family crisis put his plans on hold for a year. But in 1997, Patel attended the MBA program. He also earned a Ph.D. in business.

When he returned to Portland, Patel was still working out of his garage. He wasn't sure he wanted to stay in vending, but an ad for a vending business for sale peaked his curiosity. He called the seller and decided he wanted to buy the business.

However, he didn't have the upfront money to purchase the company. "We worked out a deal where I got a Wells Fargo lease for some of the equipment, and they carried a note for the rest," said Patel.

Two months later, he received a call to buy a business from a company three times his size. Patel was surprised, and told the seller he didn't have the capital to buy it. The seller wanted to work something out.

"(The seller) said his company was his 'baby' and he wanted to make sure he passed it onto someone who could take care of it," he said.

Working together, the owner and Patel negotiated with Wells Fargo again to get a Small Business Administration loan along with a seller-carried note. "In fact, on the day of closing, the way the finances worked out, the seller handed me a check for \$25,000 for operating capital," said Patel.

TECHNOLOGY WAS ALWAYS AN ASSET

Patel had always been interested in computers, as well as business, and he realized technology could help him run his business early on. In 2000, he looked at the vending management software that came with his acquisitions and realized that while many operations had it, none of them were utilizing it effectively.

"For the most part it's a database; it doesn't give you value itself," said Patel. Getting the most out of the data requires running programs that use the data.

In late 2001, he implemented MEI Easitrax and handheld technologies. In 2002, he started running programs he wrote himself or had programmers write. The programs are based on mathematical models to improve business efficiencies.

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At left, Kim Hellner, account executive, reviews service calls on a map and uses real-time GPS to prioritize and dispatch calls.

At right, Nemisha Patel, service manager, renews her CyberKey in the key port. All Courtesy Vending machines as well as all facility doors are equipped with electronic locks.

RECESSION REQUIRES PROFIT PROTECTION

In early 2009, Patel realized he had to do more to sustain profits. He met with staff and talked about shifting mindsets from increasing sales to increasing profitability through other means. He quotes Benjamin Franklin, "a penny saved is a penny earned."

Patel had always been frugal and managed his costs, so how to be even better at it wasn't easy. It was technology that held the answer.

"What does a service call cost?" asked Patel. Prior to 2009, he would guess, \$25 or \$50 or \$75. It all depended on how he calculated it. He knew it included the technician's wages, miles driven, vehicle driven, parts, etc. And

he knew he needed to identify the cost so he could take steps to lower it.

Patel took the data he had: hours worked, number of completed service calls, number of trips, transit time, number of miles, and started figuring out costs. But he needed a system that monitored and managed the data automatically to save time and effort. That's where writing proprietary programs came in. He took the data being stored in Easitrax, extracted it automatically on a daily basis, merged it with GPS Signal Trac data, and created a report for service calls.

The service department manager gets these reports daily. The manager can see calls that come in, how many



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are completed and their associated costs. The report also charts previous days to allow the manager to see trends.

Patel not only created automatic systems to monitor efficiencies and reports daily in the service department, but throughout his company.

Real-time tracking was also beneficial in the warehouse. "Warehouse inventory could have ballooned as sales dropped, if we hadn't been tracking so closely," said Patel.

Courtesy Vending went from monitoring warehouse inventory each month to each day. He also automated the system to include not just collections, fills and waste, but refunds, loss of goods, columns sold out, cost of goods as a percentage, etc. The report makes tracking what's selling and what's not selling easier to see. As a result, Patel turns his snacks and candy three times a week, food two times a week and soda once a week.

LOOKING CLOSELY AT SMALLER PARTS

In each area, Patel has chosen to be "more granular in perspective," funneling his vision to the small pieces that make up each whole. From the company view, he's refocused on the department, and from department down to person, vehicle, machine, product, spiral, etc. "Operators using VMS (vending management software) have enormous amounts of

data, but tap only a small percentage of the potential uses of that information," Patel said.

Using technology effectively is more than just running programs to automate tracking, analyzing and reporting. Getting the most out of technology requires getting rid of policies and procedures necessary when the business ran with pen and paper. According to Patel, the idea is for technology to facilitate the way things are done and to eliminate steps.

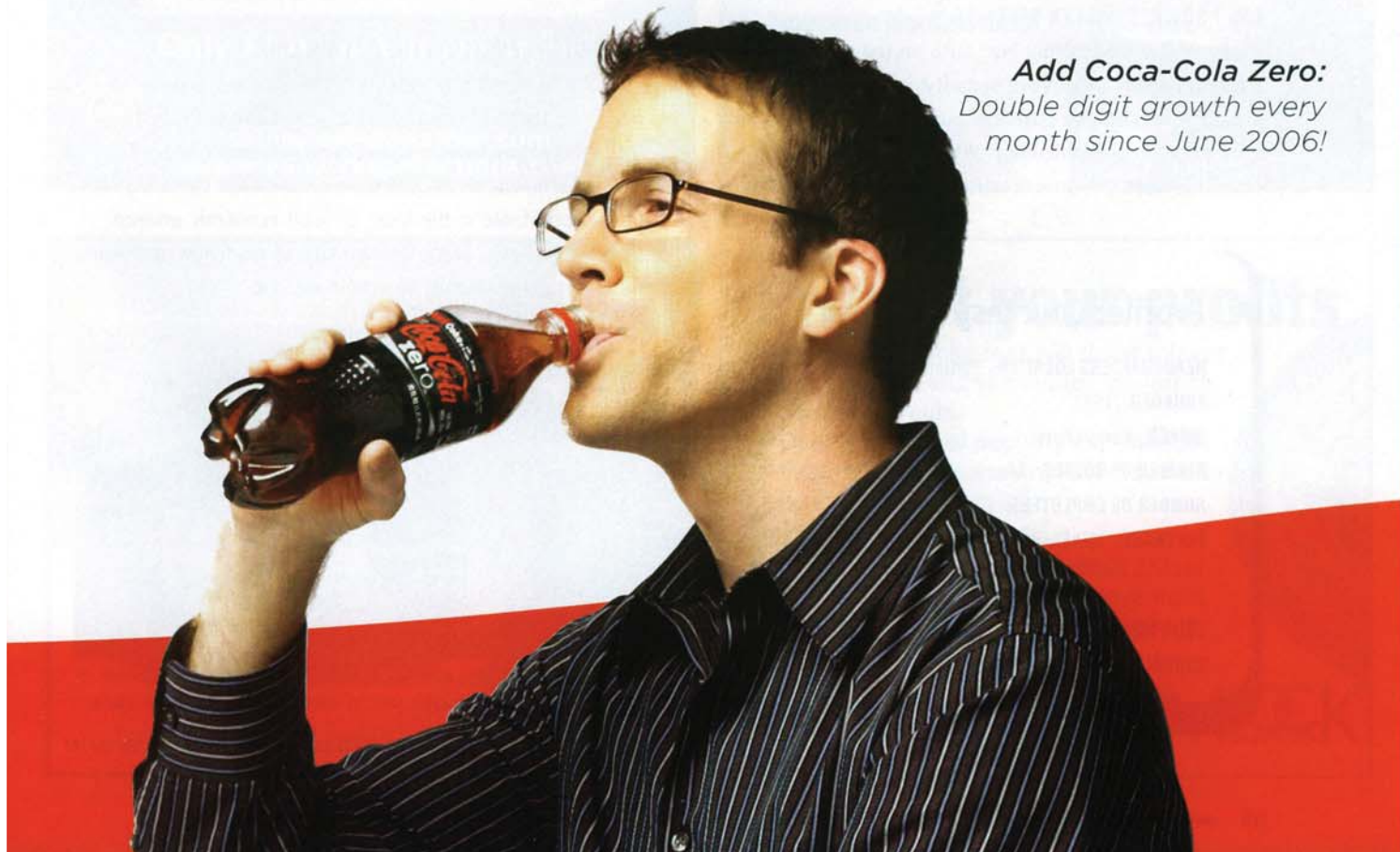
Technology needs back-up systems

Relying on technology makes a business vulnerable to power failures. Courtesy Vending has learned the need to have multiple back-up systems in place.

The company once lost power long enough for the back-up battery powering the Videx electronic locks to drain completely. Owner Paresh Patel ended up using his car battery to run the secondary back-up system to renew the keys.

"It requires planning," said Patel.

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Technology allows Patel to monitor a lot of data that would be overwhelming to look at manually. He has 18 different modules that he's designed himself. Many of them compare data and search for anomalies, such as when the number of 20-ounce Coke bottles drops below a predetermined value. A program collects the data from the handhelds and then sends an email notification to the warehouse manager that the product is getting low and needs to be reordered.

Patel has also "crossed platforms" with his systems. One example is how he compares the information he gets from electronic locks (which he uses throughout the company) with information from handheld computers. When there is an anomaly, i.e., a driver went back into a lock a second time, it sends Patel a notification. Because he finds out right away, he can follow up immediately.

WHAT GETS CHECKED GETS DONE BETTER

Although Patel got some resistance from his drivers when he started implementing technologies that oversaw their actions, his view is that what doesn't get monitored doesn't get done. "It's not that the employees are devious," he said, "it's that if it's not checked, it's easy for it to get out of whack." He compares it to a person's weight. Many "micro decisions" affect the end result, and if it's not monitored, it can slowly creep up.

GPS PROVIDES UNSEEN BENEFITS

Patel installed Signal Trac GPS on the service vehicles originally to improve security and safety. In reality, it helped him reduce costs because it gave him excellent data to determine efficiency. When he used a mile log, it never reported the time drivers spent waiting in traffic.

Profile: Courtesy Vending

HEADQUARTERS LOCATION: Portland, Ore.

FOUNDED: 1992

OWNER: Paresh Patel

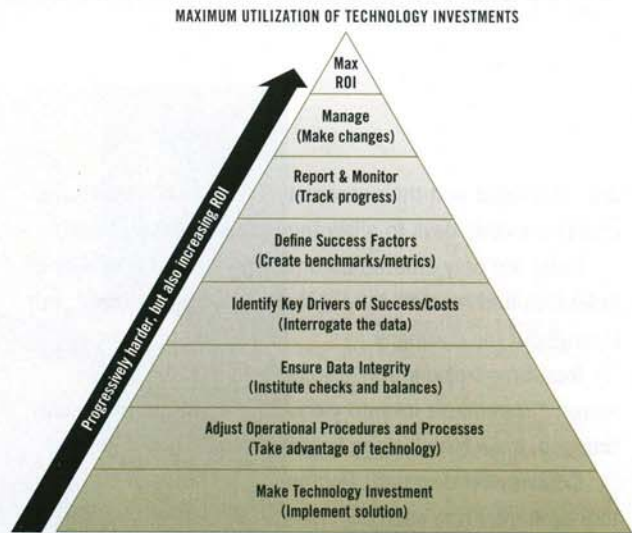
NUMBER OF ROUTES: 14

NUMBER OF EMPLOYEES: 22

SOFTWARE: MEI Easitrax, Videx CygberAudit, Signal Trac GPS, Windows Small Business Server, and proprietary active management systems modules

EQUIPMENT SUPPLIER: Crane Merchandising Systems

ANNUAL SALES: Not revealed



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When Patel looked at the numbers from the GPS units, he was shocked to discover his technicians spend more than 50 percent of their time in transit, rather than at machines.

"We created metrics and goals from there," said Patel. First he changed how the calls were dispatched and routed with a goal of cutting transit time to less than three hours per day. After achieving that, he's now trying for 2.25 hours, changing procedures accordingly and monitoring the results.

When an aspect of the business is being monitored, Patel finds improvement typically follows. "Now that we monitor it, people will make better decisions," he said. He explains that a technician who needs a part back at the warehouse to fix a machine might stop at a location on the way back as a way to be more efficient. He plans to add GPS units to the route vehicles in the fall.

TECHNOLOGY PROTECTS THE BOTTOM LINE

Patel is constantly training his employees to think of new ways that will improve efficiencies and leverage the technology they have to save Courtesy Vending money.

The efficiencies to date have enabled the company to remain profitable in the most difficult economic environment he has ever seen. Unlike many of his fellow operators, Patel has never laid off an employee. | ◀



Courtesy Vending custom built its headquarter building to utilize a variety of green and sustainable concepts such as extensive glass to light the interior spaces during the day.