

Automated Industrial Vending Machines for Indirect Materials



Stephen Pixley
Founder & President

AutoCrib created the entire industrial vending category of solutions. In 1994, as President of an industrial distributor, I saw a need for manufacturing companies to control their indirect materials. In most cases, they had poor systems to track who was taking what. I also knew that a lot of time was spent looking for items that a worker needed to do his job. I set out to find a way to help companies control and deliver the tools and supplies that workers needed, where they were needed. I literally built the first industrial vending machines in my garage. Since then, AutoCrib has provided over 20,000 automated inventory control systems for manufacturing companies worldwide working with the biggest names on the Fortune 500.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

CEOCFO: Mr. Pixley, what is AutoCrib?

Mr. Pixley: AutoCrib builds hardware and software, and more specifically, industrial vending machines for dispensation of point-of-use type products, particularly in the indirect material business. All of the things that a manufacturing plant would need to build whatever the product is that they build, so it is the tools, safety supplies, electrical supplies, tape, glues and all of those types of things that you use in a manufacturing plant. Our charter is to build industrial vending machines to dispense those types of products.

CEOCFO: Is it typical in the industrial area for equipment to be in vending machines or is that something fairly new?

Mr. Pixley: We built the first industrial vending machines in 1993. I started in my garage and brought it to market and onto the first customer site in 1994. Today we have about 20,000 machines in the field and own a significant percentage of the market share globally. Since we began 20 years ago, others have entered the industry. Today, there are probably close to 100,000 machines in the field.

CEOCFO: Why would a company want an AutoCrib machine as opposed to one from your competitors?

Mr. Pixley: I get asked that question a lot, and I do not think there is one reason why they would choose an AutoCrib machine over a competitive product. It is 100 little things. AutoCrib's machines, while on the high-end of the market, represent the Ferrari of industrial vending machines. Our machines are intuitive, have an exceptional user-interface experience, of the highest-quality, and heavy duty. They are very fast in comparison to our competitors and this is a major factor of differentiation. Typically, in a manufacturing plant, people will go to get their tools, supplies and products they need to do their job after a break or after lunch after a shift change etc. What nationally occurs is a queue or line at the machine. Our machines dispense a product on average in about four to seven seconds, and many of our competitors are 20 to 30 seconds. That does not seem like a big difference unless you are 20 deep in the line, and then it is 20 minutes to get to the vending machine. That is a big deal in big manufacturing plants. They want their workers back on the line producing whatever it is that they make as soon as possible. Those are a couple of the reasons. Another big reason that people buy AutoCrib equipment is that it has a very sophisticated software package behind it that can do things like lot control and serialized calibration control. We can also force the use of reground, resharpened and reconditioned tools. Everyone always asks for the new tool or the new item, so when a user walks up to the machine, we may have an item in the machine that has been reconditioned, refurbished or reused. The machine will override the user's request for a new tool and dispense the lower cost, refurbished item. Those are a few of the reasons that users or customers will pick an AutoCrib system over the competition.

CEOCFO: Is it an outright purchase for your customer?

Mr. Pixley: That is an option, but that is not the way the vast majority of vending goes down in the United States. Today, the majority of systems are placed by a distributor or supplier.

That supplier goes into a factory and says, “that if you give me all the safety supply business or all the indirect spend – what is commonly referred to as MRO spend (Maintenance Repair and Operations) – type items, I will buy an AutoCrib vending system for you”. He or she says “I will consign all the inventory for you, take full responsibility for the maintenance of the machines and make sure that everybody gets the proper reports or information that you need. It does not cost you anything, but you have to give me all or most of the business. They would sign a contract for all of the supply business. It is not dissimilar from the Coke or the candy machine guy, in that typically, a factory does not pay for the Coke machine that is in their cafeteria. They just sign an agreement with the vending supplier to supply all the Coke at a slightly increased margin. In exchange for that, the vending provider provides the vending machines.

CEOCFO: *Who would determine how the software operates?*

Mr. Pixley: Typically, once a supplier goes through the information gathering phase and they survey the customer to determine what the best type of equipment is for the specific customer, they would sit down in the tools crib or stores area and ask the customer to identify the fastest moving items – the items that they use the most. They would start there and determine what the restock frequency should be and how often they will restock the masking tape, electrical tape or whatever the item is. They would go through a number of spreadsheets that would identify where the best items for dispensing are, and they would build a final spreadsheet. At that point, they would also list all of the key items, tasks or features in the software that the customer wanted to take advantage of. Not everybody has the same issues and same problems. An account that is building motorhomes or semitrailers is less concerned about spend or the products that are used and more concerned about keeping the guy on the line or at his workstation building the motorhome. In a facility like that, the production line is going to be very long because you are building giant things such as motorhomes or semitrailers. In a place that is building jewelry, for instance, the factory floor is typically very small. They are more concerned about all of the products and spend that they use to make the jewelry because their materials are very expensive. We would identify what the key value adders for that specific customer are and then we would set the database up and start to preconfigure the software such that it would accomplish those things.

“Our 20 years of testing and product development continues to bring unparalleled advancements to our clients. It is a technology that can be used in all kinds of things that AutoCrib has never even considered and thought of.” - Stephen Pixley

CEOCFO: *Are you working with the supplier, end company or both?*

Mr. Pixley: Typically, we are working with the supplier. That is the local distributor of whatever that product is. It could be the local tool supplier in town, the local safety supplier or gas and welding supplier. It depends on what the product is that is being dispensed, but I would say that probably 80 percent of the time we are working with a local distributor that is knowledgeable and has been authorized to sell AutoCrib equipment. Not anybody gets to sell AutoCrib equipment. You have to be a certified dealer in order to do that. We are working with that guy and then he is going into the actual end user account and asking what to accomplish and what the things are that are causing you pain and we can help you with.

CEOCFO: *How do you reach potential dealers to work with or do they come to you at this point?*

Mr. Pixley: At this point, they are primarily coming to us, but for many years we used trade shows, tool shows and safety shows – the typical trade show approach – coupled with a website that we spent a lot of time, energy and money on. We marketed ourselves in those two primary ways. Today, dealers typically talk to each other. For the most part, our marketing is coming in through websites and word of mouth.

CEOCFO: *Are there industries or types of dealers that are not embracing this concept that should be?*

Mr. Pixley: One of the areas for growth for AutoCrib is what we typically call the general line supply houses or the rope, soap and dope distributors. There is a definite need for industrial vending machines. AutoCrib has recognized this and are working on machines to meet their needs and address the pain points. Large distributors are demanding this because they have very sophisticated vending models and are putting pressure on them and moving into their marketplaces. Additionally, the electrical wholesale business that concentrates on factories are people who do all the little connectors, cable ends and things like that. They have also been reticent to move into vending, and for good reason. Some of their products are small and very inexpensive and it is tough to justify dispensing. As vending or point-of-use dispensing gets more popular, the end users are driving this and saying things worked well for them in certain areas so they now want it for electrical supplies as well.

CEOCFO: *Would you tell us about the military and DOD for Auto-Crib?*

Mr. Pixley: AutoCrib is a California and West Coast-based company, so we kind of grew up around the aviation and aerospace industry. A lot of our software was built and tailored to those industries. As time went on, we became a natural fit for the air force. Today, we have a fair number of air force bases throughout the world that use AutoCrib systems because they have the same issues that an airline or aircraft manufacturer would. That is definitely a stronghold for AutoCrib. We are looking more into the navy, army and other branches of the military. Today, the air force is a primary customer for AutoCrib.

CEOCFO: *How is business these days?*

Mr. Pixley: AutoCrib experiences consistent growth at about 10 to 20 percent a year, which is pretty consistent for the past five years.

CEOCFO: *What has changed over the years in terms of technology?*

Mr. Pixley: In previous years, the technology was primarily revolving around moving a bin or product through a tray or something along those lines and dispensing it to a portal, aperture or into a drop zone like on a candy machine. Today, those types of technologies are still very much in use, but industrial dispensing and industrial vending is moving very much into RFID-based systems, where the user takes something and we know that he or she took it based on the RFID tag being absent. There are also vision systems. AutoCrib is invested in vision systems as well. These are systems that do object recognition and can look at a specific, defined space and determine whether something is there or not. Load cell technology is also on the rise. This is weight-based or scale-based systems where a user is given access to a confined area and he or she can take from a specific bin, drawer or locker. Based on weight being removed, we can determine what he or she took. Those are the three real areas where the technology is moving.

CEOCFO: *What has surprised you most as the business has grown and developed?*

Mr. Pixley: I think what has probably surprised me the most is that it took a relatively long time – I would say close to 20 years – before we really got product acceptance. This was very much a missionary project in the '90s, and when the 2000s came it became better. I would still say though that we really were still going in and selling the idea of vending first to the customer. Very rarely did we ever have to talk about how we were better than a competitor. It has only been in the last three or four years that the market has changed and the customer base had said that it does not need to know why it needs a vending machine; we are going to buy a vending machine. You need to tell us why your vending machine is better than brand x. That has happened only in the last three or four years, and vending has been around for 20 years or so.

CEOCFO: *Are you strictly in the US?*

Mr. Pixley: We are a global company and have clients around the world

CEOCFO: *What is ahead?*

Mr. Pixley: What is ahead is developing these new technologies and really moving into places where vending has traditionally not been or could not go because the machines did not have the capabilities to look at very small things or things that were similar. AutoCrib is expanding more into RFID, more into object recognition and more into Load Cell/weight based technologies. Those are the things where the technologies are really going to drive the market in the next five years or so.

CEOCFO: *Put it together for our readers. Why is AutoCrib a company to notice?*

Mr. Pixley: AutoCrib's role in inventing the industrial vending machine industry began 20 years ago and today we continue to move this industry forward. Our machines impact the bottom line for industries from airlines, military, health care and more. Our 20 years of testing and product development continues to bring unparalleled advancements to our clients. It is a technology that can be used in all kinds of things that AutoCrib has never even considered and thought of. As executives read this, they will look at their own business and ask if this is something they can use in their own internal plant with x problem or x issue. More importantly, is this something they could use to drive sales, revenue or profit by taking it to their customer price and solving a problem for them?

BIO: Stephen Pixley
Founder and President, AutoCrib, Inc.

As founder and president of AutoCrib, Inc., Stephen Pixley heads the oldest and most innovative manufacturer of industrial vending machines in the world. Based in Santa Ana, Calif., AutoCrib is an innovative market leader in automated inventory-control systems, with over 20,000 machines in the field.

In 1994, as president of an industrial tool distributor, Pixley saw a need for manufacturing companies to keep better track of inventories. They lacked effective systems for controlling the tools and supplies used by their workers. As a solution, Pixley envisioned an industrial vending machine—filled with tools—to help these companies regulate their materials. Pixley built the first machine in his own Huntington Beach garage.

Since then, AutoCrib has provided automated inventory control systems for manufacturing companies worldwide and worked with the biggest names on the Fortune 500. His machines are used across a wide range of industries, from aerospace firms and medical manufacturers to the military and mining operations. Starting at a cost of approximately \$8,000, the machines typically pay for themselves in two to six months by eliminating employee theft and wasted time searching for materials.

Under Pixley's leadership, AutoCrib has outlasted competitors and continues to build on its tremendous success, with new innovations and increased growth. Pixley holds degrees in business and computer science.



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AutoCrib
3011 S. Croddy Way
Santa Ana, California, 92704
United States of America
800-671-6501 or 714-274-0400
www.autocrib.com