

FROM ROBOTS TO RUNNING SHOES: REMOVING BOUNDARIES FOR CHANGING CONSUMER DEMAND

Will Heywood (00:09):

Welcome to “All Business. No Boundaries.” a collection of supply chain stories by DHL Supply Chain, the North American leader in contract logistics. I’m your host Will Heywood. This is a place for in-depth discussions on the supply chain challenges keeping you up at night. We’re breaking beyond the boundaries that are limiting your supply chain. Let’s dive in. Today’s episode is “From Robots to Running Shoes: Removing the Boundaries of Changing Consumer Demands.” My guests are Erik Rodriguez, Senior Director of Global Distribution at Brooks Running, Phil Archambault, Director of 3PL at Locus Robotics, and Larry Landtiser, Senior Director of Operations at DHL Supply Chain. Welcome gentlemen to all three of you. Thanks a lot for being here today. I know there’s a working relationship between the three companies. Maybe Larry, if you could start us off and followed by Erik, how did DHL and Brooks come together in the first place?

Larry Landtiser (01:03):

Yeah, we’ve had a relationship with Brooks running for several years as they continue to have very strong growth in June of last year, through several months of partnership and to continue to support their network. We started an e-commerce operation for them in the Midwest to continue to allow them to grow in all the other channels that are continuing to have strong growth.

Will Heywood (01:27):

Sure. So Erik, how about from the Brooks perspective?

Erik Rodriguez (01:31):

That is correct the relationship between Brooks and DHL, at least here in the US, only dates back about two years, although the relationship at a global level goes beyond that. We’ve had a relationship with DHL for many years overseas.

Will Heywood (01:45):

Okay. And then Erik, how did Locus become involved? And then, maybe Phil, if you could answer that question from your chair.

Phil Archambault (01:53):

Locus has enjoyed a global partnership with DHL actually for a few years. Part of the benefits of that relationship is being able to expose our technology to cool brands like Brooks. So we got involved with discussions with this account, I believe early in 2020 and deployed not too far thereafter.

Will Heywood (02:13):

Erik, this was your first exposure to the Locus solution?

Erik Rodriguez (02:17):

I had seen the solution in the market, but I had not really been exposed as closely as obviously we did in July of last year. I think it’s a great solution, at least for the type of operation that we’re running, the type of product that we have. It addressed the needs that we had.

Will Heywood (02:32):

So more broadly, is Brooks doing much on the automation and digitalization front in operations across your network?

Erik Rodriguez (02:42):

It's part of the strategy. So one thing that we've noticed is that the runner is the one that owns the channels. The runner's the one that makes the decision. So they're always trying to engage with a brand online or digitally. So as early as we can engage with the runner, the better off we are. We can learn exactly what it is that he or she is looking for and be able to deliver those goods.

Will Heywood (03:17):

Brooks' name has running involved with it. Is it sort of limited to running products and you know, maybe a little bit of history on the company. Where did it come from and how do you guys focus?

Erik Rodriguez (03:29):

Yeah, so, that's a very good question and thanks for asking, because I don't know if many people know, but Brooks has been around since 1914. So that's 107 year old company. And believe it or not, the company actually began in Pennsylvania out of all places. Back in the day, it was actually initiated by the Brooks family. Because it was a manufacturing company, they had to produce pretty much for every single sport around the year. So you could imagine that they were producing basketball shoes, baseball shoes, ice skating, bathing shoes, you name it. They had to keep the machinery running, right? It was not until the probably late seventies, early eighties when the first running boom occur here in the US that Brooks began producing running gear, mainly cross-country and track shoes. We took that product portfolio back in the late nineties again, but it was not until 2000 with the arrival of the current CEO, Jim Weber, where we set this new strategy to focus on one category and one category only, that being running. And since then, we've been, like I said, focusing on three main things which is delivering the best possible running gear for the runner, executing flawlessly, as well as being an inclusive brand. So I think for the last 21 years we've been executing well of all three.

Will Heywood (04:47):

Excellent. Phil, the Locus Solution. I know it's a little bit challenging on a podcast format, but I would like you to describe it in as visual of terms as possible. It's a really cool thing to see in action. So can you tell us what it does look like?

Phil Archambault (05:03):

Sure. Yeah. I think if you would ask a lot of people at Locus, "What kind of company are you?" We'd probably be more prone to say software company, although obviously the robot's a huge component of it. And you know, if you think about like the robot droid spectrum, we're closer to an R2D2 than like a C3PO. So there's a base platform that's driven by two powered wheels. And then there's a mass that comes up off the platform with an iPad attached to it. And that iPad is the user interface where associates simply just walk up to a robot and ask them to put something on the shelf or take something off a shelf many times with a visual description showing a picture of the item. And the robot is fully autonomous in the way it moves around the warehouse. It's smart enough to avoid fork trucks and people in carts. And they're nimble little machines that just convey product around the warehouse. And really our secret sauce is your pickers no longer have to carry these heavy carts around heavily congested tight spaces, which allows for them to move more freely, allows for the goods to move more freely, And the net result is an increase in overall task density and therefore productivity in the space.

Will Heywood (06:10):

How many, how many robots are at the Brooks site?

Larry Landtiser (06:14):

Yeah, right now we have 65. We are going to be going up to 85 this year, then at peak season, we'll adjust from there. So potentially a hundred by the end of the year.

Will Heywood (06:23):

Back to you Phil. So these are all independent units and they're around people. How does the orchestration work in terms of them being able to work in the same environment and not run into each other or run into people?

Phil Archambault (06:37):

Great question. So essentially we create a map of the facility actually using the robot and driving it around and it picks up all the infrastructure. And we do this at a time when nobody's walking around the space, right. And then that map sort of becomes the robots playpen that can navigate anywhere within that space freely. And then they use the sensor suite on board to detect obstacles as far as 30 meters away and nearly 360 degrees around itself. I can't remember the full radius of the sensor suite, but it's complimented by a couple of cameras. And they become very adept at obstacle avoidance and navigating around tight spaces and a really dynamic environment like a warehouse.

Will Heywood (07:21):

Got it. So Larry and Erik, when you guys started talking about the solution design for the building that you started up last summer, how did that conversation go? I mean, when Larry did it appear to you, like Locus may be a good part of the solution. How did you introduce that to Erik? Erik, how did you react to the suggestion? You know, how did that all work?

Larry Landtiser (07:44):

That's a good question. You know, in a lot of our different e-commerce operations, we have begun to adopt robotics, in particular Locus, as our new way of doing picking. And so we have really gotten away from cart picking for a host of reasons. Obviously it's more productive, it creates a safer environment for our associates, you know, it also does things like it gives a good associate experience. And so it was very easy as we started to engage with Brooks to understand based upon the solution that they were asking us to come up with, which was for e-commerce distribution, that the Locus Bots really became just the primary opportunity. And, you know, we didn't even suggest a cart pick. It was to immediately look at Locus as the solution.

Will Heywood (08:34):

Erik, what'd you think when you, when you first heard that idea?

Erik Rodriguez (08:37):

Like I said earlier, I had been exposed very limited to the solution. So I was curious when they presented it. And one thing that I have to say is that once you start using the solution or at least, you know, playing with it. It is very, very intuitive. That's one thing that attracted me right away. The training, or the learning curve rather, is hardly there. Within a matter of minutes, you can be picking. Something else that, at least I found out about in the last probably holiday season, was that you can activate a feature called gamification, which I think is great to boost productivity during critical times.

Will Heywood (09:12):

Say more about that. Gamification, how does that work and how does it play out in your operation?

Erik Rodriguez (09:17):

So in real time, associates can see how they're doing against themselves, against the competition and you can set targets and you can actually reward employees for hitting certain targets.

Will Heywood (09:28):

So, Larry, what kinds of things were you putting up as rewards?

Larry Landtiser (09:32):

You know, at peak season we were giving away TVs, iPads, gift cards, all those different things. And it becomes really fun, not only for the associates, but for everybody. And the whole team gets around it, even an award would be they get to name the bot. So, these bots are going around the building and you get to have some fun with putting a runner's bib on the bot itself. So, you know, just to represent Brooks and our operation. Associates want to know how they're doing. So it's not necessarily always about the reward, but they want to know how they are producing and they know what goals are. This allows them to see in real time how they're progressing towards that.

Will Heywood (10:13):

Good. Yeah. Interesting. So the conventional wisdom in the media may be that some of these automating technologies are not positively viewed by associates. That they cut down on work hours, things like that. What's been the experience at Brooks? And then I'm going to ask you, Phil, what you guys are seeing as an overall robotics company.

Larry Landtiser (10:35):

You know, the first thing is, you know, we are not looking to replace our associates. This is to assist them. You know, when we're going into a design with the customer, you're not necessarily looking at a one-year design, you're typically looking at a five-year design or even longer. And you're building an infrastructure in the building beyond just how you're going to pick operations. It's the size of the building. It's the size of the break room. And sometimes companies just like Brooks do way better than they were expecting and so you outgrow some of that infrastructure. And so what robotics allows us to do is to ramp up in those different times of the year, whether it's a peak or a promo and introduce technology that helps the associate. And the way that Locus helps us is if you were picking everybody on a cart, it creates a tremendous amount of congestion in the building. You have more carts and equipment than you need, where the Locus with its algorithms and its ability to be smart really allows our associates to work independent of each other and it creates less chaos for them. And ultimately they see it as a better experience for themselves.

Erik Rodriguez (11:47):

I would add that it also reduces the order cycle time.

Will Heywood (11:50):

How so?

Erik Rodriguez (11:51):

Basically you're able to pick and pack orders much sooner, much faster versus perhaps a traditional pick to cart type of a solution where you have to transverse the entire operation before you finish an order.

Will Heywood (12:02):

So sort of in the grocery store analogy, you're pushing the cart through the aisles and going to checkout versus standing in an aisle with a cart.

Erik Rodriguez (12:10):

Or you're passing it to the next person in the next aisle, the next area. And then so on the order gets completed much faster.

Will Heywood (12:17):

So Phil, what do you guys hear from other clients about the solution, specifically as their associates work with it?

Phil Archambault (12:24):

Universally, the associates love working with the robots. The feedback we usually get is the request to please not have to go back to pick with carts. You know, it's an ergonomically friendly experience. It's easy to use interface, with the iPad screen that changes to people's native language when they approach it. You know, we talked about the gamification piece, providing that real time feedback to users is obviously meaningful both to the business and to the individual, right? And then our ability to sort of report what's happening on the warehouse floor is a little bit new and a paradigm shift too. So for the first time, you can see, you know, how many orders are left to pick, where you are in your workflow, what your throughput capacity hour over hour has been, your real-time user productivity. And it allows you to make business decisions based on the course of a day with actionable insight at your fingertips. So both from a user perspective and from a supervisor and manager perspective, people really appreciate the visibility that they have in this type of solution.

Erik Rodriguez (13:23):

One more thing that I would add, at least as a customer, is the ability to flex this type of solution up or down, depending on your demand. I don't know if we've talked about the volume increase that we saw during the holiday season last year, we actually flexed up about 40, 44 units on us here. And all we needed to do was give our locals on DHL about a month and a half notice to be able to ramp up that many units.

Larry Landtiser (13:46):

Yeah. And I think, you know, you're right, Erik, it was 45. But what's also very unique about Locus is when that bot comes on site, it can be up and running within two hours. It's a very easy tool to implement at your sites. Like Erik said, you can flex up and flex down. And it's just something that with today's e-commerce operations and how they move up and down, Locus really partners and fits right in.

Erik Rodriguez (14:12):

I would call it plug and play.

Will Heywood (14:14):

I'm curious about the flex down part, because I know there's a lot of sensitivity to idle assets in operations. How does that work with the Locus solution? How easy is it if you brought up 45 robots for peak and you didn't need them post peak, commercially how does it work?

Phil Archambault (14:30):

Our business model allows for short-term rentals with 45 days' notice. Preferably you can tell us, "Hey, we're going to need additional 45 robots for the next month or two months." You know, and we support those types of additional throughput capacities and then we'll take the bots home and then they get redistributed elsewhere in our network, probably to a new warehouse.

Will Heywood (14:52):

Got it. And then Larry operationally, we've got warehouse management systems in all of our buildings. How much integration work do you have to do to get the Locus solution up and running?

Larry Landtiser (15:03):

I'm not going to tell you it's easy, cause nothing is, but the integration with Locus is a lot easier than it is to integrate into a customer OMS. And so what's very unique and good about Locus is that the continual evolution in a site and the ability to make changes on the fly is not always about having to have extreme integration, but there's a lot of ability to make changes without having to continually change the integration, if you understand what I'm saying there. So whether it's we changed the map, the map changes quite a bit as a warehouse evolves, how we pick, you know, so recently we went from a U shaped pick into a zigzag pick and that was something that was very easily just able to be done. And then overnight it took that new map, and we were able to use it the next day.

Will Heywood (15:55):

You started up this building in July of 2020. I know that startups are kind of a high risk period of time in the best of times. We were in a pandemic. So from the Brooks standpoint, how worried were you about a successful startup and what kinds of things did you guys work on as a joint team between Brooks, Locus and DHL to make sure that things went off without a hitch?

Erik Rodriguez (16:22):

I cannot stress enough how critical it was to get this operation up and running when it did in July. Just to give you an idea, 90% of our units flow through some type of retail store. So with retail shutting down in March, April of last year, we took a pause. It really shook us to the core. And it took maybe about a week or two weeks before we began seeing the shift to the direct to consumer channel. We had been working on a direct to consumer channel for a number of years, developing an omnichannel strategy unlike the other players in the industry that are focusing on the direct to consumer only. We felt that, like I said earlier, nobody owns the running category in any particular channel. So we wanted to make sure that we had presence in all of those. And we were able to shift this volume that we saw in the marketplace to the direct to consumer. And this is where the DHL owned the solution actually, you know, came in at the right time. Yes. To answer your question. It was very nerve wracking because I had never done an implementation without any presence. Everything was done remotely via web conferences. So I have to give Locus as well as DHL a lot of praise for that.

Will Heywood (17:33):

Larry, how did it feel from the operator chair?

Larry Landtiser (17:36):

You know, the pandemic had already started. And the biggest shift for us was learning how to do this virtually with the customer. So as you can imagine, there was a lot of FaceTime and figuring out how to be able to show that the operation was capable of executing. And so we have a really robust planning and testing protocols that we use in all of our startups. So we're very comfortable knowing that if we follow the plan, that we are going to be able to execute, and this was no different. And I think another important part is, you know, we've launched with Locus before. So we understand where and what we

need to do. And so as we started up, it was a very crisp startup. We did not feel any real pain and we were able to execute. I will tell you that part of that is the planning from Brooks and how you grant volume in versus just doing a very quick, all of a sudden burst. And so by doing that, we were able to make sure that as we went along day by day, which we were really focused on, that we were able to not only execute for Brooks, but do it with scale.

Erik Rodriguez (18:44):

If you allow me, regarding planning, I think that's a very important step as well. At least on our side. When the pandemic hit, obviously we had to reset the way we plan. We went from a monthly SNLP plan to a daily SNLP plan, looking for signals in the market. How many runners are apart? We actually sent people from our sales and marketing teams to go out and report back. We looked at retail, how many stores were closing, infection rates, and all those types of things. And that's what really led us to believe that there was a recovery. That there was volume. And we made the right decisions at the right time.

Will Heywood (19:21):

Phil, I think you guys usually have onsite implementation teams at Locus. Was this one done remotely?

Phil Archambault (19:28):

Yeah. We've had to react obviously to the challenges that COVID's thrown at us in terms of travel and onsite performance. So it would be both from a deployment perspective, changed the way we do things with DHL, and then also from a workflow perspective, it changes things for the associates a little bit on the floor. So we do have the ability to deploy a hundred percent remote these days, you know, with some partnership from some on-hand support from folks who are allowed in the building. And we were able to complete deployments without having to set foot in the space, which is pretty cool. And then once the robots are moving around the space, they're obviously keeping associates a little bit further apart in their aisles so that they don't have to come into as much close proximity with each other. So very different type of deployment process this year, dramatic shifts obviously to online components. But you know, when you think about the physical nature of what we do, still able to launch full deployments in these types of environments,

Will Heywood (20:29):

Great. Erik, you mentioned first running boom, back in the seventies. Was there a COVID running boom?

Erik Rodriguez (20:35):

Yes, there was, as a matter of fact. Like I said before, we deployed some people from our teams to scout and report back. And I'm sure you noticed as well, you know, somebody who used to run maybe two or three days a week was now running five days a week. Somebody who didn't run before began running and then, you know, even people just needed to get out and walk. So yes, we saw an increase in volume. As a matter of fact, we saw a 27% year over year in 2020.

Will Heywood (21:01):

And then a big shift in channels, too.

Erik Rodriguez (21:03):

It took about two weeks before we saw that shift in channel from retail to direct to consumer.

Will Heywood (21:08):

Yeah. Interesting. So as you look ahead, Erik, what's next for Brooks?

Erik Rodriguez (21:13):

Well, like I said before, we've been deploying this strategy for 21 years and it's been working well for us. A strategy that focuses on product, on execution, as well as being an inclusive brand. So it's a strategy that translates well in every single market that we operate in. Running is the same around the world. People do it for different reasons, to set targets for wellbeing, for health. So that's something that has worked out very well for us and I think right now being in the space of running is very good. And I'm glad to report that as of today, we are the number one brand in performance running in the US.

Will Heywood (21:49):

Excellent. Well, let's leave it on that note. I'd like to thank all three of you guys for the discussion today. Really interesting story about what you accomplished together in a challenging time. And that sounds like a very good outcome.

Will Heywood (22:08):

If you enjoyed the conversation today, please share it with a friend and rate us on Apple podcasts. You can find us online at dhl.com/allbusinessnoboundaries and follow us on LinkedIn and Twitter @DHLSupplyChain. We'll see you next time.