

Shred Truck Insider with Guy Wakutz

The Shred Coach Podcast Transcript

TOM

Guy Wakutz, welcome to The Shred Coach Podcast. I'm really glad you're here.

GUY

Glad to be here too, Tom.

TOM

Yeah, it's really good to have you here. So, to set the stage for our conversation, tell me, sort of in brief, because I know it's a long story, but tell me in brief, your shredding industry story from when you first arrived in the shredding industry to where you are today. Just give me an overview of that story.

GUY

Yeah, absolutely. We'll try to keep it as short as possible. I started in 2006. I opened a mobile shredding company here in Waterloo, Ontario, Canada. I had been in business before, owned a couple businesses and looked at this as a very profitable business. Got into it and then found out pretty quickly that it's tough business, that zero to profitability may take six to nine to 12 months. And unfortunately, I was under capitalized and so, I made a decision pretty quick on to sell the business. And during that process I worked with the company, Axo at the time, that's now Alpine. I bought the equipment from them and I helped them sell that the equipment that I had with the business and I ended up then working for them. And so, the ownership team, great people, I worked for them, started in sales. That was in 2006, the fall of 2006. And then worked my way through to sales, sales management and marketing and director and to this current position right now where I was fortunate and promoted to president of this company in June this year.

TOM

Yeah, that's really cool. So, you're currently president of Alpine Shredders. And so that means you are smack dab in the middle of producing and creating trucks for the industry right now. So, related, thanks for sharing that story because it gives us a good background on you that you've been in the industry a long time, but you started on the operator side before jumping to the manufacturer side. So, can you provide, as we begin, some insight about the state of the current shred truck industry as you see it in terms of supply chain issues, pricing implications, the trajectory of features you're seeing... just give us a sense from your unique point of view what you're seeing in this world and how it's affecting things.

GUY

Yeah, it... in the transportation industry across the board, not specifically our small little niche industry of mobile shred trucks, but trucking as a whole is tough. I mean, they have the

manufacturing process because of COVID and global supply chain has really stressed the transportation industry. And we're seeing limited truck allotment or chassis allotment per dealership and per different areas. So, that's limiting our ability to get chassis. And as we build on the chassis, it limits our ability to manufacture the products. And so now there's long lead times, there's long sales pipelines, times for construction, and because of this we're seeing increasing costs have gone up, minimum 10 to 15% across the board, sometimes even more. So, that's unfortunate. But there's just so many global factors involved that you can't narrow it down to just one thing.

Ultimately, it's just taking longer. Everything is slowed down. I mean, we're so used to having Just In Time inventory and getting it right away and ordering it on Amazon and getting it the next day. That's not the case in the trucking and the transportation industry now. So, if one of, you know, our customers said, "I'm going to go and I want to buy a chassis locally", they'll go to their local dealership and the dealership's going to say, "Okay, it's going to be a year before you can get a chassis". So, as a manufacturer, we and our competition have trucks in queue and hopefully we have enough to fill the demand, but if not, it pushes orders out longer. And it's just the unfortunate truth of what COVID has done. And because the global aspect of it it'd be different if everything was made in, US or Canada, if it was local, we could pick it up. But everything is so globalized now that it's slowing everything down.

TOM

So, is it more than just the trucks? Is it also the equipment as you get chassis to build on? Is it more than just that limited truck allotment? Is it also all of the equipment related?

GUY

Oh, yeah. Yeah. It's... so the fiberglass reinforced plywood, we build the bodies out and you'll see most trucks built that way. We have 120-day lead time. Some of the other components, we have a two- or 300-day lead time where typically it was two or three weeks. So, it's one of those things that it has to, we have to change our inventory. We've got to have a higher number of inventory, not only that for production, but for service as well. And it's across the board. And it could be something simple like wiring; wiring harnesses are made in the Ukraine and we know what is happening in, over in Europe, in the Ukraine. So, a lot of them are there. So, that slows down that too. You know, these trucks are great, but if they don't have a steering wheel because you can't source the steering wheel, it's not going to go down the road.

TOM

That's really interesting. So, I guess then the peripheral question to that is, is that changing the... like I see it as the feature set that you're offering because of supply chain issues, has it started to change people saying, "Well, I can't get that specific thing". Are you having to adapt features to a more simple machine or are those features still just part of the package and you have to wait the 200, 300 days, if that, or are people backing off on the feature requirements in order to get the truck within a certain period of time?

GUY

Yeah, not really. Not really. I mean, so it- we've heard about you know, the five, 10,000 pickup trucks that are sitting in empty lots because they don't have power seats or other things like that cause of the chip shortage. Although there are... there's thousands of chips in every piece of equipment and every chassis anyways.... it, no, it's really- that part hasn't affected it. So, the features haven't affected it. It's just raw goods.

TOM

Right. Okay.

GUY

So, it's more, it's more general than it is specific.

TOM

Got it. Okay. Okay. So, that gives us a sense of where we are in the world. The reality is things are slowing down. Prices have gone up 10 to 15% minimum a lot of times. Longer lead times. It's slowing things down. And so, I think at this point in time, I want to shift more to in this current reality versus what it was 10 years ago. I don't think we're ever going back, or even five years ago. It's a new reality now. But how should shred operators think about acquiring a new truck? I sense there's a simple way to think about it, which is how much, how much is it going to cost me and when do I get it with these feature sets on it? But from your perspective, I wonder if there's a more sophisticated way to think about it or approach to buying that many operators miss, especially in this new reality. What's your thoughts on that?

GUY

Yeah, you're absolutely right. So, it requires more advanced planning. I mean, once again, I'm hearing information from all the customers that I have, the two or 300 customers that I deal with, and it used to be they would bid on a contract, they'd- it would come up in eight weeks, they'd be able to buy a piece of equipment to fulfill that contract, consoles, carts, whatever. Now that's a little bit different. So, when they think about acquiring a new truck, then you have to plan on when they can get the truck before they sign the contract or get the contract. It's kind of putting the cart in front of the horse as awful as it sounds. So, that's different. But more specifically, you know, shred truck is a tool, and a very specific tool, and if you need a half inch wrench, you have to, you know, use it only for a half inch nut. So, the shred truck itself's got to fit their needs. And so, they have to go through basically a needs assessment, an honest needs assessment to figure out what's the right piece of equipment that can, you know, fit their needs.

And so, yeah, that how much and when can I get it? Yeah, that's general. But they're not just going out and buying a car to drive it to work every day. This is their money maker. This is a tool and it's very specific. So, you know, they have to look at, you know, just the basic things that I'm sure all of listeners have done before, which is look at the capacity, whether it's throughput's important or whether it's payload that's important, do they have more purges or more scheduled routes, how far is it to the recycler? I mean, because if the recycler is a long way

away, you may want a truck that has huge capacity even though you're not filling it as much, or if you're filling it more. So, these are all questions that they need to kind of know in advance.

And then the biggest thing lately has been a lack of effective employees because that's who runs this bus- I mean, the operators, the owners run the business, but the actual nut and bolts are the drivers and the operators. So, do you have availability of CDL drivers? Or do you have to go non CDL? And that could change your requirements on equipment too. And that's been a big change in the last two or three years. We've... we went from a, like a 50/50 a CDL versus non CDL and equipment sales. And now we're at probably 75% non CDL and only 25% CDL. And I think there's going to be an ebb and flow back and forth there. But right now, the biggest concern when I'm talking to owners is their operators and drivers and getting them and getting reliable ones.

TOM

Oh yeah.

GUY

For sure if you have good drivers, pay them well; treat them well, because you don't realize what you have until you lose them. And this is the biggest thing I hear from all the operators and owners out there.

TOM

Yeah, that's the same thing I hear in the coaching side of the equation when I work with them in terms of thinking through the implications of that. It's the driver's side that becomes really the core limiter or the constraint in the whole system. But I think what's really powerful about what you said is it's... like, the current reality is forcing people to, on that one end, to think about your drivers and what kind of drivers do you have, which leads back to the kind of vehicle throughput, payload capacity, but even CDL versus non CDL. But then you've got to back that up. And this is, I think, the nuance that I think you've brought out, which is that ability to advance plan where you're going far enough in advance, even if you haven't won that big hospital contract or that big local whatever, that you're planning advance for when you're going to need capacity well enough in advance to pull the trigger on getting in the queue to even get equipment.

GUY

Oh, absolutely. And you know, once, like I said before, business owners or entrepreneurs, they're gun slingers. They're... when they're back to the wall, they're going to work harder. So, buying a truck in six or eight months and then trying to fill it is not a bad thing, it just takes effort and hard work. And so- but that's planning and, you know, we're finding that the people that plan more typically are more successful in the long term as well.

TOM

Right. And so, I think you've talked about it in the sense of, you know, maybe smaller operators, that's a really broad assessment. But when people are getting up into their 5, 6, 7 trucks do you feel like they're thinking differently or how should they be thinking differently as this grows? And what are you seeing in the current, you know, situation in terms of these people who have built successful shredding businesses and they're, you know, if they're operating 4, 5, 6 trucks, they're in the, you know, they're generally in the, you know, two to \$3 million a year revenue range, there's some nice stuff happening there, but how are they thinking differently about trucks than, say, a newer operator?

GUY

Yeah, so when they are more advanced in their business and they understand equipment, they realize they have to have a fleet mentality. So, they're typically, they're buying the same type of chassis. They don't have an international or freight line or a Hio, a Kenworth. They're sticking with one manufacturer so that they find out the local dealership, they're close- because all these pieces of equipment are going to break and at one point or another, because you're wearing them, you're working them hard. And so, you have to have one that's close, consistent, and then they start looking at very specific needs.

So, when you buy your first truck, it's a general truck. You know, you've done your references, you've talked around, you've done as much as you can. You think you're going to buy the right piece of equipment. By the fourth or fifth or sixth or 10th, you pretty well know exactly what you want as far as what the tool is supposed to do for you. Then it's getting very specific, whereas your local repair center, where is your local chassis dealership? Do you have a on time, full-time mechanic that can work on your equipment (and you should)? Do you have a good relationship with the manufacturer itself and their service department, and can they walk it through you and can- do they answer the phone? Simple things like this that become very important. And so, they've picked up all these, they've gone through all the problems, and now they have the questions to their problems that they're looking for answers for as they mature in this industry and they've got their fifth, their 10th, or more trucks sort of thing.

TOM

So, that real distinction is thinking fleet versus the truck that I can buy to get started.

GUY

Absolutely. And at that point now you've got five fires, you've got five trucks, you've got five fires burning all the time. That's a bad analogy in this industry, but...

TOM

Yeah.

GUY

But you know, they have to, they have to think about they're all going to need preventative maintenance. They're all going to need service. They're going to need constant attention and repair. And if you don't do that, if you wait... if you're proactive, you put these fires out before they start. If you're reactive you're going to be the guy that's going to be calling and screaming, and "I need this right away, and this truck is down and I can't fill this schedule. I'm going to be weeks behind". We've heard all that too. And so, once again, listening to our best owner operators, the most successful, they have a really good preventative maintenance program. They have things nailed down really well, and they have good people working on their equipment every day. And so, in the morning, everything is ready to go. It's as close to a hundred percent as they can. And so, they eliminate that potential problem, although problems do come up because all commercial equipment's going to fail at one point or another. It's how you deal with it becomes important.

TOM

I feel like that sort of sets up what I was going to ask you, but I feel like it's just the opposite of it, but... But manufacture agnostic, because I realize that, you know, you're in a competitive industry and there's multiple manufacturers, but what mistakes are operators making when they buy a truck? Whether they're first-time operators or they've got a bigger fleet. But even still, like a lot of times I feel like people, once they're either new into it, they make irrational decisions sometimes, and people have been in the game a long time sometimes don't want to deal with the hassle of this next one. It's a hassle a lot of times to get the next truck. Are they making mistakes that you see from your perspective?

GUY

No, the mistakes are more attitude. In reality, they, a lot of... because even if they've been in for a long time, and they're well seasoned business people, they a little bit of lack of planning, like I mentioned before, they get price confused with costs and operating costs, sometimes they don't do it well.

TOM

What do you mean by that?

GUY

Well, they're, I mean, regardless of the price, you have your monthly cost and if your monthly cost is less but the initial price is more, it's a better piece of equipment. And so, when you look at people that run equipment, bulldozers and trucks and graders and that sort of thing, they all look at running costs, not price, because the price is typically on a monthly basis. And so, whether it's 5,000 a month or 6,000 a month, that's not a big deal as if the truck, if the running costs over five or 10 years, they'll recoup that. If it's more efficient, they'll save more fuel, so they'll recoup that as well. So, you really- I mean, I know we get caught up on the price, we do, but ultimately most people aren't paying for it themselves. They're paying it through the bank or a funding

company. And so, it's just a monthly nut. And if they look at their equipment and look at the operating costs on a monthly basis and the efficiency of the truck, you should be able to, you know, hopefully if you do your job right and you look at all the equipment, find the right equipment that suits you.

Now that being said, all of us that make shredding equipment, it's a small industry for mobile. We all build good equipment, and I'm not going to discredit anyone else. It's all good equipment out there. So, it's really a matter of what is better for you and for your needs and whether you can do some of the work yourself or whether you need someone to hold your hand through the equipment. But yeah, it really, it's... do your homework, you know, talk with your accountant and, you know, once again, get that price versus cost clear in your mind what that actually means.

TOM

Yeah, that's such an important... Such an important distinction, price versus cost. And I think so often that's why I said there's some mistakes that still people come with because it's, they think in their heads, "Oh my, the truck is going to cost me X", but what they- in terms of the price, but they're not spending a lot of time and energy thinking of that ongoing op X cost that's going to be part of the monthly nut of this machinery. Plus, what you said earlier, preventative maintenance immediately out of the gate, getting that into the thinking about this piece of equipment that's coming.

GUY

Right.

TOM

Right. Okay. You mentioned talking to your accountant, but what other things should buyers come to the table with before calling you or another manufacturer? What should they have at their disposal in terms of knowledge, information, so that they can make the correct choice as to the right equipment for them? What else?

GUY

Yeah. And that's a big challenge because our customers are great business people. Some of them are green in this industry, some are veterans. And so, they look at, they have ideas and questions about equipment. Some of them don't know anything about trucks, other people know more. So, I think that basic knowledge, doing as much research as they can to understand the equipment. And then the questions are about... not more about, you know, when can I get it? How much is it? But specifically, what do you offer? Why do you differentiate in the marketplace? Why do you think your equipment is better? And everyone's... every manufacturer's going to have a different story about that or a twist, or whatever you want to call it. And we all, like I said, we all do a good job, we just do something a little bit differently. But I think they need to know some of the stuff and do a little bit of homework. You know, I talk about a lot of my customers... we'll call these people that have been in this business for 10 or 15 years and they have tried different

trucks and get their idea, be it good or bad. And so, ask for references before they call the manufacturers. And, you know, the other thing too is, I would hope that they have a solid business plan put together first before they call us, relative, even if they're not a start-up, if they've been in it for years at how this piece of equipment's going to fit their needs.

So, yeah, I'm not sure what else there would be there for... but really knowing their specific needs, right? And then when they call us, then we can help, we can assess what they need and we can try to fit our equipment that will help with what they're looking for.

TOM

Right. Well, and I... and you know, the reality is trucks cost a lot for, you know, for a lot of operators. This, besides maybe their house, this might be the biggest acquisition or a commercial property. This might be the biggest thing they acquire, asset they acquire and it's an economic decision, but it's also related to what we've already talked about; it serves a specific purpose. It has to... it's a tool for a specific outcome based on a set of criteria.

I guess financially speaking or economically speaking, are there rules of thumb that you have on the manufacturing side? Because we talked about price versus cost and what your annual or your monthly net opex is on it. But are there rules of thumb? Should people be thinking about a truck as a five-year payoff, a 10-year payoff? What kind of rules of thumb do you especially with newer operators use to help them think through the economics of a truck purchase?

GUY

None whatsoever because everyone is so different. They're just so different. There's mom and pop that have worked in corporate, they're 55 and they're 60, they just want to keep busy, so they're going to be a one or two truck operator all their life. There's someone that's, pardon my language, full of piss and vinegar out of New York, this guy's 30 years old, he wants to take over the world, and so there are different requirements and specifics for what they're looking for. All of them are going to look at this is not going to be like a house or like a, you know, a retirement property or a car. This is a business decision. This is basically based on revenue and expenses and it's a money making and it's a business tool. So, if they can make, if they can afford one truck that makes them \$150,000 a year or \$200,000 a year in profit, well then, we're going to make two because we want to make more money. We want to grow this business. So, relative to financing rules and economics, no, I think that's...

TOM

Interesting.

GUY

Everyone's so different. Like, it's interesting, Tom. I hear everything and then I see a lot of things where they change through time. So, there are a lot of guys that will look at- a lot of larger companies that will look at, after five years we're going to flip our equipment because they start wearing and they start becoming a little bit more expensive. You know, all this stuff is not cheap, but, so, they try to flip them after five years. There are some that say, "Okay, I'm going to keep

this truck.” Then we have customers that have the truck for 15 and 16 years and have put a new chassis underneath it and done things like that. So, I wish there was a rule of thumb because it would make my job easier and help people get into it, but there really isn't, there's so many variables involved. And then from inner city to rural, to East Coast, to West Coast, everything is different there too. So, it's not... it's great because you can cater to your, your local market specifically, but you know, there's no five steps to success.

TOM

Right, right. And I think, you know, the dilemma sometimes is for all of us, we all want that simple formula to make our life make sense. But at the same time, because it's a business and there are so many... there's so many various factors that come to play on the equation of the economics of a truck, two truck, three trucks to build a business. I appreciate you saying there's no good rules of thumb because everything's different and... which leads back to, in that case, because there's no sort of bottom-line equation, you have to do your homework, you have to work with your accountant, you have to do your modeling you have to do your planning to make sense of this acquisition that you're going to make of a big piece of equipment.

Let's move over into ongoing operating stuff because, I mean, you talked about it earlier. It's not just what you pay to buy the truck, it's how much it costs you going forward. Inherent in that are challenges and headaches. So, what are some of the top challenges or headaches you hear from existing operators with their trucks? And then what possible solutions might you recommend? Can you give us maybe your top three or four?

GUY

Yeah, absolutely. So, with the equipment, number one by far is have a good maintenance program. Have someone to do it religiously and diligently and have someone that conservate equipment. So, that by far is number one, because if your equipment's down, it's not making you money.

Number two, it has always been about the drivers. So, empower your drivers and your operators. Have them do some maintenance to the equipment, have them know the equipment, make sure they're properly trained. You'd be surprised that the phone calls we get from someone in the field that they were just told how to start the shredder and shred. They don't know anything about how the equipment works. They don't really have to, but they're barely in the baby step stages of learning. And they're put out with a piece of equipment. So, that becomes crucial too.

And then, you know, so the other, the third thing... you know, those two are probably 80% of the problems. The third thing would probably relate to recently would be supply chain issues. I, you know, “I got to wait eight months for a truck and that's ridiculous”. I agree. But that's the way it is. You know, chipping and parts and that sort of thing can and cannot be a challenge. But you know, I don't think there's anything that's... I think most of the things now have been relative to COVID and the economic slowdown and the global supply chain issues.

Beyond that, it's more of a... servicing specifically the equipment, training people to operate it properly and to be efficient on the equipment. So, I would say those two are, are 80% of the

biggest headaches that we hear from, not just offset, from all equipment, that's being front end loaders, trucks, snow plows, like up here in Canada, that sort of thing. You got to be on top of it, and if you're not, you're going to be putting out fires all day long.

TOM

Yeah, I'm, I think number one is self-evident, or it should be, but it seems to me that if that's one of the biggest issues you hear, it seems weird that people buy a significant piece of equipment that costs hundreds of thousands of dollars and yet don't have a maintenance program. So, what's the gap there? Like, what... is it just, "Oh, I don't, think about this, or I'm too busy", or what's the piece that gets missed? Because that, to me, seems so overtly obvious on a piece of equipment that's tearing paper apart and more.

GUY

Yeah. And we think so too. But you know, our shop is full of mill rights and mechanics and electricians and welders and that sort of thing. Trades people, they get that. But our customer is a smart, wise business person. And then sometimes he's not a truck guy, he's not an equipment guy, so he doesn't know anything. So, education is crucial from top down to the bottom. So, they got to know their equipment, they got to be, not be afraid of, you know, rolling up their sleeves and getting their hands greasy so that they learn it. And some people just don't. And those are the people that have the most pain. So, it seems obvious to us, right? But, you know, it's understanding that they're going to get into this industry typically successful in some industry in the past and are okay financially to be able to afford a, you know, a quarter-of-a-million-dollar truck. And a lot of them come from a corporate environment. So, they're not used to it, so they got to learn that.

TOM

Right, right. The importance of that and implementing that. Well, that's been really helpful, Guy, that just gives us some really powerful and unique perspective. So, make sure you got a maintenance program in place with all that comes with that, somebody to do it, somebody to do it regularly. Make sure your drivers are clear and understand how the equipment works, why it does, some of the basics to actually manage and deal with stuff, even simple maintenance stuff on it. And then be aware that supply chain issues, it doesn't matter how much you're desperate, supply chain issues are a reality and they'll continue to be. Those big three.

Is there any final one that you think is worth restating or any other one that you feel like is just like cherry on.

GUY

I don't know. I mean...

TOM

Okay.

GUY

I think a lot of people, they know who they are, but you've got to understand who you are and who you're not. And that's part of it too. And so, whether you are happy with two trucks or whether you're happy with the fleet, then there's challenges that... I mean, a lot of- some of our, not a lot, some of our customers want to, you know, make lots of money, but they don't want the headaches associated with lots of equipment. The two don't jive. So, you've got to, you know, you've got to make a choice. So, either you're really directly involved, you're spending a lot of time and there's rewards for that. So, but relative to the equipment, no, I don't think there's anything that's...

TOM

Got it.

GUY

There's not a jury on the top here, Tom, as you said.

TOM

Perfect. It's just being smart and wise about it all. Well, we've kind of come to the end of our time together, but I was digging in your LinkedIn profile and I discovered that before you got into the shredding world, you seemed to be very much in the golf world. So, I wanted to ask a question. What did, whatever you did in the golf world, how has that impacted your understanding the way you do the work you do today? Is there a connection? Is there a correlation?

GUY

Sure. And I think it's a personality thing. I started as a club professional and a golf club manager, worked into general management of golf operations, and then opened my own golf company. Had that successful golf company for 10 years. But it's really not about, it's more about... so, teaching is difficult. Teaching golf is even more difficult. And understanding the needs of the customer and not trying to make them perfect, but make it work for them. But you know, it's about business. This is about selling a service, a product that's going to help someone else. And, you know, and the golf thing just happened to be where I landed. A brief stint in college and university and I had great mentors throughout my whole career and I think that's crucial in this industry too, because we have a lot of mentors in this shredding industry. And if you can pick up a couple of mentors, it would really help things. And everyone's willing to help you as well.

So yeah, that golf thing is it's part of me. It doesn't identify who I am. I like to think myself as a more of a business person than a golfer. And based on my golf ability these days you'd laugh to know what I did before.

TOM

Well, Guy, I really appreciate your time, your input and your perspective. I- one of the things I've known about you throughout the years is because of your unique history, the way you've

moved through the industry from operator side to sales side, and then to running Alpine, I've always appreciated your perspective and your wisdom and your humility about that too. And so, thank you for sharing that with us today. It's been really helpful to me. And I know it will be helpful to everyone listening, so I appreciate you being here. Thanks so much. And, yeah, continued success.

GUY

Well, thank you so much, Tom, and you too.