

Providing a Test & Replace™ Managed Service for Mobile Device Batteries, Global Technology Systems, Inc. is helping Large Box Retailers and Online eCommerce Companies with Large Warehouses Run More Efficiently



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CEOCFO: *Mr. Murray, it has been about a year since we spoke about Global Technology Systems. Would you tell us what has changed over the past year?*

Mr. Murray: The first time we spoke we talked about the evolution from being a leading battery pack manufacturer, featuring batteries from mobile devices, to the introduction of our managed services business, which provided services to the customers who bought our batteries and helped them to identify bad batteries and replace them. This gave them a way to more efficiently run and manage their devices and manage their businesses and acquire their replacement batteries. Since we had that discussion, we have come to a few conclusions regarding understanding the marketplace. One is that major companies, some of which have more than a half a million mobile devices (and perhaps two or three million batteries that go with those devices), do not have a plan for identifying bad batteries and replacing them. In fact, we found that about 75% of major companies do not have a plan to identify and replace the bad batteries within their mobile device inventories. They are managing millions of dollars of inventory randomly, without a plan, and we found that to be surprising – particularly when a high percentage of our business is in the retail sector and retailers operate on very small margins. Even a small cost savings is important to retailers, especially now when the retail business is so competitive. Particularly with online services, it is so critical that the retailers watch their costs carefully and take advantage of every opportunity to find savings.

CEOCFO: *Have companies not recognized the amount they are spending on batteries or is it just one of those things that have been overlooked and now you can help?*

Mr. Murray: It is a question that has puzzled us. When we started this business our first slogan was: “Batteries are Important!” We found fifteen

years or so ago that it was just an afterthought; the companies thought that batteries were something you bought at the checkout counter at Walmart or CVS, which was sort of an impulse item. Even today, after all of the promotion we have done and all of the discussions we have had with customers, it is hard to get across to them the importance of this. It might be an organizational problem, where in many companies nobody really has the responsibility for managing these inventories. In retailing, for example, they are obsessed with products they have *on* the shelves. The pricing of the products on the shelves, the inventory and expiration dates of items on the shelves for resale, etc., but for managing their own businesses, internally they are not as fastidious. They do not have plans for these kinds of things. We also have seen a bit of a trend where companies are outsourcing the purchase of some of these consumable commodities. One Top 10 retailer is using a European company to come in and buy these kinds of things for them. But they are just providing a buying service, not the intelligence behind it, so they do not realize batteries have expiration dates, just like bananas do.

CEOCFO: *What are you doing to change the system?*

Mr. Murray: We are becoming more like evangelists, preaching the gospel of expiration dates on batteries, and the need for a plan within these organizations. One of the interesting things that we have done to simplify it for these companies, is our Test & Replace™ program. We described it in our last episode, which was the June 20th, 2016 issue. Our Test & Replace™ technology is where we can go in and quickly and efficiently test each battery and determine whether it is good or bad. That has been successful, and companies have adapted to it nicely. However, because clients' attention spans are so short, even that is something that some companies have trouble understanding. So we have gone one step beyond it and have introduced Battery Color Coding™. Because we design and manufacture our own batteries, we have the ability to make the 2017 batteries that somebody buys a special color, in addition to traditional black batteries. The color for 2017 is blue. The color we will provide for 2018 batteries is green. If yellow is the third year out, they can go into their inventory in 2018 and take out all the blue batteries, or they can take the blue ones and move them to a less critical application. One of the things we recommend, if we are dealing with a municipality (who generally have two-way radios), is that all the new batteries, like the blue batteries, would all go to the first responders. Then the next year the green batteries could go to the first responders, that way they always have the best, freshest batteries on-hand. The older blue batteries could go to other, less critical municipal departments, like Public Works. It does not take any extra effort to manage their mobile power assets that way. We just had a Top 10 retailer with about 2000 stores get on board with our blue batteries, and they did Test & Replace™ along with it, and they did it throughout their organization. I think we placed about 160 thousand batteries in the month of June for this Top 10 retailer, which included data collection and voice devices. The color coded batteries are something new and simple. What we like to say to our customers, which always gets a smile out of them, is: "I will bet in your house you have a junk drawer in your kitchen and you probably have some batteries, AA and AAA, rolling around inside that drawer probably for the controls for your television set." People smile and say yes they do, and they do not want to throw them away because they do not know if they are good or bad. And that of course is the problem that the industry and businesses have. They do not know when to throw away the batteries, and that no

one is authorized to throw away a battery. Usually the people who use these devices are low level employees, and a \$10 an hour employee does not want to throw away a \$40 or \$50 battery. Now we have a simple system, and the good news is that color coded batteries are the same price as regular batteries.

CEOCFO: *With so many potential customers how do you decide where to focus your efforts?*

Mr. Murray: We go to those who are feeling the pain. There are some who have the problem, but are not feeling the pain. We are trying to increase people's awareness. We are focusing our efforts on retail and logistics. We are expanding out into the medical business such as hospitals. The last time you gave blood, it had barcodes on all of the little vials. If you go into the hospital, they gave you a wristband that has a barcode on it, so mobile devices are used constantly there. WiFi voice communications systems also are widely used in hospitals and we specialize in providing power for those devices as well. Retail, logistics, and now increasingly hospitals and medical facilities is where we focus our efforts.

CEOCFO: *Should manufacturers include your batteries and information about them or is it too far-fetched?*

Mr. Murray: Manufacturing facilities do use barcodes. For example, every part on an airplane has a barcode on it so aircraft manufacturers are a natural for us. We also are expanding our efforts on the OEM side. There are a lot of companies that are developing products who have the need to design systems and utilize the manufacturing capabilities that we have. We are not that interested in the very large companies because that is more of a large scale situation. We are more interested in small and medium sized rollouts of mobile devices, particularly in the early stages when we can provide them with design assistance and advice on how to get their product to market more quickly and efficiently.

CEOCFO: *Do you need to maintain a large inventory?*

Mr. Murray: All batteries do have a shelf life, even when they are not being used, because they have self-discharge properties. When sitting on the shelf they might discharge 1% a month, and that has an effect on the general life of the product so we try to keep our inventories fresh. That is another advantage we like to explain to our customers, where the OEMs will buy in large quantities because they push to get the lowest price. There is a tradeoff of low price and minimum order quantities, so they generally buy a lot and then just bleed off inventory. We manage inventory very carefully but we just upgraded to a much higher level of sophistication in SalesForce that can manage the forecasted demands much more accurately. It enables us to manufacture in smaller batches and ship more regularly so that we can deliver fresher products to our customers. In a pinch, we will ship stuff by air if we need to just to keep customers happy, but we believe in having fresh inventory for customers.

CEOCFO: *Who do you typically speak with at a company?*

Mr. Murray: We are hoping that CEOs and CFOs will pay attention to what we have to say; the CFOs in particular because the savings that we can provide are extraordinary, and the fact that batteries are unmanaged

assets in the facility gets the attention of CFOs. So CFOs and Operations people that feel the pain are our targets. Warehouse managers also are people that have a lot of issues that relate to mobile devices and batteries so those are very good people to connect with as well. We are seeing a trend of large mega warehouses being built to support the online business and there are thousands of mobile devices and voice communications devices used in those big warehouses. If we see any shift from bricks and mortar stores to the big warehouses, net-net that seems to work out to our advantage.

CEOCFO: *How do you deal with the frustration of getting the information out about your product when you know it can help so many people?*

Mr. Murray: In this case, one success builds upon another and word-of-mouth seems to work for us which helps to get others involved, so it is a normal business process. For us recently, as we rolled out our managed services with Battery Color Coding™ in particular, it generally gets the “light bulb” reaction. We find that we have no competition at all and nobody else can offer our color coding and our testing capabilities. We like to be in that position, of course. We are finding that our closing cycle is becoming shorter and shorter just because it is so obvious what we can do, but it is difficult to find the right person. In today’s business world it is more and more difficult to reach people. It is hard to get people on the phone, and hard to break through with email. There is a lot of clutter in advertising space so for B2B sales it is difficult to break through and get to the decision-makers, although we do have techniques to do that; CEOCFO Magazine being one of them.

CEOCFO: *Why pay attention to Global Technology Systems?*

Mr. Murray: We have found that companies are not controlling their assets. There are millions of dollars of mobile battery assets that are uncontrolled but easily controllable without spending any additional money to do it. We have solutions that nobody else has and we are bringing them to top retailers, logistics companies, and to the medical industry. We think we can help increase profitability and increase productivity.

