Providing secure drop-off points for spare parts so that service engineers, and others, can gain access at any time is the reason behind ByBox’s success. Toby Clark looks at how the system works.

Once a while you meet somebody with a truly original idea; it’s much rarer to find somebody who has implemented that idea and developed it into a successful business. Stuart Miller, CEO of ByBox, had a successful career with Andersen Consulting, then with First Direct, and later set up a phone-based concierge service called Octopus.

In 2000 he took a surprising turn, buying a French firm called Logibag which manufactured left-luggage lockers; the market for these was saturated (lockers rarely wear out or become obsolete) but Miller had different plans. The original premise, says Miller, was “a network of banker boxes that were dynamically allocated, and independent of a carrier”, so that a delivery could be made to a box, and only picked up by a recipient with the correct authorisation code — effectively a PIN number given to them by phone or email.

Initially, this was to be a consumer service, but ByBox was started in the US. However, these plans failed. “The US is so big that unless you’ve got the coverage it’s only an interesting concept,” he says. Miller then concentrated on the UK. As a consumer service, he says, potentially “the efficiency is fantastic — you can deliver 50 things at once. The problem is that you need 3,000 sites out there. Who pays, and how do they pay?” It became clear that a business-to-business network was more viable, at least initially.

In late 2000 Miller met up with Hays Partspeed, whom he supplied with around 10,000 boxes — more conventional, mechanically-locked units with designated users — on a rental basis. In January 2003 this agreement became a five-year contract to rent 335 banks of 20 electronically-controlled boxes.

However, Hays had integrated the field service network with its DX operation and, as Miller says, “it drove the business downhill — in the field service market the really important part isn’t the box, it’s the distribution”. Hays lost customers such as Sky, with its 1,300 service engineers, and decided to sell out — so Miller bought the business in September 2004.

As Miller admits: “We had a group of fantastically cheesed-off customers. He had bought the lockboxes (10,000 in total) and the customers, but not the distribution setup. “I thought we could use another in-night company. We had four months to take over, and wasted a month doing due diligence on other carriers,” Miller says. He had to build a distribution network in just 11 weeks.

He did it, and now has a hub in Coventry with around 250 employees and 130 vehicles in the network. ByBox even won Sky back. “Some of our other customers started to share their problems with us,” he says.

Warehouse ‘virtually eliminated’ as ByBox takes over Bunzl spare parts supply

Bunzl Vending Services is responsible for more than 35,000 vending machines throughout the UK, and has 200 field service engineers.

The firm used to operate a ‘traditional’ supply chain, buying parts from seven main suppliers, storing them in their own warehouse and distributing them via a next-day carrier to engineers who picked them up from the carrier’s depots. This led to large stockholdings, difficulty in tracking that stock and wasted time in engineers driving to collect parts.

Bunzl started working with ByBox in April 2005, using its 181 system. ByBox took over the whole parts supply chain, receiving notification of parts orders via EDI, collecting the parts directly from suppliers and delivering them to dropboxes near the engineers’ homes before 8am.

The engineers receive a text message to notify them of a delivery, and their average driving distance to collect parts is now less than five miles. The partnership also cut the overall need for stockholding, “virtually eliminating the need for Bunzl’s warehouse.”

The second phase of the partnership was the integration of warranty transactions, using the BlackStripe label system to monitor returned faulty components. Straight away, ByBox was able to use this to diagnose over-ordering from suppliers; now warranty materials go straight back to their suppliers, which makes claims easier and has “massively” cut costs — ByBox says that this “intelligent routing” will result in 100% successful warranty claims.
Miller: “You’ve really got to get into the customer’s business... One of the reasons we’ve done well is because we’ve been able to take the distribution system and the box network for granted — so we can concentrate on customers.”

Being a specialist helps improve performance. “Our distribution network is entirely geared around the field service sector. It’s not like the parcels sector,” adds Miller. “Our drivers do a milk round, and our day ends at 8am. It’s a mirror image of a conventional parcels network. Now I can take my distribution network for granted.”

ByBox now makes more than two million deliveries a week, via 750 banks of boxes, 300 of which are electronically controlled; this represents 14,000 boxes in all, 4,000 of them electronic. They are sited at petrol stations, supermarkets, industrial estates and 150 Parco sites.

Two-thirds of the customer base is made up of service engineers, while the remaining third are pharmaceutical sales representatives — who are “fussier about sites” according to Miller.

Turnover has grown from £3m to an estimated £20m this year, and Miller reckons that ByBox is now a market leader in the sector of in-night distribution, performing better than rivals who specialise in in-boot deliveries or depot collection.

Returned goods are particularly important in the service engineering market, and Miller saw this as an opportunity. “If we can be clever in the outbound leg we can be really clever with returns.” Under the firm’s 181 system (see box), all scans are validated, improving visibility on stock which comes back. One customer, Mastercare, saved £525,000 on returns in the first year alone. “Now we are chasing up service engineers for returns.”

ByBox has a patent on a lockbox equipped with RFID technology — this could allow details of returned goods to be sent direct to the supplier without manual scanning.

“You’ve really got to get into the customer’s business,” says Miller. “One of the reasons we’ve done well is because we’ve been able to take the distribution system and the box network for granted — so we can concentrate on customers.”

Customer retention has been good, thanks to measures such as a weekly ‘health check’: all customers are called and asked to give marks out of ten for the service. “Nothing ever festers,” says Miller, “and ideas are coming out of customers.”

“We’re the only ones [in the sector] with our own factory, and we haven’t charged the customers for research and development,” adds Miller. “We fix the problem and sell [the new product] to someone else.”

A clear target for growth is mainland Europe; the firm operates left-luggage lockers in 20 countries, so there is already a maintenance and support network in place. In terms of sectors for growth, office supplies and the IT sector are likely. “Where the warranty side matters,” as Miller puts it.

eBay, too, is a potentially massive opportunity, with box-to-box collection and delivery being a real possibility. And despite the abortive start in the US, the consumer side hasn’t been forgotten. “At some point we’ll go back to it,” says Miller.