Dynamic Purge Pricing with Grant DiGioia
The Shred Coach Podcast Transcript

TOM

Grant DiGioia, welcome to The Shred Coach Podcast. I'm glad you're here.

GRANT

Thanks for having me, Tom, pumped to be here.

TOM

Yeah, it's really good to have you here. So, tell me a little bit about Patriot Shredding. Tell me where you are, size of your company, give me sort of a overview of what you're all about.

GRANT

Sure. Yep. We're located here in Rockville, Maryland, just a few miles outside DC, probably, you know, four or five miles outside the DC border. So, with no traffic, we're into the city in 15-20 minutes. With a lot of traffic, it's an hour and 15 or 20 minutes. We service most of the state of Maryland, northern Virginia, pretty far, as far south, as Fredericksburg, Virginia, Washington DC itself, we bleed a little bit into West Virginia and into Southern Pennsylvania, kind of Harrisburg, Gettysburg area. Not a ton of work that way, but we've had a couple of government contracts that need us up there. So, we have routes through there.

Just had our ninth truck delivered a couple of weeks ago, two more trucks on the order that we are told will be here in August or September. You know how that goes. And then a couple more ordered for, 6, 8, 9, 12 months from now. We've got 25 employees and yeah, that's kind of the brief overview. It's mobile document shredding, hard drive shredding. So, we have one of those trucks is a hard drive shredding truck slash box truck, and we do a good amount of electronics recycling as well. That's a big growth area for us.

TOM

So, collection of computers, the whole works, and then you're extracting hard drives and shredding at that point.

GRANT

Exactly. Yep. And I would say, I know you always ask, I think probably 99% of our business is mobile. We do have a warehouse, but it's mostly just full of bins and inventory and e-scrap. 99% of destruction is done on site.

TOM

Got it. Okay. How long have you been in business? What's your longevity in this game?

GRANT

Yeah, it started in 2010. So, coming up on 12 years, and it was a very slow build. I was 23 years old when we started. It started with an old college roommate. And he was around for about two years and decided he needed to make money. So, he moved on to a different career…

TOM

Get out of the shredding business!

GRANT

Yeah. Yeah, I always say…

TOM

In the early stages.

GRANT

Yeah, you know, I bought his 50% for a dollar and I overpaid. But, you know, then it was kind of just me driving the trucks and doing everything for a few more years. And about six years in finally got my stuff together, hired a first employee. And you know, so I say it's 12 years, but it's really, probably more like five or six as a real business. Not just, you know, me driving around in a truck for 10 hours a day.

TOM

Yeah. Well, once you've, you know, once you start getting past 5, 6, 7 trucks, you have to have a real business at that point. You can't be playing anymore because it just will kill you very quickly if you are, so...

Well, that's great to know. So, as you know, the focus of our podcast is strategy, tactics, something you've engaged or used in your business that has had significant impact. So, tell me something you and your team have been doing over the last few years that would have a significant impact on your business and the results you're having.

GRANT

Yeah, I think, for us, the topic I'd like to kind of dive into with you is our pricing and particularly purge pricing for paper, paper shredding, not so much from the hard drive side or the waste side, but, you know, that's the bulk of everyone's inbound leads are purge leads, be it residential or commercial leads. So, we do things a little bit differently with this, I think than a lot of folks. So, I think maybe people could glean some value out of this. It's worked very well for us. We've experienced a lot of growth through COVID and then, I say post COVID but of course we're still in COVID, but, 2020, 21 and 22, we've seen major growth. And I think a lot of it is predicated on kind of the pricing structure we developed and how we've rolled it out.

Basically, you know, what we looked at, COVID hit 2020 and half of our business disappeared overnight essentially, in middle of March, 2020, and took a while to rebound, obviously. I think April, May, June of that year, were still very bleak. So, we looked at things like, well, let's- what are we doing here? We got to change our pricing structure, look and everything. So, we took a real deep dive into the business, looked at our, you know, all of our expenses and figured out we wanted to see how low we can go and still hit our numbers. What do we need to generate in revenue per day, per truck, per hour, and what does that look like? So, what can we do a job for essentially? What does our minimum need to be? Does it need to be the same in all of our service area? Is it different based on different geographic locations, depending on our route density or how far off a major thoroughfare a purge might take us?

So, we looked at all of that. We said, okay, well, how long did these jobs take? Right? So, we had the software we were using them and still are using now we're in the middle of a big software change, which was nice to hear Lucy Shipley's interview about that. But we had to look through kind of disparate different softwares to see, you know, how much our time on site for different purges we're looking through job notes, determining what was the scope of the work, how accessible were the boxes; were they ground level, were they elevator accessible, up or down stairs, if they were ground level are they ground level in a first-floor office so, we still have to walk through hallways or the ground level in a warehouse or whatever. So, we looked at every different kind of possibility and variation of purge we do, and did a historical dive into, you know, a couple hundred jobs we had done and calculated time on site. We kind of came out with, well, there was a lot of work and a lot of, you know, a lot of time spent on this, but it was worth it determining down to the minute how long we're on site for, for different types of purge jobs.

From there, you know, we were able to say, well, we need to generate X revenue per hour to be profitable based on our model. So, we broke it down. Right? So, we kind of devised something we call a pricing calculator, that tells us, it tells sales staff very quickly how much we need to charge for a job and what we need to do to be profitable. And it's- we wound up dropping our rates considerably, which, you know, people think we're crazy. Cause it's like, you don't need to, or, you know, maybe we're way below market rate on some jobs. But it just depended, right? I mean, some jobs were probably above market rate because we were looking at well, it's an elevator in downtown DC with no loading dock access or parked on a street, but we have to block out a freight elevator and those jobs are going to take X amount of time historically. So, we need to bake that into our price. So, maybe we were much higher on that versus, you know, the residential homeowner who has 20 boxes in their garage and we know we're in and out in 10 minutes, you know, as fast as you can shred almost 15 minutes at most. So, it was just getting really granular and really drilling into that to be able to come up with this kind of, you know, we call it a bin calculator, pricing calculator that accounts for all these variations.

We also developed a kind of a pricing map, so different zones based on its… we have a big service area, you know, a very broad service area. And we're in a pretty densely populated area being in Washington, DC, but our routes do go into much more rural areas. So, it was mostly the pricing map and the zones are mostly based off of major highways. So maybe 95 South going

down all the way down to Fredericksburg, Virginia, you know? Yeah. Fredericksburg, it's a hike from us, it's an hour and a half. But if you're right on 95 there, that's where most of the work is, right? Coming up and down that major highway. So, your price is X. But if you're five to 10 minutes off that highway and, you know, you're 10 minutes off, so we're going 10 minutes off route that 10 minutes to get back on route. That's 20 minutes in windshield time just to get to this purge. So that's got to be baked into the price. So, that's a different zone and they're going to have different pricing. And we have a… it looks like this… it's a Google Maps basically, with overlays and different colour coding and pricing mapped into it. And it looks redi- I'm looking at it right now. It looks, I don't know what it looks like. It looks ridiculous, but it works. You type in an address that it drops you in there to tell someone what to charge.

So, I think, for us, it was we didn't want to just say, "Oh, our minimum rate is X and it's X through our service area." You know, it just, it depends where you are and what you have and where it is at your location.

TOM

Wow. So yeah, I'd like to jump and dig sort of back in because you've dropped a ton of interesting things. So, let's go back to you're in COVID and you're ripping apart all those details, the data from 200, 300 service jobs. What's the data set that your work- like, do you have a solid data set? Because historically in this industry, you know, we do a job, but we're not tracking... You said things like how long did we spend on that job? What floor was it on? Did you have all that data to work from? Or did you have to go back and compile all this data?

GRANT

We had it in, I think, basically on the two different softwares, so kind of a routing scheduling software and then in our GPS tracking software, basically. So, we could historically go back and look and see long a truck was on site at a particular job. And then we would know from the job notes and the scheduling software how much they had, right? If it was 47 boxes and the access was included, ground level elevator. So, we have ground level direct, ground level push (which was down that hallway or whatever, direct would be just a warehouse or something), then we've got elevator, elevator push and then stairs one, two or three flights, depending on how much it is. So, we had to… it was a bit tedious because it wasn't just at our fingertips. I think, you know, a more robust industry specific software, which we're moving to, we intend on, you know, having that more at our fingertips. But it took a bit of time, but it was, it was definitely worth it.

TOM

Yeah. Cause it sounds like as you're pulling apart and extracting what was, you're defining these variables as you go a little bit. I mean, there's some obvious ones I think we know, is there stairs or not? But it sounds like you went even with ground level direct versus ground level push you're now adjusting for that variable. And then sort of in the three-dimensional space, you're now adjusting for geography related to existing routes, existing density obviously impacts that. So, how are you compiling this? Are you just compiling this on a whiteboard somewhere? What's your process of extracting this data?

GRANT

So, for now it's still all on a Google sheet, right? So, it's a Google doc. So, it's a spreadsheet. Right? And just living in our Google drive. We're Google-based company. So, everything we do out of there. And essentially really, it's just one sheet with a bunch of different zones on it, kind of tabs at the bottom, you know, like an Excel spreadsheet has different tabs. And there's the cheapest dollar zone, the middle, I mean, there's about five or six different zones. And then if you're looking for the price you need to give, you're just… the pricing map drops, you know, you put the address and it drops you into whatever zone it is. It tells you like, okay, I'm in zone two go to the spreadsheet and you click on the zone two tab, and it's basically just the spreadsheets says how many bins it's going to be. And then it's depending on how long it takes to do the job, there's 1, 2, 3, 4, 5… 5 different kind of per bin times or six per bin times we have calculated it in there.

It's not perfect, right? I mean you- but when you figure it's pretty close and, you know, sometimes you win big, sometimes you lose, it's just, we figured it all evens out in the end. And we did… we haven't been doing it lately, but over the first year or so every month we would audit it, we would go back and pull 20 jobs and do an audit and see like, did this check out and it always checked out. So, we've kind of just, it's kind of on autopilot right now, which makes it nice and easy for us.

TOM

So, you're saying then, because you developed what you called the pricing map or pricing calculator, think even said it was the bin calculator, but that your calculator is essentially how you described it. Your sales reps get an inbound call. It's a home, you know, let's say it's a residential customer, but it's outside of zone three and its sort of in that zone past where you're comfortable going. So, does that immediately get then hit with a different minimum fee? Is that what you're doing? You're adjusting the minimums?

GRANT

Yeah. That's exactly right. So, the zones, it's basically just a different minimum once we're there, we're there. So, we just need to account for that extra windshield time going off route. And once again, once you're there, if it's- the service time is the same, regardless of whether you're in the sticks or you're in the, mostly in the city. Again, we have some surcharges baked in, not to the customer, but internally for a job done in DC, within a particular area in DC. Cause it's, it's just, it's a nightmare down there. So, it just, everything takes longer. So that's… you're going to pay more, but that's the only part of our service area that requires that.

TOM

So, you said that the last couple of years, since you implemented this, so early in COVID, you're implementing this, you're figuring it out, you're putting this process in place, you start implementing it. What kind of spread are you seeing as a result of using this tool as a piece of your sales process? Like what's changing for you and how do you see you know that, you know, the Delta between where you were and where you are given, you know, obviously there's a crazy

two years in the middle of all this that, you know, it's hard to manage that, but I mean, you're obviously… the implementation of this and then watching it is creating some kind of result for you.

GRANT

Yeah, exactly. I mean, our prices went down, right? Like I said, which is counterintuitive to what basically everybody was doing at the time. But we just trusted our metrics. We trusted our numbers and we knew where we needed to be ourselves. So, when the price goes down, typically the closing rates going to go up and it did. Our closing rate for paper purges is about 70%. And that's up from, I don't know, 50% prior to that. But we remained profitable on them. I mean, the ones we lose, typically we track what we lose and 90% of the ones we lose are just a matter of certain scheduling. You know, "I need this done by the end of the week" and we're booked. We're just completely booked up. We can't do it, or I need this done tomorrow. And so, you never get, you're never going to win them all, because we are very busy, so we just don't have a ton of capacity, today and tomorrow.

But yeah, I mean a significant jump. I mean our… part of our thought process behind it as well too, is, the lifetime value of these customers. We know that on an average month, 40% of our purge business is repeat purge business. Which is, before we looked at it, we knew, "Oh, there's some repeats", but 40%. And that's held. You know, some months it's 30, some months it's 50, but it's held around that 40 range for the past couple of years since we've been looking at it. So, we know, "Hey, we got to get them in at our number. It's got to make sense for us. We can't lose money, but if we make the amount of money we need to make, we want to do it for as little as we possibly can, because we know that they're going to come back year over year." Right? They might have… we do a lot of electronic, quote-unquote "a lot of" electronics recycling. We do a lot for a paper shredding company. But, you know, that customer that had 20 boxes to shred this month, oh, when we're on site, the guys see there's also a storage room full of computer equipment, and now we're letting them know we're going back to grab that. And there's real substantial value there, and then we're coming back year over year or whatever it might be. A lot of it's service failures of the big guys who were doing purge work for companies that have containers of some of the national providers in their offices and they can't get them on the phone to come out. So, now we're scooping up their purge work. We're scooping up their e-waste and we're scooping up their, you know, biweekly service or whatever it might be.

So, part of the philosophy was we need to get in front of as many people as possible. Our guys do a fantastic job out there in the field. So, let's get them in front of as many people as we can. And it's worked. I mean, we've grown a lot, so it's working for us.

TOM

So, what lessons did you learn in the process about your business, about how you delivered or even how you sold things? Because you know, when you do deep dives into data sets like that, that you did, you pull apart every job. I just imagine you're processing through that. And like at three in the morning you get these light bulb moments that just go, "Dang, what happened?" like, or "What are we doing" or, "Wow, that's an insight." And you don't have to give away the farm

necessarily. But what were some of the sort of major revelations or lessons that came out of this for you?

GRANT

Yeah. I mean, I think it was going into it we didn't know where it was going to… it was like, we're big- like, let the data tell us what to do. Like, I feel like this might be a good thing, but who cares about your feelings? Like, the numbers are what all the matters, really. So, I think it was, even though we felt going into it, "I think this is going to… I think we can lower rates. I think we can really, you know, drill down into this." I think we were shocked by how much we could. In some cases, we were charging three times more than we needed to. And we're losing jobs, right? Because of that. And again, we want to grow, we wanted to, you know, we want to have as wide of a customer base as possible.

So, this strategy is not for everybody, right? If you only want to win 30% of your jobs and do it at a much higher rate than this is not it, this is not the way to do it. But I think we really found that, "Wow, like there's a lot of wiggle room here". And we are in a very dense area as well, which does help, but there's a lot of wiggle room on this price and we knew what our competitors are charging and we know the level of service we provide. So, we just thought, we don't need to make $400 an hour out there. I mean, that would be great if we do. And some routes sometimes we do, some jobs we do, but that doesn't need to be our, our metric.

TOM

So, the underlying… and you said this earlier, the underlying driver for you in this is, is it your hourly rate or is it your daily rate per truck? Was this a successful… I mean, you mentioned the up from a 50% closing rate to a 70% closing rate. So, that in itself to me more than worth, you know, a $10,000 investment in listening to the last 20 minutes. That alone is. But what do you-what's the other metric that you're measuring success against?

GRANT

Yeah, so it's all got to tie in right operationally. So, we have a specific- we know each truck, we run 10-hour routes every day and that's that start to finish. That's the operational goal. If it falls short, it's flagged. If it goes over, it's flagged and there, there needs to be reasons why, you know, one or the other's happening.

But we have a 10-hour route that needs to create X amount of revenue per day. So, you know, that's where it's simple math. You just take that revenue, divide it by the 10 hours. And that's what we need to make every hour. Of course, there's windshield time involved. We have some routes where we will drive two hours to the first stop, you know, and then an hour back from the last stop. So, the minimums in those more further flung places are going to reflect that. But that's really was the catalyst for it. And that's where we saw, okay, let's start there. We know, what our number needs to be every day. So, what do we need to do to support that? So it was like, again, I don't think we're cut rate, but the philosophy was let's get it as low as it can be with us still making a profit.

TOM

Right. Which supports your daily rate, which supports your daily, you know, your revenue per route per day, but it also has to, in that number, also had then has to support your overheads and your profit margin, because if you don't play with profit, you're killing yourself.

GRANT

And again, currently we're doing this, it's a little bit more manual of a process, hopefully the new software can automate it, but every route, every day is tracked. So, it's tracked by hours on the road, use of the fuel used on the routes, which is obviously a much more major expense today than it was six months ago. It's tracked with the labor cost. So, we have Excel sheets where it plugs in the- we have two guys pretty much on every single route, a driver and a helper, and it's updated with their actual pay, right? So, we're getting a real true labor cost for that specific route. The revenue it generates and it all spits it all out, right? And it gives us the gross profit margin. And we have our goal. We need to be in X margin per route every day, you know, and some are historically are always above that every single week and others are much weaker just because they're kind of lost leaders of a sort. But we're always, we have an eye on that always. So, it's all it all goes. You know, it's got to all go together.

TOM

That's potent. So, a lot of times when somebody's really looking at data the way that you are, there is a underlying MBA in play. And so, how does a history major learn like you've learned it? And that's a question because I think we all have to, as business owners, really understand metrics, data, to grow businesses you need to know that; you need to understand all of these pieces and parts. And a lot of, I find a lot of small business owners tend to discount the data and fly by instinct instead of fly by instruments. And you're flying by instruments, but it takes some intuition, some learning, some digging into to really understand how to use data in an appropriate way.

So, I guess my question is, because I know you come from a history background, I read it on your LinkedIn profile. And now you're like, there's this major data focus that you have. What's the catalyst for you that pushed you into being really data-driven?

GRANT

Yeah. Well, you mentioned instinct, right? So, I think I probably just have horrible instinct. So, if I was drawing on that, I'd be way up the Creek. But I think... I don't know, I've always been- also, you know, I majored in, I double majored in history and theology. So, two rather useless majors as far as majors go.

TOM

Really?

GRANT

But I've always been a big numbers guy. I've never been a fan of like math classes or anything like that, but I've always been big into numbers, sports data, or statistics, things like that. Things that interest me. And I think just, you know, like I said, as we were going along this journey, it was like, "Ah, we gotta- we can't- I can't do this by the seat of my pants. I'm not smart enough for that. I don't got a good enough feel for that. We got to hone in and really lock into the numbers." And I think, I've had some really good mentors in the industry as well, you know, through mastermind calls and different people in the industry that have done it before. And we talk a lot and we share ideas. We're very open with that. I think it's just always, for me, it's always just about being around as many people as possible and stealing their best ideas, right? And then putting them all together, you know, and that's kind of been my philosophy.

TOM

Well, and I think one of the interesting parts of that is you pull this, all these disparate kinds of information together. You pull it in, but there's this thing that you bring to it. And it sounds like what you brought to it. Because while I think a lot of people look at their P and L's a lot, and they look at some of the data shooting out of their software, if there's data shooting out of it, or their GPS systems are… but I think what I'm hearing is that unique ability to shove it into a different media, into a different format. And re-look at it in different ways with the variables, the map layering the variables. Because I've heard over the years, a lot of people use maps. What they don't typically do is use maps plus another layer on top, which is what you've done, which I think is just a really insightful thing that you've brought to the table on this.

So, as we finish, I really appreciate, Grant, such good insights here, such good, interesting approach that you've taken with things. But I often like to kind of have an interesting way of concluding these conversations as we've been talking, the thing that shows up for me is if you had the chance to go back and talk to your 23-year-old self, what would you go back and say to, you know, that Grant, that Grant that's 12 years ago, right? So, 12 years ago, you get a chance to talk to that Grant. What are you going to tell him?

GRANT

Oh man, grow up. No, I think a lot of it would be, you know, start looking at things this way, the way we look at things now, then, and, you know, we'd be a lot farther along had we done that. I mean, we bootstrapped the heck out of the start of this thing with a thousand-dollar Astro van. I would say, look at it more of the business mindset, which was probably impossible for that me, because I was 23 years old and just didn't want to sit at a desk. So, I was like, "Let's do this". But I think, had I been able to drill that into my head a bit earlier, we would be a lot farther along. But again, like I said, fortunately, somewhere along that journey, you know, I was put in touch with some really good people that ran successful businesses. And I looked at them. I was like, "Oh, okay. Let's try things a little bit differently. Let's try things that way". So, it's been a good ride though. I wouldn't trade any of it.

TOM

Well, I really appreciate the time you've spent today and thank you for sharing it so generously and continued success in what you're doing.

GRANT

Yeah, thanks, Tom. Appreciate it. Thanks for doing this.