

Restaurant Short-Staffed? There's a Robot For That...



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Announcer:

Welcome to Paychex THRIVE, a Business Podcast, where you'll hear timely insights to help you navigate marketplace dynamics and propel your business forward. Here's your host, Gene Marks.

Gene Marks:

Hey everybody, thanks for joining us. This is Gene Marks and you are watching another THRIVE Podcast. I am here with Mike Bell, who is the CEO at Miso Robotics. First of all, Mike, thank you so much for joining me today.

Mike Bell:

Hey Gene, thanks for having me. I'm glad to be here.

Gene Marks:

Yeah, me too. As we were talking just before we started recording this, I mean I've been writing so much about how robotics and automation is having a big impact on businesses, small and mid-size businesses, not necessarily big businesses. It's like the affordability of this stuff is really coming down and it's providing a lot of return on investment for a lot of businesses. So, Miso is at the forefront of all of this, and I want to... Let's first of all talk a little bit about what Miso Robotics does. Give us a background of the company a little bit of your history, please.

Mike Bell:

Yeah, yeah, sure. So we've been in business for six years, but the first five of those years were just pure R&D mode where we had teams of engineers developing and bringing to market our robotic solutions. So now this year, 2022, we have begun actually commercially manufacturing and shipping robots. So as we're sitting here today, Gene, there's robots cooking food that humans...and serving food to humans that are eating it, eating them, and we're off to the races. So we're in early days still as a company in terms of our actual placement of robots in the world today. We're still counting in the dozens, but quickly getting to the hundreds.

Gene Marks:

How long ago were you guys founded?

Mike Bell:

We found it in 2016.

Gene Marks:

Okay. And what about your basic funding? Are you a VC-based company? Do you have outside investors or how's that working?

Mike Bell:

Super interesting story there, but we came about the traditional way where it was a couple of entrepreneurs had an idea and raised venture capital. So the first \$15 million series A and series B was traditional venture from LA-based venture firms, but like many tech companies, the product market fit didn't take hold early on, there was a lot of conversations with customers about what should we automate, should it be this or that?

Mike Bell:

And so there was a bit of a reset that happened to the company in about 2018 where a new management team was brought in. And at that point the company determined that it would like to try crowdfunding. And so we opened a series C crowdfund in March 2020 at the beginning of COVID, by the way, and just blew the doors off our expectations. We raised \$25 million and then we since gone on to raise another 25 and another 25 for a total of \$75 million all crowdfunded. So, we have 25,000 individual shareholders. The average investments \$3,000, and it's just this terrifically efficient source of capital for us.

Gene Marks:

Which to me, I mean that shows the high level of interest that the public has in robotics and it is the opportunity to get into it on a ground floor level like at Miso, particularly at a company like yours, which has got products developed and out at customers right now, it's a no-brainer and darn, I wish I knew about this when that offer was going on, but another topic for another day.

Mike Bell:

You're still able to, by the way, and it's still early days, like the company, you can register on our website for investing in the next round. And we're still early on there are 250,000 restaurants in the U.S. alone that we're targeting. And those customers, they're waving us in saying, "Hurry up." So we got a lot of ground to cover. We're still early days.

Gene Marks:

Yeah, I got to imagine, because I've been writing about this so much, obviously a lot of companies are trying to contain costs and reduce overhead and be as efficient as possible, and robotics does that clearly the labor market is also speaking to that as well. It's really, really difficult to find employees skilled and unskilled, and that's also driving automation as well. Now, I'm talking to you, you're in Vegas right now attending a conference by Taco Bell franchisors, right. So, can you talk a little bit about... Let's just take real life, what is Miso doing at Taco Bell if you're comfortable talking about that?

Mike Bell:

Yeah, yeah, I am. So we have 120 people at Miso, 90 plus our engineers, zero salespeople. We literally have no sale. So all of our interest is inbound. My team and I have been in the restaurant tech space for a while, and so we kind of know all the people that in the chains that we need to know. And so they keep close tabs on us on how we're progressing and where the product is at. And it goes like this Gene, they generally come to our robotics lab in Pasadena, California and see our robots prepare their food. We show them the

data in terms of throughput, reliability, cost, and it's a no brainer across the board. And so that generally leads to some steps of adoption. Sometimes it's a pilot unit or multiple pilot units that get its installed in a test center or in a live restaurant.

Mike Bell:

And these restaurant chains want to test the robots in their environment as they should rightfully so that then generally leads to a negotiated rollout of certain volume. So far, there's a bunch of companies in this pilot stage, most of whom we've not yet publicly announced many of who of which we have. I know Jack in the Box, Chipotle, there's just a number of customers. White Castle is kind of our first customer, Buffalo Wild Wings, and the list is pretty large. So, White Castle has gone on to buy a hundred robots. Others are still in that pilot phase. And so when we look at where we're going as a company, it's going to be... It's just such a large industry. There's just a lot of zeros behind it when you start looking at the years ahead.

Gene Marks:

So, using Taco Bell as an example though, I mean it sounds like every customer is a bit of a specific implementation. Is that right? I mean, you've probably got core technology, but you've got to develop, customize the development of it specifically. I mean, rolling tacos is different than making a burger at White Castle. Is that a fair statement?

Mike Bell:

Yeah. What we try to do is we try to come up with a product format and footprint, like a configuration if you will. It's about 85% the same across restaurants. And then knowing that every brand is going to have some degree of customization, we really are looking to avoid anything more than a modern amount of customization because robotics are hard, and these formats are different and their... If you think about we have a robot that does fries and we have one over a fry station, we have one that does chips. And, if you think about a robot over a fry station, the food is different from brand to brand. The lighting's always a little different, the fryer configuration's a little bit different. It's a smokey reflective environment and the equipment gets bumped around a lot. This is an environment in which computer vision needs to tell an arm precisely where it is at any given point in time with very little variants.

Mike Bell:

So, it's tough technology to get super reliable. And so for that reason, we're looking to say, "Okay, we're going to create a number of robotic solutions over the years." And what we want to do is be really disciplined and focused about, 'Okay, this one covers most of the need, but we don't need it to cover all of the need. We're going to kind of chip away at that 15% balance over the years ahead.'" But it's a real balancing act because there's a lot of variety and a lot...there's not a lot of consistency in the marketplace.

Gene Marks:

There's this perception that it's like with all technology, oh you wheel it into the fryer, you plug it in and it starts making french fries and then that's all you have to do. And obviously reality is not, I mean my company implements CRM systems, so it's not just install a CRM system and then say, "Okay, go off and play and your sales are going to increase 20%." So, for companies that are starting to think ahead about implementing robotics in their business, and by the way, this can be a franchisor of a Taco Bell, but it could also be somebody even on the production floor. What have you found to be some of the challenges for the customers? When you're in,...I'm sure you're trying to be as transparent as possible and to say to your customers, "Hey listen, it's not like we just wave a magic wand and all this stuff works well. These are the issues that you're going to have to be aware of." What issues should you be aware of?

Mike Bell:

Well, when we go into a new environment, we explain really clearly to the team workers, "This is your new colleague and this is kind of what you need to expect." And it's a relatively quick getting to know you cycle in terms of the -- for employee adoption. But still there has to be a little bit of a training and understanding there. Let's understand that for example, if Flippy is managing -- by the way, Flippy is our overhead fry station robotics if this are managing-

Gene Marks:

Okay, there's a Flippy and a Flippy 2, correct?

Mike Bell:

Yeah, exactly. Flippy 2 is what we're bringing to market now. And so Flippy was the original burger flipping. But to give you the example of Flippy 2 over a fry station. There might be six or eight different fry baskets at any given point in time. Each one with short cook cycles, the timing and sequencing of where the arm needs to be at the right time so that it's not burning fries and it's getting them on time and it's massing through. But that at times leads to Flippy pausing because he's deliberately not going to be busy when he needs to be free.

Mike Bell:

This is one example of what workers, if they're not trained or if they don't understand this, they think he's taking a smoke break, they're like, "Why, we're working our butts off and he's sitting there not doing anything. Is he broken? Is it frozen?" So there's little things like this and there's a lot of them where they just have to get used to and understand this is what it looks like and this is what it feels like working next to a robotic solution.

Gene Marks:

These robotic solutions as well. I mean, particularly in the kitchen of a fast food restaurant. I mean there's oil, there's grease, there's smoke, there's potential dirt, things like that. What should somebody expect when they're implementing robots when it comes to just ongoing maintenance of the hardware? Is it something that you're, Are people replacing these units all the time or are you going in and doing something to make sure they're up to date or training the people? How does that work?

Mike Bell:

Yeah, what we didn't want to do is to have a hot potato with our customers saying, "No, you cover this." Because the truth Gene is, no one knows what the maintenance and repair replacement costs are because no one's done this before. Now our arms are rated to go 10 years continuous use. So they're just built to be just bulletproof, right. But no one's run them over a hot fry station for years at a time. And there's parts that are going to wear earlier than others. And all of our science in the world just simply can't accurately predict what parts are going to fail when.

Mike Bell:

So, we take over all that expense and we take over all that risk. So, what we do is we provide our robots to restaurants for a flat monthly fee with no hidden costs for Flippy 2, call it 3,500 bucks a month. And for that all upgrades, all parts replacements, all repair, all preventive maintenance, and everything's all in. Now, it may not always be that way, but for the next several years we're just going to learn what is it really...what is the expense to keep one of these things active and going in the field? And then we'll be able to price it, I think maybe differently. But for now we're just taking the risk out of it for our customers.

Gene Marks:

But the model is, it's a monthly commitment that you're making, probably more so than an annual commitment. And it's not like you're just buying a machine and bringing it over. The whole maintenance, the service and all that is part of the implementation, correct?

Mike Bell:

Exactly, exactly. And also, when you look at what we do, the physical mechanics of it are hard engineering tasks we solve, but the software is equally large. Getting the software to work right and have all these systems work together is more than half of what the technology consists of. And so for that reason, it's like a SaaS, it's like software subscription. It's like this piece of iron doesn't do anything without the intelligent software that drives it. And so we really position it as a subscription technology that just covers it. It acts like a lease, but it's not technically a lease.

Gene Marks:

Right now, and don't take this wrong way at all, but I just want to make sure that we're completely clear to our audience. You're not going after the independent restaurant in some small town that wants to get a Flippy and have that flip burgers. I mean, I'm assuming at this stage of your company, you're looking at the chains, the Taco Bells, the Chipotles, the people that were going to commit to doing more than just one location, have the resources, have hopefully the internal staff to deal with all.

Gene Marks:

I mean it's a bleeding edge technology right now, right? And I just want to make sure that I'm clear on this and that if you have anything to add to this, I don't want to set any expectations, anybody listening to this saying, "Oh, I own a restaurant in Oklahoma City and I'd like to buy a Flippy." Would you do business with somebody like an independent like that or right now or we'd like to do business with you in the future, but we're really focusing on bigger companies, right?

Mike Bell:

Yeah. In roughly about the middle of next year, there will be certain robotic fry products that an independent can simply just buy off a website, okay. Right now for a number of just go-to-market efficiencies, we're selling to the nation's largest chains. And that's just really and efficient model for us. But that's really only about half of the industry, so the other half is independents or small chains.

Mike Bell:

And so there's certain products, for example, we have one that just fries one product either chips or fries or whatever. And it does that all day long. That ships in a single crate, it self-installs without a team required in just a couple hours, comes with a fryer and stuff. So, it's fully integrated. That's the kind of thing that independent restaurants by about middle of next year can go and say, "Do I have the dimensions? Do I have the space? Do I have the right...?" It really just needs to fit under the exhaust hood, that's really the only requirement. And then buy it, ship it, install it. So these need to be just refrigerators or dishwashers or stoves or anything else for it to really achieve its purpose in the marketplace.

Gene Marks:

That's fascinating. So it's really not having a robot standing in front of a fryer, but I guess the model is, the future model is "We're going to ship the entire fryer that's automated to do what it's got to do." Am I getting that right?

Mike Bell:

In some cases with some products it makes sense to do that. Others like Flippy 2, we install over a preexisting fryers. So, it's a little bit of a mixed bag depending what product solution we're trying to hit. If we ask restaurants to or if they get four or more fryers and they're relatively new, we don't want to ask

them to just throw those assets away. They have a long life, typically 10 years or plus. So, for those type of restaurants with our Flippy 2 solution, they keep the fryers. Others, it makes sense to put it all together in one big bundle.

Gene Marks:

Yeah, makes sense. That makes sense. So, let's talk a little bit about the ethics and the PR of all this. I mean these machine, when I see robots, and I don't think many people would disagree to me, it's like they're replacing people. And you mentioned earlier in this conversation, we're public with some people, we're not public with other people. I mean, I got to imagine if you are doing work with a well-known brand, a chain, and they're testing out your products to do automatic work in the kitchen, there could be a negative spin on that. You know what I mean, and the media by saying, "Oh look, they're just getting rid of employees by replacing them with the robots." How do you respond to that? Because that question has to come up of your customers. And what's your response to that?

Mike Bell:

That question used to come up way more frequently a couple years ago.

Gene Marks:

Right, when there were actually workers.

Mike Bell:

Yeah. When there were workers who are possible to send home, the reason that that brands are less and less or they're more and more open with this is because in fact, in every instance that we install a robot across the board, unequivocally, there are no workers sent home. There just simply aren't enough to send home. There are hundreds of thousands of restaurants in this world that don't have adequate labor to serve their customers and sometimes not even to open. And so what's true, what's happening true in fact is when we install the robotic solution at a restaurant, the employees or the team members that were working at that station are freed up to go work at another station in the restaurant, the next bottleneck if you will. That allows the restaurant to actually produce more food, which in turn allows them to sell more food. So, the most powerful benefit we bring to restaurants in every instance is that their capacity for manufacturing, for producing food, and therefore their sales grows up. They don't actually save any labor costs at all.

Mike Bell:

What happens is they optimize their operation. And this is not a COVID phenomena. Before the pandemic, there was a labor gap. It was a top five problem that was talked about all the time in restaurants. Today, it's the existential crisis facing the industry, okay. And Gene, there's no scenario where this labor gap just suddenly goes away. There's just no realistic scenario where 1.6 million people happily return to the workforce and just love those jobs, and stay on the jobs. So automation is really the only way out of this. And so we're looking at it as we're at bat, the entire industry's looking to us and waiting for us, let's hurry the heck up.

Gene Marks:

When I talk to other people, even when I listen to conversations with people that are the futurists of the world or people in the media that say that, "Oh, robots are taking over the planet and they're going to eliminate millions of jobs and everything's going to be automated with AI." And then I turn around and I talk to people and I bet you're one of those people, but I talk to people that are in the industry that come back to me and say, "Yeah, that sounds nice. But we are really a long ways off from that happening." There's hype and there's reality about robots can do. So, how far away are we from that hype? I mean, when you have that fully automated kitchen where you go into our McDonald's just to pick on them and all of the work is being done by robotic employees in the back. It seems like we are way far away from ever hitting that point.

Mike Bell:

We are indeed way far away. It's not imminent. It's 10 years plus, if it's ever there. And let me give some color. We're asked all the time by some of the nation's leading restaurant brands, "Can you make a robot that does — fill in the blank " — make guacamole, scoop ice cream, do shakes, et cetera, et cetera, etcetera. And the answer is always, yes. Yes, of course we can, but you're going to hate the price it's not an economic solution for you.

Mike Bell:

Because truth be told, robots for example, assembling a sandwich, they're just not great at it today. And they couldn't do it in a way that would be super cost effective in such a way that it would replace human anytime soon. Other tasks are really machine tasks that have just been done by humans because the machines aren't here yet. And so look at it and we've identified 21 discreet tasks back of the house and restaurants that could ultimately be automated. But that's not all of them. And particularly the ones that have to do with creativity working with other humans, there's just a lot of... We look at it, we don't really envision a humanless restaurant, we just envision one that's a lot more efficient, that's still personal, still has human beings there, but human beings doing jobs that they love to do that they're really good at and machines doing work that's really better placed for machines.

Gene Marks:

I was listening seriously, Elon Musk was interviewed, I think it was on Lex Fridman's Podcast and they were talking about autonomous vehicles and you know because Tesla obviously has been on the forefront of that R&D and Elon Musk was like, "Yeah, I know what I said in the past, but it's actually a lot harder than I thought it was going to be." The trillions of transactions that need to happen even on a computer in a car that has to then talk to something in the cloud and back. It's an enormous thing.

Gene Marks:

And of course for Elon Musk to say that, you take a step back and be like, "Wow, he's a smart guy and that seems to be even out of his..." You're in the fast food industry right now and that's smart to choose that vertical and just focus on that. I mean that's smart. Being in the robotics world as it is, is there any other industries that you would consider it to be ahead of where you are right now? Not that you're competing with them, but just that are like they're doing a better job, they're further ahead. And if I could even add to that, because really our listeners are small and mid-size companies. Ones where the technology itself is becoming that much more affordable by smaller companies. Do you know what I mean? What are your thoughts on that?

Mike Bell:

Logistics in warehousing are significantly ahead of many other industries in their use of robotics. And there's certain companies we're watching that actually are relatively close to having complete machine driven warehouse, large warehouses. Autonomous vehicles are robots of sorts, autonomous trucks. So yeah, for sure, as our drones. So, I view it as the restaurant industry is actually a bit behind. It's a bit of a lagger. And in other industries, the memo's out, they got it. I don't think the restaurant is no any longer kind of lagger. I think they're now like, "Okay, this is the technology that's going to save our economic model." But I'm with you too. When I look at the world today, it's crazy how quickly it seemed to have happened that there's just robotic solutions that are become more and more commonplace. We just kind of accept them. It's cool.

Gene Marks:

Yeah, it is very, very cool. And yet, we're just in its infancy right now, which means there's a lot of help. So, what's next? Is there a Flippy 3 coming up or what next for Miso Robotics?

Mike Bell:

Yeah, what you will see from us is a continued slate of product releases, all kind of handling different tasks back of house and there's a bunch of them to tackle. And everything we put out is any electronics. There's going to be more and more...like there'll be constant iterations and the next version's always going to be better, smarter, faster, cheaper. And so, I know I said it before, but we're early days and so there will absolutely be a Flippy 3 and 4 and beyond that it's going to...we'll be at this for years.

Gene Marks:

Mike Bell is the CEO at Miso Robotics. Mike, thank you so much for joining me. There's been a great conversation. I think for those people that are listening to this, you get an idea of where the world is going regardless of the industry that you're in and fast-food industry, as great as the progress that you guys have made at Miso. I mean, like you said earlier, there are other industries that are even further ahead and it's something we all need to keep an eye on. So, thank you very much. Go and have a chalupa for me down at your conference. I really appreciate you speaking.

Mike Bell:

Yeah. Thank you, Gene. Appreciate you having me.

Gene Marks:

It was a pleasure. Take care.

Gene Marks:

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