OVERFLOWING WITH POTENTIAL

SteadyServ Tapped to Revolutionize Beer Industry

By Matt L. Ottinger

For many beer connoisseurs, wasting a frothy beverage is an offense worthy of hefty reprimand. But for bar owners, not getting the last drop to customers is a hit to the bottom line as draft beer generates their highest profit margin.

SteadyServ, based in Carmel, has developed iKeg™ technology, which features a sensor and a mobile app to tell those behind the bar exactly how much beer is left in their kegs. It also communicates when the beer was delivered and tapped, as well as its age. Previous order information, consumption trends and local weather forecasts also help managers monitor beer inventory and sales potential.

The SteadyServ office features an innovative backroom complete with a walk-in cooler, half filled with kegs at the time of this interview.

SteadyServ CEO Steve Hershberger attempts to illustrate the guessing game employees must play when determining keg capacity. He asks the *BizVoice*® team – a reporter and a photographer – to lift a keg and then estimate how full it is. This reporter confidently guesses 60%.

And our photographer? "25%," he ventures. Mission accomplished.

"A bar's largest margin is draft beer – typically by a factor of two," Hershberger quantifies. "So you're guessing about what you spend the most money on and what delivers you the most product every single week.

"By the way," he adds, "if the beer rep can't get in touch with you, he places an order on your behalf – even though he may not have been in your facility for a month. He looks at your order history. So he just placed a $7,000 order for you that you're committed to. He guessed because you were too busy to guess."

Freshly tapped

SteadyServ was launched three years ago and has been in an engineering and research and development mode since. The company now has 16 people on staff. There are two facilities in the Indianapolis area, one in Dallas and another in China (the product is engineered in the United States and manufactured overseas).

Hershberger is no stranger to technology – or beer, for that matter. His resumé includes a background in technology and data. In fact, he once worked for Apple, and moved back from California to Indianapolis for family reasons. He ran a software company and sold it in the early 2000s. He then founded a business in social sciences – software and analytics for social media. It is based in Chicago and he remains a part owner. Then several years ago, he was a founder of Flat 12 Bierwerks, one of Indianapolis' popular craft beer brewers (he's since sold his stake in Flat 12 to focus on SteadyServ).

'Hoppin' across the screen

Hershberger reveals the sensor-based technology of iKeg™ separates it from other measurement products used today. He argues that simply lugging kegs onto a scale is far too inconvenient due to their sheer weight (a full keg of beer tips the scales at 160 pounds). Flow meters measure liquid that travels through a spigot, but aren't exclusively tied to one keg, which leads to a confusing sequence of math and recordkeeping to maintain accurate data.

"We're the only ones that are doing this; we have five patents and several others (in progress)," he states.

Michael Emrie, director of retail sales, demonstrates on a big screen the real-time, line-graph analysis the technology allows.

"Once tapped, they have 30 days before beer is bad or the taste is altered," Emrie notes. "So that gives a manager a chance to make decisions — maybe get aggressive on the price to move through beer quickly or just change it out because it's selling slowly."

Hershberger asserts the information allows bar managers to make adjustments on the fly in accordance with demand — critical to maximizing profits.

"People have a specific number of beers they'll consider," he relays. "The average beer enthusiast has five beers in their consideration set. That means there are five beers they really like to drink. If those aren't available, they tend not to drink it."

While the iKeg™ is simple to use for the customer who is watching it unfold on an app, Hershberger reveals starting such a business and getting to this point has been an arduous task.

"It's not for the faint of heart," he bluntly offers. "It's incredibly expensive. We have a global supply chain. This isn't putting together a simple piece of software and throwing it out. It's an enterprise solution. It's like building and integrating software. It takes really talented engineers who are dedicated and collaborative. We have people on the phone 9 p.m. to midnight working with our Chinese team."

He adds, however, that investors are "getting it" and funding is coming from very esteemed and accomplished sources that see major potential for the product.

At the pump

Ryan Kellerman is director of beverage hospitality for Scotty's Brewhouse, which has been using a beta version of the technology for a year. He recalls the evolution of iKeg™ from its early stages.

"(Hershberger) came to me with the idea on a paper napkin almost two and a half years ago, and I told him it was awesome," he reflects. "I saw some great benefits in terms of inventory and knowing how much you have on hand so you don't purchase too much or too little, and communicating with guests to let them know what you have and when things are running out. Promoting beer through social media is also very appealing."

Bar owners are able to automatically promote their beer inventory to thirsty customers, when it's at certain levels, on social media using SteadyServ's technology.
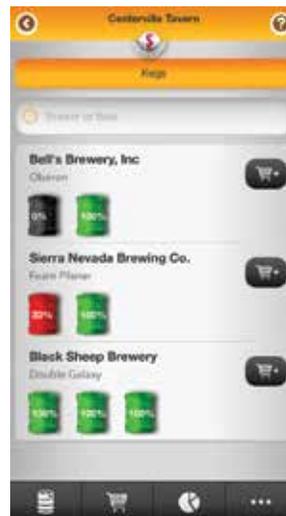
The iKeg system features a sensor (shown leaning against the side) that rests under the keg. The sensor transmits data through a radio frequency identification (RFID) tag and reader. The system's software and iKeg app allow users to evaluate quantities and order with a simple touch of the screen of their handheld device.
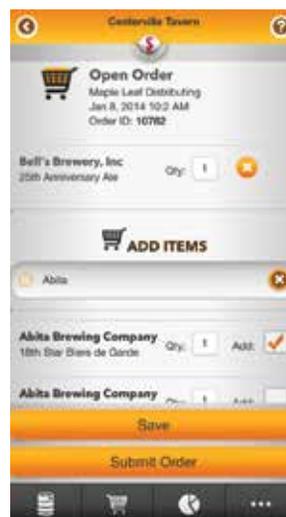
"It allows managers to set to post on Facebook or Twitter when, say, a keg is 20% full," Hershberger points out. "They can say, 'Hurry in, we've only got 40 pints left!' Or you can Tweet a new message when you tap a new keg."

Kellerman reiterates the costs related to the usual guesswork involved with unscientifically evaluating keg inventory. Recalling other jobs he's had in the industry, he explains expenses would "ebb and flow" if different managers took best-guess stabs at determining what was left. He contends the accuracy of iKeg™ will drastically enhance efficiency — and businesses' bottom lines.

The technology also helps distributors improve their relationships with retailers, allowing them to provide resources and optimize inventory and revenue.

"I think the system has the capability, as they're adding new components, to revolutionize the restaurant side, as retailers, as well as the distributor side," Kellerman asserts. "(Its impact) will actually go all the way back to the brewery side because if we (Scotty's also brews beer at its Thr3e Wise Men Brewery in Broad Ripple) can see the whole system, we'll have a better idea of how much beer we need to produce. The end result will help customers the most because the brewery will have fresher beer on the market that hasn't been sitting very long."

RESOURCES: Steve Hershberger and Michael Emrie, SteadyServ, at www.steadyserv.com | Ryan Kellerman, Scotty's Brewhouse, at www.scottysbrewhouse.com