

PALLET
STRATEGIES:
**STACKING
THE ODDS
IN YOUR
FAVOR**

When it comes to choosing the best pallet for your shipments, the smart money is on a strategic approach that anticipates future needs.

Pallets are fundamental materials handling building blocks. Combining function and form, they present a variety of choices: wood, plastic, or aluminum; storage or shipping; two-sided stringer or four-sided block; leased or owned; back and forth or one-way.

How shippers decide on a specific type of pallet depends on a number of factors. In the past, cost was a primary consideration. But in today's market, shippers are taking a calculated and strategic approach to managing and maintaining shipping platforms.

A number of trends are shaping how companies approach pallet procurement. Cost reduction in a post-recession environment remains paramount. Companies are equally bound by sustainability requirements and safety mandates. But the greatest impact is automation.

E-commerce expectations drive the need for greater distribution center productivity, responsiveness, and efficiency. Automation requires considerable strategy and investment, but pallet management is often lost in the shuffle.

In a fast-changing warehouse environment, companies need to look at their shipping platforms with an eye toward the future. “We see ourselves more as a solutions provider than a pallet seller,” explains Curt Most, global sales manager for ORBIS Corporation. Based in Oconomowoc, Wis., ORBIS offers a variety of rackable, stackable, and nestable plastic pallets in different sizes and composites to meet the diverse needs of its customers.

“We help businesses sort through 250 to 300 different pallet styles and options to select the one or two that best meet their needs,” Most adds.

Take Your Pick

Companies have many pallet choices. Wood vs. plastic and lease vs. buy are the obvious options. When companies choose plastic pallets, “it’s no longer a commodity, it’s an investment,” says Most. “Instead of an \$8 wood pallet, they own a \$50 plastic pallet. But it will last for several years, as opposed to several trips.”

In certain industries—such as food and pharmaceuticals—pallet type carries greater importance because of the emphasis on cleanliness, consistency, and safety. Elsewhere, union shops may dictate certain weight restrictions. The type of product being shipped—dry, liquid, or refrigerated—and whether it is stored stacked on the floor or in racks, can similarly impact decision-making.

Automation can throw a wrench into the equation because of the complexity and costs involved. When ORBIS works with companies that are trending in this direction, the provider usually takes a two-fold approach.

“I ask companies where they see their operations in five, seven, and 10 years,” explains Most. “They may be just floor loading now, so they are looking for a nestable product. But what does the future hold? The nestable pallet a company is considering today may not be conducive to a future new conveyor system or edge-racking application.”

The second factor is identifying how a new pallet fits into the automation set-up. As companies sink capital into new materials handling infrastructure and technologies, they need to consider the entire set-up. Automating a system to specific



Offering rackable, stackable, and nestable plastic pallets in a variety of sizes and materials, ORBIS works with shippers to build pallet strategies that suit their needs.

requirements, then upgrading pallets to meet those specs, may incur unwarranted costs.

“We may offer a 40-inch by 48-inch pallet that works great on conveyors, is easy to clean, and is exactly what the customer wants,” says Most. “We advise companies to build their automation around that base, and let the pallet dictate where the turns are and what kind of rollers are used.”

The Network Sell

PECO Pallet, headquartered in Yonkers, N.Y., presents a similar strategic sell as a North American pallet-leasing company. The business maintains a large pool of reusable, four-way, wood block pallets that are leased to manufacturers and retailers throughout North America.

PECO customers ship to other network

participants. A company notifies PECO when pallets are ready to be picked up; a carrier then returns them to the depot to be cleaned, inspected, and repaired as needed.

“It’s not just the rental we’re selling,” says Adrian Potgieter, vice president of sales for PECO Pallet. “We’re selling the North American network as much as we are the pallet.”

PECO’s North American network is unique. It provides consistent product and service across the United States, Mexico, and Canada, which enables the company and its customers to maintain a tightly controlled flow of moving inventory. Its product is neutral in design, apart from necessary heat treatment required for wood pallets crossing the U.S.-Mexico border. Where other programs have different designs for Canada, for example, PECO’s



preferred.

PECO Pallet customers get more than high-quality wood block pallets. They also get responsive service, convenient online ordering, and a 99.5% on-time delivery rate. No wonder PECO is preferred by so many manufacturers and retailers throughout North America.

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platforms flow readily and without restriction across the continent.

“With so much of Canada’s production centered in the Montreal-to-Ontario corridor, the natural tendency is for product to ship west,” says Potgieter. “Because we recover, repair, and reissue pallets, we can flow them into the paper industry in Washington and Oregon, then they move out across North America.”

Balance plays a big part in the equation for PECO and its customers. Companies tend to produce in areas that are less expensive and less populated. So PECO is challenged with maintaining inventory and optimizing flows. Its Red Link online pallet management system allows users to keep account of pallets’ condition and status at customer locations and PECO depots throughout the network.

When shippers manage their pallet solution as part of a network, it allows them to leverage PECO’s services more strategically. The rigidity of block pallets gives users greater density in floor storage and drive-in rack environments, which can alter a facility’s layout. Warehouse workers can load and unload trucks using pallet jacks rather than lift trucks.

Shippers may find their pallet choice influenced by customer specifications.



PECO’s rigid block pallets give users greater density in floor storage and drive-in rack environments, creating flexibility in warehouse layouts.

Some companies, such as Costco, will only accept block pallets because of the efficiencies they bring to the crossdock—for example, the ease of spinning pallets for four-way vs. two-way entry.

Sometimes strategy is more sophisticated. “One large manufacturer electronically sends us production forecasts for 60 locations,” explains Potgieter. “We

handle its vendor-managed inventory program so it can maintain certain safety stock levels at a plant. This way, just-in-time pallet flows match production.”

With greater visibility to demand and pallets in the system, PECO is constantly optimizing flows, finding continuous moves, and eliminating costly product repositioning. Shippers also seek pallet inventory balance, so they don’t have to allocate prime dock space for storage.

“In some cases, we use a drop-and-hook operation in which customers bring a load

POOLING POWER

BettAway Logistics and Pallet Systems introduced its pallet pooling process 25 years ago. The South Plainfield, N.J.-based company, which also offers logistics and transportation services, provides centralized access to its pallet depot network of more than 400 locations in the United States and eastern Canada to ensure the most effective supply options based on inventories, price, and proximity to the end user.

By analyzing customer usage, BettAway offers complete supply chain

visibility to help identify and implement more efficient pallet strategies.

One example is its cost-per-trip solution. Rather than purchase the pallet outright, shippers only pay for the use of the pallet, which BettAway retrieves at the end of the trip.

BettAway also guides its customers in their materials handling automation decisions.

“Historically, materials handling systems and pallets have not interfaced very well,” says Steve Mazza, vice president of supply chain management,

BettAway Pallet Systems. “In an effort to increase automation, engineers often design materials handling systems with very tight tolerances that cannot accommodate pallets consistently.

“When buying a materials handling system, companies must ensure the machinery can accommodate pallets of varying quality, otherwise the cost savings in automation will be offset by having to use more expensive pallets,” he says.

Using the BettAway pallet network allows

shippers to fine-tune their resources using customized reporting with Web access to ordering and facility usage trends.

“Technology and tools drive costs out of the supply chain,” says Mazza. “When combined with a solid pallet management program and an experienced provider, shippers can maintain flexibility in their pallet inventory, and react quickly to changes in market demand or supply chain infrastructure.”

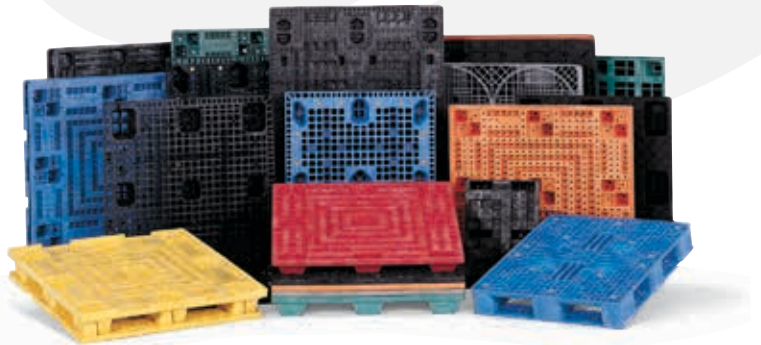


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ORBIS seamlessly integrates with your supply chain to implement your reusable plastic pallet program.

With more than 35 global manufacturing, sales and service locations, ORBIS has the resources and insight to support you every step of the way. That means improved efficiency, decreased environmental impacts and more importantly, reduced trip costs. ORBIS helps leading companies:

- >> Compare reusable and single-use pallets
- >> Evaluate ROI and cost-per-trip
- >> Calculate energy, waste and emission impacts
- >> Optimize supply chain performance
- >> Standardize shipments



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of pallets in on their equipment, drop it, and hook up a load of finished goods,” Potgieter says. “This reduces driver idle time, eliminates irregular routes, and prevents shippers from paying for pallets they don’t need. Managing those flows tightly brings efficiencies to the table.”

Demand-driven Compliance

Pallet companies such as ORBIS and PECO are giving shippers reason to reconsider how they procure and manage shipping platforms. So, too, are customers.

Many big box retailers such as Costco and Walmart specify that partners participate in a leased-pallet pool. To get their products into these stores, manufacturers and suppliers must use four-way block style pallets.

“Some manufacturers still treat pallets as a commodity,” says Potgieter. “But they tend to be commodity producers themselves. For example, a produce grower selling lettuce to wholesalers needs a pallet only from point of harvest to wholesale. But somebody in that supply chain may want to sell the lettuce to Costco—which won’t

take a poor quality pallet because of safety issues and in-store product presentation.”

In the grocery industry, where big box retailers have made reusable block pallets a requirement, companies are recognizing the efficacy of adopting pallet pool programs for their own purposes.

Similar opportunities beyond closed-loop networks exist for plastic pallets. “I talk to our customers about a controlled loop—for example, a bread company that receives a daily truckload delivery of flour from a supplier,” Most says. “It’s in those loops—where a company has done business with a partner for a long time—that plastic can make a difference.”

When there’s a repetitive stream of back and forth moves, supply chain partners can benefit by amortizing the additional upfront cost of investing in plastic pallets over the long term. Shippers can similarly take advantage of rationalizing a pallet’s use. When a company’s product is sitting on leased pallets, the clock is ticking.

Taking product off one pallet and putting it on another requires an extra touch. Companies need to explore that cost, and

determine whether there is value in making that move. With plastic pallets, the key is keeping inventory captive. When opportunities arise to develop these types of controlled loops, companies stand to gain marked cost savings and efficiency.

Moving Forward

The pace of automation inside DCs will likely continue to force shippers to reconsider their pallet management programs—ideally, before rather than after making capital investments in new equipment. Greater attention to safety and security throughout the supply chain will similarly place pallets in the crosshairs for companies that are shipping food and temperature-sensitive products.

Taking a more proactive approach to procurement also brings economies. When manufacturers and suppliers see their retail customers making pallet compliance a requirement—and understand the value in doing so—it opens the doors for other supply chain partners to see the pallet as part of a solution rather than just another commodity. ■

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