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THE MIGHTY PALLET

A SUPPLY CHAIN POWERHOUSE

The **workhorses** of the supply chain, recycled, repaired, and re-used pallets help shippers **save money** while getting the job done



The number of pallets used in the United States is expected to increase 1.9 percent annually through 2019, according to a recent Freedonia Group report. That growth will bring the total number of pallets in circulation to 2.6 billion.

Two factors fuel the increase. First, "expected increases in manufacturer shipments will be responsible for a large portion of rising pallet demand," says Kyle Peters, an analyst at

Cleveland-based Freedonia. Second, "the need to replace pallet stocks, the quality of which declined following the recession, will also contribute to pallet demand gains," he adds.

The push to replace older pallets comes as more companies move away from requiring new, undamaged, or stained Grade A wood pallets to buying less-expensive Grade B units that have been repaired and refurbished.

"Distribution centers used to require Grade A pallets," says Lewis Levy, president of New Jersey-based third-party logistics (3PL) provider Burlington Development. "But that changed a few years ago when they didn't specifically say they'll take Grade B units, but did describe them in their routing guides."

"Many more companies are buying recycled pallets rather than new ones," agrees Glenn Meeks, director of sales and marketing for Bettaway Transportation Logistics and Pallet Systems, a full-service logistics company with headquarters in South Plainfield, N.J. "This means, though, that existing pallets in the system are getting more beat up. We have to keep repairing them."

With new wooden pallets priced at about \$12 each, while used and repaired units cost closer to \$6 (depending on the region), it makes sense to accept recycled units when possible.

"There's a cost associated with that pallet when it goes outside a shipper's

supply chain and into the regional pallet pool, and companies look to minimize costs as much as possible," says Meeks.

STAYING IN THE LOOP

Plastic pallets, on the other hand, tend to move in a closed loop that brings them back to the original source.

"A plastic pallet, for example, might start at a manufacturing facility, move to a warehouse, then go to a retailer before it returns to the original manufacturing facility," says Ryan Roessler, pallet product manager at ORBIS Corporation, a pallet supplier in Oconomowoc, Wis. "But there's a system in place to make sure it does come back."

Levy has also seen a change in how wood pallets move through the supply chain. In the past, when a shipper delivered freight, it picked up an equal number of pallets so it was an even trade. As fuel prices rose, it didn't make sense to give up valuable cargo space to heavy empty pallets.

"Now, freight that arrives on a pallet leaves on the same pallet," says Sabrina Ragland, warehouse administrator at Logistics Plus Warehouse and Foreign Trade Zone, a Dallas 3PL.

"The pallet price is incorporated

into the cost of the goods shipped, which makes it more affordable for the customer," says Meeks.

The wood pallet industry is regional; manufacturers are often family generational businesses providing pallets to customers in a surprisingly small footprint considering today's global economy.

"It's like Coke, which has bottling plants everywhere because the beverage is 99 percent water—why ship it when you can add the water anywhere?" says Brandon Stallard, CEO of TPS Logistics, a Michigan 3PL.

It doesn't make sense to build pallets on one side of the country and ship them empty to the other side, he notes. This local aspect means that some companies have several sources nearby while large manufacturers and shippers have many suppliers all over the country. Making sure they have enough pallets for the right price at the right facility and at the right time can become complicated and challenging without specialized help.

Companies such as Bettaway Transportation Logistics and Pallet Systems, ORBIS, and PECO Pallet help manage that process for companies by centralizing pallet sourcing, ordering, delivery, and tracking.

SEEING RED

Irvington, N.Y.-based PECO rents its distinctive red pallets to customers from a carefully monitored and controlled national network of more than 50 depots.

"We ensure the consistent quality of our pallet pool by sorting, inspecting, cleaning, and repairing pallets as needed every time they cycle through our depots," says Adrian Potgieter, senior vice president of sales. "Every unit must pass a rigorous, 15-point inspection before being reissued to customers."

To reinforce its reputation for having the most rigorous inspection standards in the pooled pallet industry, PECO recently revamped its inspection process, clarified expectations for quality audits, and implemented additional "no-knock" audits by third-party inspectors at all depots in its network.



Every PECO Pallet unit must pass a 15-point quality inspection before the company will reissue it to customers.

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Because wooden pallets can be repaired, they're a cost-effective option for some shippers.

With sales, service, and operations teams located throughout North America, the company can respond quickly to any customer questions or issues. A common customer concern, says Potgieter, is pallet quality consistency, especially with the growing use of fast-moving automated equipment.

"We constantly work to ensure we provide customers with full loads of high-quality pallets that work smoothly in automated processing lines," says Potgieter.

A BETTER WAY

Bettaway manages pallet programs for manufacturers with several facilities in the United States. "We become their interface with pallet suppliers so that instead of working with 25 different vendors across the country, they work with us," says Meeks. "It simplifies the process while helping them save money."

Bettaway will work with multiple pallet vendors at one client site if the volume warrants it.

"It's a significant timesaver because a staffer at the facility isn't dealing with pallets—we have a dedicated employee doing it for them," Meeks says. "If one supplier can't deliver

on time, we go to another that can. Turning that responsibility over to us lets the manufacturer focus on its core competency."

Because pallets are commodity products with pricing set by supply and demand, shippers often focus on price—sometimes to their detriment.

"Some companies stop using a vendor because they can get pallets for five cents less per unit from someone else, only to discover that the quality isn't as good or they can't get pallets when they need them," Meeks says.

"You don't want to make a purchase decision based on price alone," agrees Roessler. While plastic pallets might cost more upfront than their wood counterparts, they are often more cost-effective in the long term.

"Analyze your entire supply chain, determine your needs, and do a complete cost analysis that takes into account how many times you get your pallets back," Roessler suggests, adding that plastic's durability offers a longer lifespan.

Plastic is particularly well suited for situations where product safety or contamination are concerns because, unlike wood, plastic doesn't harbor bacteria. ORBIS's product line includes a one-piece molded pallet with no

A Pallet Primer

Some basic information to get you up to speed on pallets.

TERMS

Stringer pallet: This type of pallet has a strip of wood—a "stringer"—between its top and bottom decks. The decks are attached to the stringers. Notches are cut into the stringers for forklift entry.

Block pallet: The top and deck bottom boards are attached to blocks of wood—short supporting legs—instead of stringers.

2-way and 4-way pallets: With a 2-way, a forklift can enter the pallet only from two directions. In a stringer pallet without notches, a forklift can enter only from the two sides without stringers. Block pallets are 4-way, allowing forklift entry from all four sides.

SIZES

While custom sizes are an option, pallets are typically offered in two sizes:

GMA: The standard established by the Grocery Manufacturers Association (GMA) has a 48-inch by 40-inch surface.

Half pallet: Suitable for smaller retail spaces, half pallets measure 48 inches by 20 inches on the surface.

MATERIALS

Lumber: The majority of pallets are made of lumber because it's strong and can be repaired.

Plastic: This durable option, often used for food and pharmaceutical products, is most cost effective in closed-loop shipping situations.

Metal: Steel is often used for extremely heavy freight. Both steel and aluminum are often used when there's concern about product contamination or fire.

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- Reduce environmental impact



Bettaway has developed one of the largest national pallet depot networks with over 425 pallet yards throughout the US and Canada



Supply

Centralized software analyzes pallet orders to find more effective supply options to meet customers' needs.



Retrieve

End users directly contact Bettaway service center to coordinate pallet pick-up and transport.



Repair

Service centers sort and repair all salvageable pallets, which are then placed back into inventory.

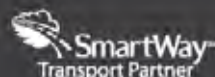


Reissue

Pallets are reissued from inventory for a fraction of the cost of new purchases, saving waste and money.

Partnering with Logistics

Our sister company is a nationally reputable transportation and logistics provider. As the inbound service provider to many end user facilities, we can utilize our delivering trucks to backhaul pallet returns. These partnered services ease the pallet process for our clients by eliminating multiple vendors and trucks, and lower transportation costs by allowing continuous pallet supply movement. It also gives us a huge logistical edge over the competition.



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New Life For Old Pallets

Old pallets never die. They just fade away into new products.

An estimated 474 million pallets were recovered for recycling in 2011, according to Nature's Packaging, an industry resource group. Some entrepreneurs pull them from distribution center recycling bins to repair and re-sell, while others transform pallets into mulch, particleboard, or animal bedding.

Pallets have found new life as furniture, plant holders, shelves, and decorations. Some people even use sanded and painted wood pallets for in-home sign-making parties, while others sell decorative pallet signs on Etsy and elsewhere.

There's no end to a pallet's life when you remember that one person's trash is another person's treasure.



One-piece molded plastic pallets, such as those offered by ORBIS, are a popular solution for food companies. Plastic pallets are free of nooks or crannies where dust, dirt, and bacteria can accumulate.

nooks or crannies where dust, dirt, or bacteria can accumulate, making it a popular solution for food and pharma industries at greater risk for these issues.

Speedy delivery of a quality product is essential to Ragland, who says that about three-quarters of her freight comes into the warehouse on pallets. "I go to a pallet source that's dependable and can get me what I need—the same or next day," she says. Ragland typically orders 200 pallets at one time for customers about three times every year.

AROUND THE BLOCK

Potgieter sees a trend toward shippers preferring block pallets over the stringer type. Block pallets, he says, can hold more weight—up to 2,800 pounds—and are generally more durable. As a result, they can be reused more often. Because they allow forklift entry from all four sides of the pallet (some stringer pallets permit entry from just two sides), they

offer greater flexibility and efficiency when loading and unloading trucks. Because of their sturdy construction, large retailers such as Costco and Walmart often require block pallets, which can also be safely stored in overhead racks. Some stringer pallets are at greater risk of sagging.

MEETING GREEN GOALS

Shipper demand for products supporting sustainable supply chain goals is also a trend. It's one reason recycled and repaired pallets are popular. "Using recycled pallets helps companies meet sustainability goals," Meeks notes.

Using recyclable plastic pallets also helps with those goals. "The fact that we reclaim and recycle plastic pallets that can't be used anymore is important to customers concerned about their environmental footprint," says Roessler. ORBIS grinds up the plastic so it can be used in other products.

Roessler also notes an increased awareness of food safety in the supply chain. "The 2011 Food Safety Modernization Act—which impacts how food is grown, harvested, and processed—has made shippers more vigilant about contamination concerns," he says. "They can wash plastic pallets to help keep the food they carry safe."

As with most aspects of the supply chain today, the pallet industry often incorporates technology to help companies track freight and monitor pallet inventory. Roessler sees an increased use of pallet identification and tracking through RFID tags added to plastic pallets, an approach that works well with closed loops.

RED↔LINK™, PECO's proprietary online pallet management tool, enables customers to place orders, check delivery dates, view invoices, and generate reports. "By providing customers with easy access to the same

information we use, we can collaborate to manage pallet flows, identify problem areas, and find new ways to reduce costs," says Potgieter.

PECO also offers sophisticated analytical tools—including Roambi for mobile use and Tableau for visual reports—to provide real-time visibility for large companies managing complex networks.

GAINING INSIGHT THROUGH DATA

Bettaway works with customers to analyze the impact of reports that detail how many pallets move through a facility, total pallet volume, and changes in volume by location. The goal is to offer insights that can guide decision-making.

"For example, when data reflects patterns we recognize, we can share our experience with similar situations and suggest specific changes that can improve efficiency or save money," Meeks says.

Access to reports and analytics can be a deciding factor when partnering

with a pallet rental or management resource, but it's important to take other parameters into account, too. Look for financial stability and industry longevity.

"At the executive level, customers like that we have our own assets and delivery trucks," Meeks says. "But at the logistics level, they often look more at quality, service, and price."

Meeks encourages companies to work with a source that audits pallet depots to make sure quality is maintained, while Roessler stresses the importance of working with a supplier that evaluates your company's needs before making a recommendation.

"We want to see the facility so we understand your shipping loop and make an educated recommendation," he says. ORBIS offers a complimentary return-on-investment analysis.

"Looking at the entire supply chain is important," Roessler says. "If you're shipping from California to Virginia, for example, getting that plastic pallet back to California takes careful planning with your supply chain partners."

"But you get a good return on investment in closed loops, where you get more turns with a plastic pallet than you would from wood," he adds.

Potgieter advises shippers to ask specific questions when selecting a pallet provider.

"They need to determine if a prospective provider can deliver the quantity needed, when and where it's needed. Ask about on-time delivery rate. Learn more about their customer service approach," he says, adding that many businesses want 24/7 access to a service representative.

NEVER-ENDING JOURNEY

As the trend toward using recycled pallets instead of new units continues, whether for environmental or cost reasons, one thing is certain: Every pallet has been on an interesting journey from warehouse to warehouse and distribution center to distribution center.

"A lot has happened to that pallet," notes Ragland. "And every pallet has a story." ■

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