

Pallet Management

Not Just Another Link in the Supply Chain

Pallets are often considered just another small link in the lengthy network that is the supply chain. Despite their seemingly limited part in the overall operation, pallets play a vital role in the success of any business that utilises them.

The reality is that pallets can create all sorts of hassles for businesses and often require just as much attention as any other product traded by a company. So why is pallet management a service that is often overlooked by logistics professionals?

With operational pallet management support, these ongoing struggles can be completely eliminated. These days, every dollar counts - why should pallet management be any different?

The Circular Economy of Pallet Pooling

Some view the flow of pallets as a one-way street, from production facilities to retail partners. But like pallet super giant CHEP, we like to think of pallets as a circular economy, rather than a start to finish scenario.

Global leader in pallet and container pooling services, CHEP, was the first in the industry to introduce a pallet pooling system based on the concept of "Share and Reuse". This model embraces renting rather than buying and highlights the importance of sustainability in the supply chain.

Compared to competitors, CHEP and Loscam, another Australian leader in pallet pooling, have developed a range of unique value propositions to clients, including:

- Consistent quality containers and pallets
- Constant availability
- Elimination of the need to purchase
- Reduced transportation costs
- Competitive pricing
- Sustainability ¹

How it works

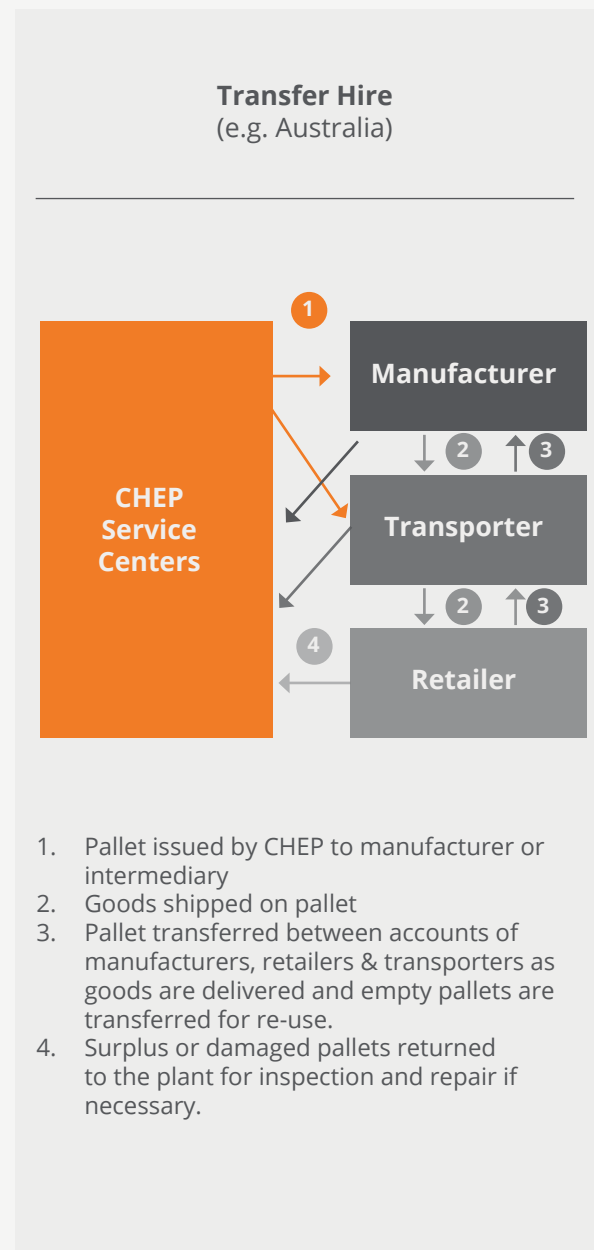
CHEP's pallet pooling model is quite simple - But like anything, has its flaws.

CHEP issues ready-for-use pallets to manufacturers, in which products are loaded onto and shipped through the supply chain. At the end of the supply chain, the pallets are returned to the pallet pool and reused. A fee applies for each day a pallet is used by a customer. ²

With over 70 service centres across Australia, CHEP pallets are readily accessible to industries around the country.

While in some cases, pallet pooling can help companies reduce costs, there are a range of circumstances where pallet pooling can go wrong. This can result in multiplied expenses on hire equipment that could have a negative impact on the company's overall profitability.

Let's be honest, with an inexhaustible pool of more pallets in Australia than there are people, it can be quite difficult to keep track of every CHEP and Loscam in your supply chain, especially if your company is lacking the right support.



1. How CHEP works
2. Understanding CHEP



The Flow-on Effect of Pallet Mismanagement

Mismanaging pallets can have devastating flow-on effects, creating a domino effect of problems and confusions for some businesses.

Losing track of pallets doesn't mean they're no longer your responsibility. Instead you keep paying for them, even after they have moved to the next link in the supply chain - which can result in owed money per pallet to suppliers, plus a daily hire fee. In these instances, the business will often keep paying the additional daily hire fee or compensate the owed money per pallet to the suppliers.

Unpacking common pallet problems

There are a range of ways pallet mismanagement can interrupt a business' supply chain. Pallet exchange can be particularly complex and is usually the point in which companies falter. From increased freight costs, to strained relationships between manufacturers, transporters and retailers, the pallet industry presents a range of obstacles for those involved.

Pallet pooling requires constant procurement of new pallets to replace the ones being sent off. A study performed by Deakin University identified the most common concerns with pallet usage were:

- Safety
- Quality & longevity
- Availability
- Limited choice of suppliers
- Managing pallet repairs
- Risk for contamination
- Poor customer service
- Variation in sizing
- Pallet disposal costs
- Theft

It was also reported that 44% of companies indicated that the cost of pallets in purchase or rental were a major concern. However, the largest concerns related to pallet control, with 66% of companies highlighting concerns around pallet inventory and 41% detailing their worry surrounding the loss on pallets sitting in the warehouse.³

3. Deakin University Australian Pallet Survey 2017 Report

A Cultural Shift in Pallet Pooling

The pallet industry was not always a complex system of moving gears. However, as mass manufacturing became more prevalent across the globe, the need for pallets increased as well - causing a cultural shift in the way pallets are pooled and managed.

The History Behind Pallet Management

The rise of the wooden pallet can largely be attributed to World War II, in which tens of millions of pallets were used to elongate supply lines. Since then, the pallet industry has taken off and become the primary method for transporting goods across state and country lines.⁴

With the rise of the pallet industry came the need for communication between manufacturers, transporters and retailers. Many businesses looked internally, unloading the workload onto already swamped logistics professionals.

While logistics specialists likely understand the complexities of the pallet industry, the sheer amount of work involved in procuring pallets can be a 50 hour/week type of job depending on the size of the business. This created a shift in responsibilities and often resulted in overlooked facets of pallet management authority.

The evolution of pallet hire

Plain and owned pallets were all the rage in the 40s and 50s. However, as the pallet industry began to expand, pallet pooling was identified as the more practical approach. While the shift to pallet hire was inevitable to make pallet use more efficient, it didn't come without complications. Understanding the end to end route, managing repair rates, identifying damage and automating the process were just a few of the obstacles associated with pallet pooling.

The Benefits of Outsourcing a Pallet Management Service

Pallet management services provide a range of fast solutions for businesses who are in crisis situations. By analysing underlying problems, performing thorough audits and conducting evidence-based reports, pallet management services are able to easily identify and rectify problems within a company's supply chain.

A lack of inhouse skills and flexibility

Oftentimes, many companies don't have employees who possess the unique experience and skills required to operate in the role of pallet controller. Employing an unsuitable pallet controller can result in irreparable damage in a short amount of time.

Internal pallet controllers also often lack the capacity to wear all the hats required to successfully pallet manage. In many cases, external pallet management services boast a larger scope, and are able to monitor a range of working parts that are involved in the pallet pooling process.

Hiring and training internally takes time and costs money. Issues also arise when there are vacancies or employees go on leave, abandoning the responsibilities and leaving a hole in the supply chain. Whereas external pallet management companies can provide consistent and ongoing support, anytime of the year.

Reduced costs

Employing a full-time pallet controller is an added expense in any situation. To evade this, companies will typically opt to employ a "warehouse person" or "logistics all-rounder" to handle pallet control. While this can help companies save money on salaries in the long run, it can have devastating effects on the effectiveness of pallet management for a company.

External pallet management services understand the industry and also have the time to apply this knowledge into effective pallet management practices. Pallet management is

4. How pallets move the world

not just a one person job, that's why sourcing a qualified pallet controller service can really make a difference in the overall effectiveness of pallet management.

Pallet management services can help reduce costs by recovering lost pallets or preventing loss of pallets, thereby reducing the invoice cost. They can also decrease the time spent on managing pallets for a business, in return lowering time investment and labour costs.

Diminishing liability

In the Deakin University Report, companies also highlighted the costs related to pallet control administration. Respondents raised the issue of delivering goods to customers who have no pallet pool accounts. This means that the last custodian of the pallets is the transport company. If the pallets go missing, the transportation company is liable for any fees and charges incurred.⁵

This is one of the most common mistakes made when pallet pooling, and this kind of negligence can result in costly consequences. With a pallet control service, you can keep better track of moving pallets and impose and enforce relevant surcharges to maintain liability.

Precise Pallet Management: Revolutionising the Pallet Pooling Industry

Over the years, basic pallet procurement and retrieval has transformed for businesses across Australia. Managing pallets has quickly become an integral part of the supply chain, requiring extra attention and care.

The pallet industry is fierce, and as the industry continues to grow, proper control methods are muddled and fast-tracked - leading to oversights in overall pallet management.

Instead of focusing on the price per pallet, focus on all the ways you can improve comprehensive loading strategies to better the overall function and efficiency of your supply chain.

For over 15 years, Precise Pallet Management (PPM) has helped businesses across Australia champion their own growth - seeking cost effective pallet solutions, scaled to the individual requirements of individual companies.

Transform Pallet Expenses into Revenue

Specialising in a range of pallet management services, PPM sees the value in delivering clear and simple solutions to enhance the supply chain - and this all starts with an incredibly nuanced pallet management setup.

Investing energy into developing unique strategies to combat prevalent or hidden issues within a particular company's pallet pooling system is the first step in improving the overall supply chain. Without proper pallet management, businesses face ongoing burden from lost, misplaced or damaged pallets. These issues can greatly affect a company's profitability.

Oftentimes, companies will accept pallet costs as a loss.

Don't fall into this trap.

In reality, pallet costs should be microscopic. If you find yourself spending an exuberant amount of money on pallet hire, you are doing something wrong.

PPM specialises in breaking down pallet costs, evaluating the flow of pallets through your facility, assessing the risks and putting forward recommendations to improve your overall operation. By tailoring our offerings to fit the unique needs of each company, PPM services have led to a 62% reduction in pallet costs for clients, and in some cases transformed pallet costs into revenue.

Examples of PPM cost reducing tactics

Using OCR technology to capture accurate data and contacts in the industry to leverage efficiency, PPM simply do it better. By combining expertise and fundamental services, PPM have the opportunity to refine ineffective processes and gain advantages for businesses that would not be able to otherwise.

5. Deakin University Australian Pallet Survey 2017 Report



There are a range of instances in which PPM have applied knowledge and prowess to benefit the overall supply chain for a range of companies.

For instance, a transport company, unaware of the terms being applied by receivers, sees them continuing to pay for the hire of the pallets 45 days after the delivery was made. By capturing this data and presenting it to the sender of the freight, PPM are able to renegotiate terms with the transporter's customer. In return, repositioning the net effect of the transfer onto the transporter and off again at \$0.

Or how about a contract warehouse provider who is unloading shipping containers for their client. The warehouse provider stacks products on CHEP or Loscam pallets and orders are picked up and sent to Australia's major retailers. PPM ensures that the transport of empty pallets and 'issue fees' are appropriately recharged, in addition to the pallet hire and any delayed hired days.

Another example involves a CHEP or Loscam account holder transferring pallets dispatched. However, they are not reconciling their invoices

and neglect notice that the transfers are being rejected back onto their account. This means they continue to pay hire for equipment no longer in their possession. PPM identifies these issues and works with relevant stakeholders to make sure the transfers are accepted.

Regain control over your supply chain

Struggling to handle all aspects of CHEP and Loscam hired equipment inhouse? The highly motivated team at PPM can help provide proactive and cost reducing methods for your business. Say goodbye to the pallet loss, outstanding losses and mediocre reporting - with Precise Pallet Management, those are concerns of the past.

Want to learn more about how Precise Pallet Management can help improve your company's supply chain? Get in touch with us today!

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