

# Inhouse vs Outsourcing Pallet Control



**140 million**

pallets were reported in the Australian market in 2017, with an estimated annual demand of

**56 million**

Compensating *one* lost plastic pallet per day can cost your business

**\$42,705**  
annually

**\$13,322**

the annual cost of *one* lost wooden pallet per day

**\$2,500,820.00**

saved by pallet tracking for Australian clients in the 2020 financial year

## Why is Pallet Control important to my business?

Pallets require just as much consideration and attention as any other product traded by your company. When pallet management is overlooked it can create a host of issues, resulting costs that would otherwise be avoidable. Pallet management is invaluable, whether it be in-house or outsourced.

To determine which option best suits you, start by questioning the focuses of your business and apply a simple calculation of time and cost. Will your business suffer if it does not invest in the expertise of outsourcing? Is your company organised enough with internal processes and systems to welcome a third party? Decide as a business what your core strengths are, what needs to be outsourced to improve your company practices? Do you prefer inhouse or outsourced management and does the preference give the best outcomes for your business?

The three main factors of cost, time, and trading relationships need to be considered when looking to either hire a pallet controller directly or when you seek an outsourced provider.

**Cost:** Losing track of pallets does not relinquish your businesses' responsibility. You keep paying for them, even after they have moved to the next link in the supply chain. Requiring you to continue paying the daily hire fee for pallets no longer in your possession, if this is not caught the invoices will continue to rise until your business compensates the supplier per lost pallet.

**Time:** The time it takes to accurately track each pallet coming through your business can be underestimated, when this is overlooked lost pallets can pile up and be noticed too late to resolve the matter completely. It then takes a lot of investigation to find the lost pallets, adding hours to the pallet recovery process which could have been avoided in the first place.

**Trading relationships:** Fair pallet terms between traders are vital, without agreements in place disputes can damage customer relationships. This step must not be ignored; your pallet control ensures reasonable agreements are in place and your business is aware of other trading partner's pallet terms.

# Outsourcing

## What are the pros of outsourcing?

Strategic partnerships can lead to time and money put back into your business, this is achieved by leaving the complex and time-consuming logistic solutions to pallet control experts, preventing pallet loss and improving processes, leading to reducing the supplier invoices to your business. Third-party pallet management services understand the industry and have the time to focus purely on your pallet control. This in turn improves focus on your internal management operations and core business strengths.

Pallet control is often too big a job to be handled well by one person, a partnership provides access to a large talent pool of skilled, educated, and focused staff, ensuring expertise and industry compliance. Outsourcing can offer the specialised support needed to reduce pallet loss, increase efficiency, and boost productivity within your supply chain. Experienced pallet control offers innovative solutions to problems your company may not have encountered, that they have seen time and time again, this insight can deliver a range of answers for your business. The opportunity for analysis of your underlying problems with thorough audits and evidence-based reports when outsourcing means experienced pallet controllers can work with you to identify and rectify issues in your supply chain. Decreasing and preventing pallet loss through tailored solutions improves your pallet management processes within warehouse and distribution operations. As an outsourced company is focused solely on the pallet control this generates fewer errors reflecting well on your business's professional image. With this leverage in knowledge and skills put into your business the quality of your service to your customers increases, giving you a competitive advantage in the market.

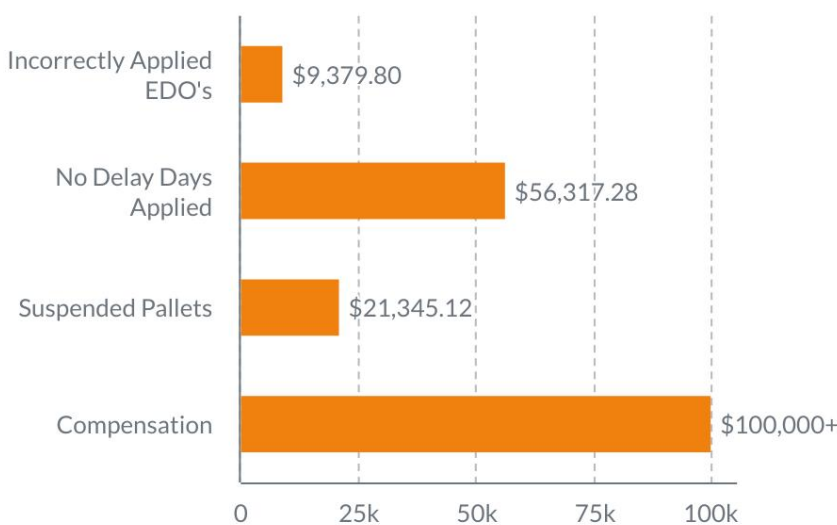
Partnering with an established company means scalability, decreasing the need to hire employees and ensures well-trained staff, reducing the demand to invest time and money into employee training and staff oversight and management.

Outsourcing connects your business to relationships the third-party has built with suppliers and trading partners, bringing with it an understanding of the requirements from your vendors and customers. This fundamental knowledge can enhance your existing and upcoming relationships with clients by reducing your error rate.

Outsourcing can lead to capabilities and facilities, including software and hardware, with expert staff that your business did not previously have access to on its own. This expertise in the field gives you access to tried and tested processes and strategies and increases your flexibility to adapt to changing markets and challenges within the industry. This also extends to the access of technology specific to pallet control included in your cost allocation, this can be more beneficial than the free services on MyCHEP or Loscam Online.

Although it may take a while to settle, outsourcing can mean less stress for in-house employees as a complex job is turned to simple communication with experts who care about your pallets. The cost saved in well-tracked pallets can easily outweigh the cost of the partnership, the current cost of in-house pallet control, or the cost of a lack of pallet control. A good external pallet control company will implement processes that will reduce the time needed to manage your pallet account, lowering the cost to outsource, your labour costs, and your supplier invoices, this is the return on your investment.

## Avoidable Costs



\*based on data with Australian company using third party pallet control

### EDO's



For this example a global EDO cost a client a significant amount of money, that could have been avoided. Once signing with an outsourced company who knew what to look out for this was rectified and will no longer be charged in future.

### Delay Days



The large sum shown here was owed due to no delay days being applied outside of the Trading Partner Terms, this was audited and provided to the client.

### Suspended Pallets



Suspended pallets can add up quickly when unnoticed, for this example 3,336 were previously suspended with a significant hire rate cost and large compensation value.

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## What are the cons to outsourcing?

Outsourcing pallet operations to a third-party is not suitable for all businesses. Low and stable volumes of pallet movements would not generally require outsourcing for pallet account management and can be handled by a dedicated, well-trained pallet controller in-house. It is important to consider your current company structure, the potential loss of employees due to roles being outsourced can impact the culture and employee satisfaction. Consider if outsourcing pallet control will help or hinder your current processes.

The initial and ongoing cost of the third party should be fully considered before making the switch; while outsourcing is most likely to reduce your pallet management costs with improved tracking and reducing lost pallets, the projected time could vary leading to fluctuating costs if this is not determined at the time of engagement. This initial set-up time and cost may not be feasible for your business's current position, it is important to consider if these costs will be outweighed by the improvements the third party could bring to your supply chain. Consider the return on your investment, the cost to outsource will not always outweigh the return in your pallet recovery. It may be a more viable option to upskill your current pallet controller to improve your processes without the ongoing third-party relationship.

Making sure both company's systems can work together is important as this ensures consistent and reliable communication, guaranteeing issues can be resolved promptly. A third party requires access to your data to accurately report and track your pallet account, the safeguarding of this should be a high priority, ensuring your information and that of your customers is protected and confidential on both sides is vital.

Not all third parties will be the right fit for your company, this can also be due to location. Offshore outsourcing can lead to its own unique complications, such as time differences, hidden costs, and cultural differences. It is important to consider the impacts of two businesses working together, people manage in different styles and your strategy may not align with theirs, this can lead to resistance and management conflicts effecting the time taken to problem solve or apply change. The service you receive may be below your expectations, this could be through the time taken, skill level, or results achieved. To avoid this, be clear when agreeing to a contract on your expectations and have a plan if a problem arises. To ensure you get the most out of your partnership it is imperative you have a measurement of success to follow, this can be through financial benefits, customer service improvements, client feedback, error reduction, or through in-house employee satisfaction.

There is bound to be a learning curve when making the change to outsourcing, relying on someone else can feel like it is inviting instability into your space. Migrating from full control on processes to learning an outsourced process recommendation can take time and energy to manage and maintain the relationship.

An average of 5 hours every week are spent waiting to get in touch with people that have the unique knowledge they need.

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## What are the pros to inhouse?

Keeping your pallet control in-house can have positive impacts on your business. If you have an ideal employee to upskill and train it can save the time shopping around, meeting with, and managing a third party. Upskilling, or training an employee in pallet management provides you with adequate tracking onsite and ensures a cultural fit within your business.

Being under one roof on similar timelines and hours protects you from scheduling conflicts that can arise with outsourcing to companies with multiple clients, this can cause you to find yourself stuck on time-sensitive issues waiting due to availability. With your pallet control at the same location direct access is available when needed, this can improve problem-solving by having access to the physical processes in place. An employee of your business may be able to bring change faster than an outside third party due to having trust, pre-established relationships and access to the supply chain.

In-house pallet control does not require you to share your data to a third party, this limits your risk of a security breach, also ensuring your customer relationships stay within your company. However; this can be both beneficial and unfavourable due to the possible change in error rate and knowledge that can come with a third party.

Forming familiarity and understanding with a third party relies on the information you give them to provide you with the best service. To build this awareness and knowledge requires a considerable time investment, when you upskill or hire an in-house employee you can save this time on relaying your company history, your current processes, and your staff organisation. An in-house pallet controller can also be favourable when agreeing on hours and pay rate in comparison to the cost of a partnership.

Investing in your employee's knowledge and skill base can better influence your company as a whole and improve your supply chain processes from the source, when you build an employee's skills your company's abilities increase, creating stronger assets within your business.

Productivity increases in connected employees by

**20-25%**

Highly engaged and dedicated employees are able to bring in

**21%**

more profit.

An experienced third party or pallet controller is proven to improve cashflow by

**15k**

# Inhouse

## What are the cons to inhouse?

An inexperienced or unprepared pallet controller can cause extensive damage extremely quickly, the domino effect of this on a business can be enormous, resulting in a high time and cost investment to try and repair the damage and recover losses.

The level of expertise and industry knowledge required to provide the service needed to save your business money, and improve processes, requires a vast amount of training. When you upskill a current employee the years of service and experience provided by a third-party are sacrificed. This can lead to overpaying for pallet management, an increased risk of mistakes, lost pallets and reduce your chance of improving cashflow that comes from industry knowledge. To extensively train your staff, or hire for the role, to the level required to do the job thoroughly and precisely a considerable time and cost investment is required, if this is not available the effects of poorly managed pallet control will quickly outweigh the money potentially saved on wages.

The effects of absence also need to be considered, if you are training one employee for the pallet controller role, you need to ensure you have the capabilities to train a replacement or provide up to date training to multiple employees as a backup. You need to be confident that if your pallet controller is absent there is more than one person capable of doing the job to the same level.

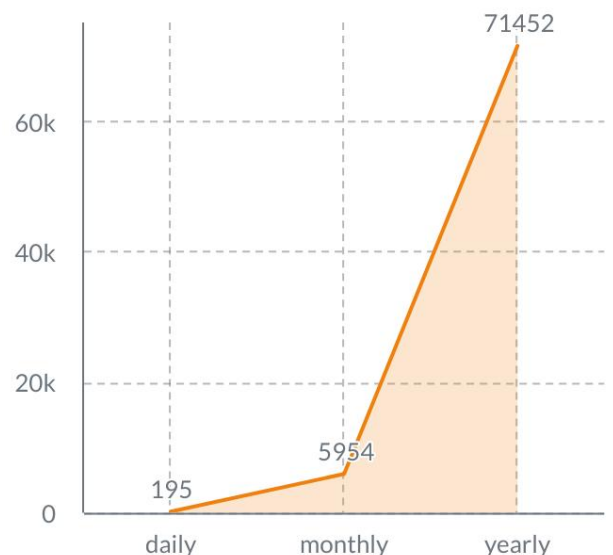
Studies have shown managers are spending a significant amount of time on administrative tasks that are not driving the business forward, this can cost managers up to two days a week on tasks that could be completed by an outsourced company. Pallet control requires a significant amount of time and focus to ensure all avenues are being traced and reported accurately. If you do not have a dedicated role to pallet control, asking an employee with another duty to combine this responsibility with their own can lead to missing gaps in the process and increased exposure to a rise in lost pallets, increasing your invoice costs and potentially leading to a high compensation payout. The time to offer services like audits, additional stocktakes, dispute handling and recovery are not always viable to your business, outsourcing can ensure these extra steps are taken to improve your supply chain reducing loss and costs.

Clients of third party pallet management companies were asked if they expected their use of outsourced pallet management to change over the next 2 years:

**56%** anticipated this would not change

**37%** anticipated an increase in the usage

**7%** anticipated a decrease in usage



Third Party Pallet Recovery 2020 FY

\*based on data with Australian company using third party pallet control

**8 hours**

are spent on average a week by managers on administrative tasks

**57%**

said when they are stressed at work they feel less productive and disengaged

A decrease in productivity by

**68%**

in employees who feel they don't have enough hours in the day to complete their tasks.

## The Decision

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### So, you've decided to outsource, now what?

- Take your time to make the decision, consider it carefully.
- Be clear on the terms and measure the success of the partnership.
- Be sure you pick the right third-party for you, find a company that aligns with your values and your vision.
- Set up good, clear communication - open communication internally to work with the outsourced company is vital to the success of the partnership and reliable communication between your company and the third-party to reduce errors and delays.
- Remember to give it time, commit to a long-term relationship to get the best results.
- Have a clear exit strategy within your agreement to protect your business.

### So, you've decided to keep pallet control inhouse, now what?

- Choose an appropriate, enthusiastic and dedicated team member to train well and upskill, or, hire well and ensure they understand your business from start to bottom.
- Take the time to guarantee they are trained to the best of your company's ability and provide ongoing support to ensure they are doing the best job possible.
- Check on your pallet accounts position often to reduce your risk of missing lost pallets and increased invoice costs.
- Have a plan in place for absences.

### Hybrid Approach – you never want to fully rely on a third party, can you do both?

Neither outsourcing nor inhouse may resonate perfectly for your business, there is a third option where you can hybrid together both systems. There could be certain areas your business is struggling with that can be improved by working with a third-party company, this could be with invoice reconciliation, monthly reporting or audits. You could have a pallet controller onsite that works together with a third party to aid with the areas of concern. There are many options available to you when using this method, you just need to ensure you choose the right company to partner with to be the most beneficial, and be clear on roles and responsibilities.

Whichever way you decide to go, never underestimate the importance of a well managed pallet account.

## Concerns of Pallet Control

