



Large Frozen Foods Manufacturer Gains Pallet Program Visibility and Standardization, Turning Losses into Gains

Problem

A large international frozen foods manufacturer wanted to improve its existing pallet program. It commissioned an employee-based study group to look at the existing program, diagnose problems, and present recommendations for change. The group presented three basic problems that were creating a financial loss in the program:

- **No visibility:** The Company lacked a clear chain of command for pallets arriving and leaving third party cold storage warehouses. The pallets and their retrieval value were defaulting to the possession of the warehouses, so the Company incurred pallet costs but received none of the surplus pallet profit.
- **No standard specifications:** The Company lacked a standardized specification for pallets purchased through vendor shipments and co-pack partners. In many cases, the study group discovered that the Company was paying a premium price while actually receiving a very low grade, low quality pallet. It was determined that these low grade pallets attributed to product damage and loss.
- **Inconsistent reporting and grading:** Pallet retrieval programs administered locally at distribution centers and manufacturing facilities had few or no controls. As a result there was a significant loss of potential income through inconsistent reporting and grading of retrieved pallets.

The committee recommended finding a pallet company with the scope, expertise and national presence to help address and solve these issues.

Solution

The Company partnered with IFCO SYSTEMS to address their multiple concerns. First, the joint team created a uniform pallet specification that met both the Company's product and cost needs. All vendors and co-packers were instructed to use this specification exclusively. A comprehensive retrieval program of empty pallets was implemented at the Company's DCs, manufacturing facilities, and third party cold storage facilities. The retrieval numbers for each facility are now entered into IFCO's online pallet tracking system, PalTrax™, and available for viewing 24/7. The team also established consistent grading guidelines for these retrieved pallets, which the Company communicated to their entire network.

The use of PalTrax also helped the Company gain visibility of its pallet movements. Now, by utilizing the transfer module, a third party location can document the number of pallets received and shipped. The Company can see how many pallets are being purchased and retrieved, and where they are in the supply chain at any given time. Additionally, the Company utilizes IFCO's national presence to help control pallet costs incurred by their co-packing partners by directing them to ship exclusively on IFCO pallets.

Results

The Company now benefits from a consistently higher grade of pallet in its supply chain, resulting in fewer pallet failures and reduced product damage. Thanks to the wealth of data IFCO is able to provide on pallet purchases and retrievals, the Company is now able to track a "Net Trip Cost" per pallet. The volume of pallets retrieved is now a known number and money received from these pallets is easily identifiable. This has helped create clear lines of ownership of the pallets and opened a revenue stream in retrieval of empty pallets from these locations. In one location alone, the Company received over \$150,000 in pallet retrievals in ten months, money that was lost prior to the implementation of the IFCO program. Finally, the use of IFCO pallets by co-packing partners has enabled the Company to control quality as well as pricing of the pallets entering their supply chain.