



Leading Retail Company Reduces Inbound Freight Costs and Gains Warehouse Productivity through Innovative Reverse Logistics Initiative

Challenge

As one of the Nation's largest CPG retailers, the Company operates over 100 distribution centers and over 4,000 stores across North America. Merchandise is shipped to stores directly from vendors through the distribution center network on wooden pallets. Produce and other items are received in recyclable and reusable packaging. After use, surplus pallets, reusable plastic containers, and break-pack boxes accumulate at the stores until they are recovered and returned to the nearest distribution center on the company's private fleet.

The Company realized that the opportunity to reduce inbound freight costs via the expansion of vendor backhauls was significant. However, merchandise backhaul opportunities were limited due to the need for the Company's trucks to recover and return surplus pallets and containers to the company's DC network for sorting and return. But cost was not the only issue: due to the large volume of merchandise moving through each store, pallet and container storage and sortation areas at the stores and DCs consume valuable real estate and impede productivity. Also, excessive buildup of surplus pallets and containers created safety and environmental concerns. The Company needed a way to more efficiently and cost-effectively manage the backhaul of its pallets and containers.

Solution

IFCO SYSTEMS developed an innovative pallet and container management program designed to reduce the associated direct costs and allow for the expansion of the retailer's aggressive merchandise and backhaul activities. IFCO proposed and launched an innovative Reverse Logistics Center (RLC) designed to speed the flow of pallets and containers from the stores back to the vendors, largely bypassing the need to return to the DC. The company's private fleet drops a full load of surplus pallets and containers at the RLC (around the clock) and hooks an empty trailer that can be used to make a vendor backhaul to the DC.

Working with the customer's transportation department, IFCO selects RLC locations based on proximity to stores needing reverse logistics service and vendor locations that offer good backhaul opportunities. All pallet activity is recorded on IFCO's web-based pallet tracking system, Paltrax™.

Results

The Company reduced inbound freight costs due to the expansion of the vendor backhaul opportunity. The program also improved warehouse productivity and freed valuable warehouse space. IFCO's new RLCs improved service to store operations and the overall community by reducing waste and inefficiency.