

## NATIONAL BIG BOX RETAILER CASE STUDY – Pallet Optimization Program

### Upstream Total Cost Savings Opportunities

#### Challenges

With 23 sites currently managed by Prime360, this multinational retailer previously set a goal of increasing cost savings in the range of \$30M. While some savings had already been produced in our early interaction, following initial contracting, through our Total Pallet Management services, concerns remained regarding growing pallet purchasing and consumption rates, with the pandemic contributing to significant increases from 2019 to 2020. The customer found that they consistently exceeded their budget, both in volume and in pricing.

Looking upstream in pursuit of this goal, leveraging our total pallet management experts, we helped the customer discover that 28% of pallets within the supply chain failed to meet our customer's pallet quality standards, relating to around \$30M worth of pallets, the figure upon which the goal was set, across their entire national network. If the customer's target was to be met, better monitoring and maintenance of vendor compliance standards needed to be a top priority.

#### Solution Approach

To help our customer reach their target savings goal, we employed our Pallet Optimization Program (POP), our proprietary method of increasing and ensuring vendor compliance. Utilizing meticulously collected data on vendor partners, orders, incoming pallets, and more, this service allows us to make recommendations towards not only improving pallet quality but increasing pallet revenue, identifying opportunities for sustainable practices, and reducing scrap output as well. With this, we sought to implement a sustainable program that would eventually eliminate the requirement to purchase new pallets.

As part of this effort, our teams were deployed to customer distribution centers to identify specific improvement opportunities. One such improvement was the restructuring of pallet area flowthrough, allowing for better and more efficient sorting between usable, repairable, and scrap pallets. Meanwhile, we expanded the repair program, creating new opportunities by increasing the number of boards repairable onsite, adding blocks for better structural integrity, salvaging and repairing pallet cores rather than scrapping, and improving methods of repairing corrugated pallets. Upgraded equipment was also installed in the repair area and across other DC stations, including updated materials and tools.

#### Results

Through utilizing these programs, POP, and pallet repair services, our efforts have produced an annualized \$2M in total cost savings, a number that is continuously rising as compliance continues to improve and pallets are more often repaired and reused. This has translated to a total potential of \$30M in cost savings for the entire supply chain network, fulfilling the customer's savings goal. As an added value, improved pallet and repair processes made operations safer, decreasing safety incidents and thus lowering the total cost of workman's compensation payouts annually.

Meanwhile, the customer reaps the auxiliary benefits of the POP program, such as increased revenue through noncompliant pallet chargebacks and reduced carbon emissions. Before implementing our improvements, around 28% of pallets entering the chain from vendors did not meet customer quality standards. This percentage has decreased significantly as we continue vendor compliance studies and activities.

The customer continues to invest in this program with Prime360, including the maintenance and continuation of these programs. At the same time, we consult and assist them in optimizing their supply chain site by site in 2021, increasing efficiency, and moving towards their savings goal.

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