

Pallet Study Austria 2011



Photo: © snack / Ppxelio

Results of a cost analysis of the Europallet exchange

Vienna, February 2011

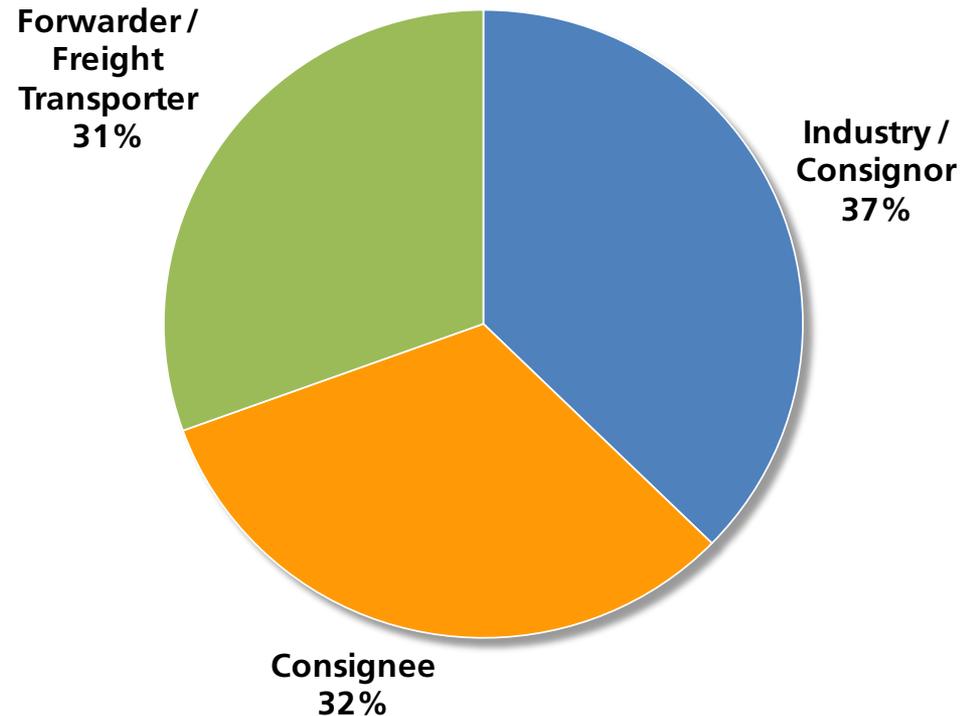
Reasons and objectives



- To create a **process-based cost analysis** of the present exchange procedure in the Europallet pool in Austria
- To provide an objective presentation of all the costs incurred during the exchange process **according to cost-by-cause principles** for **the industry/consignors, forwarders and consignees**
- To achieve **transparency** concerning costs and performance
- To identify **weakpoints** and **solution approaches**
- To consider **EUR-Pallets** in the classic **exchange procedure**

Structure of the pallet study

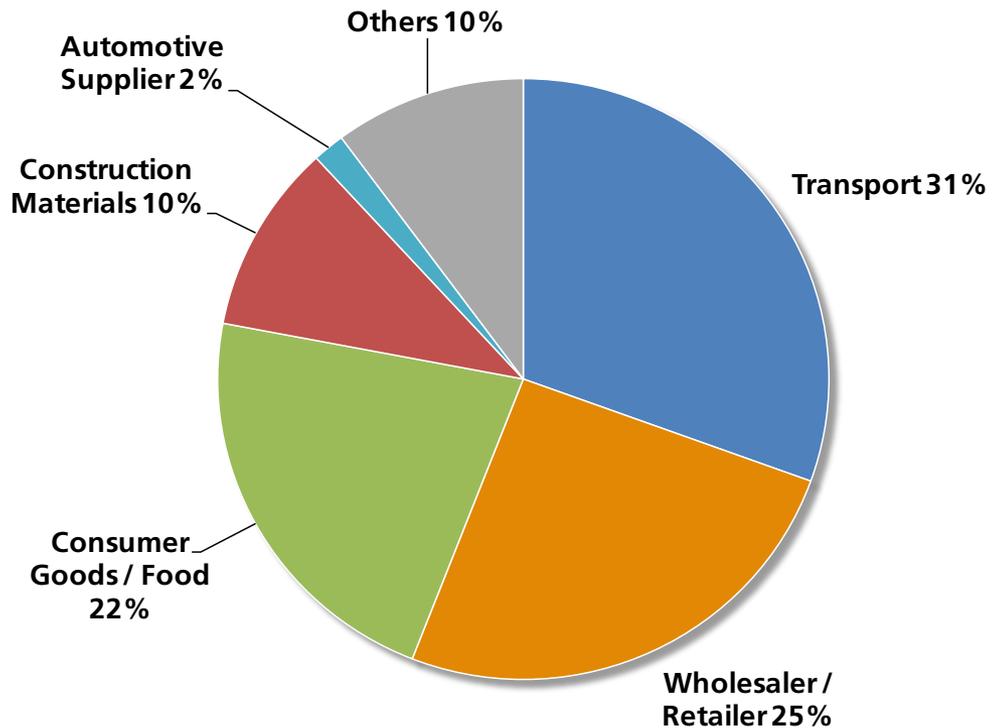
- The data was collected from September to November 2010
- A total of 90 companies took part in the study
- The statements were verified in telephone interviews



Significance: the sample size is large enough and the participant structure is balanced

Participants by sector

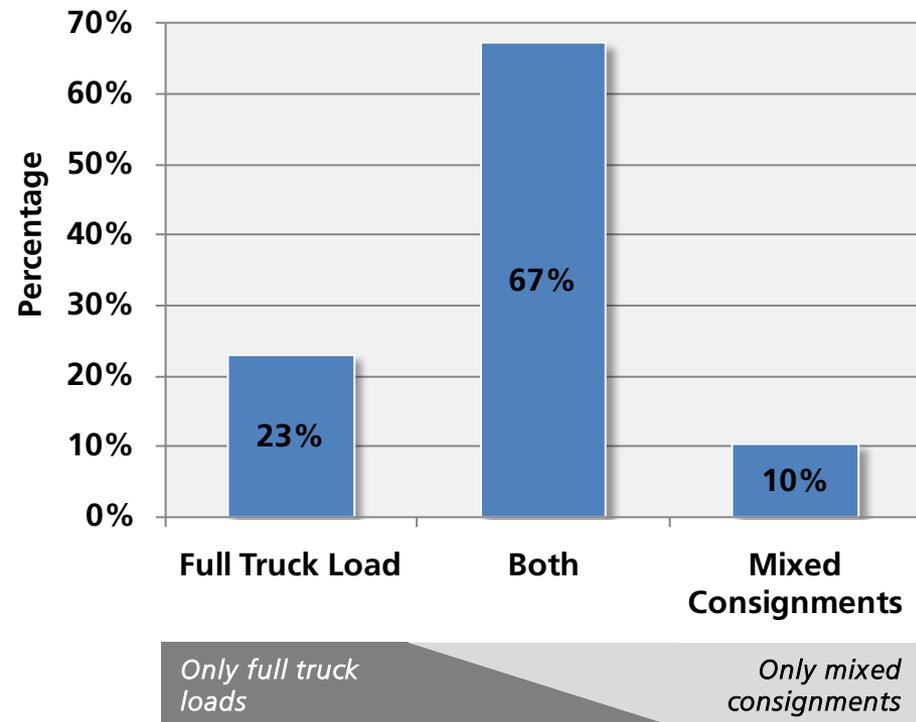
- Almost a third of the participants come from the transport sector
- Wholesalers and retailers make up a quarter of the participants
- Most of the others are in industrial sectors such as chemicals, plant engineering, glass etc



In addition to the transport sector, consumer goods, food producers and construction materials are also strongly represented

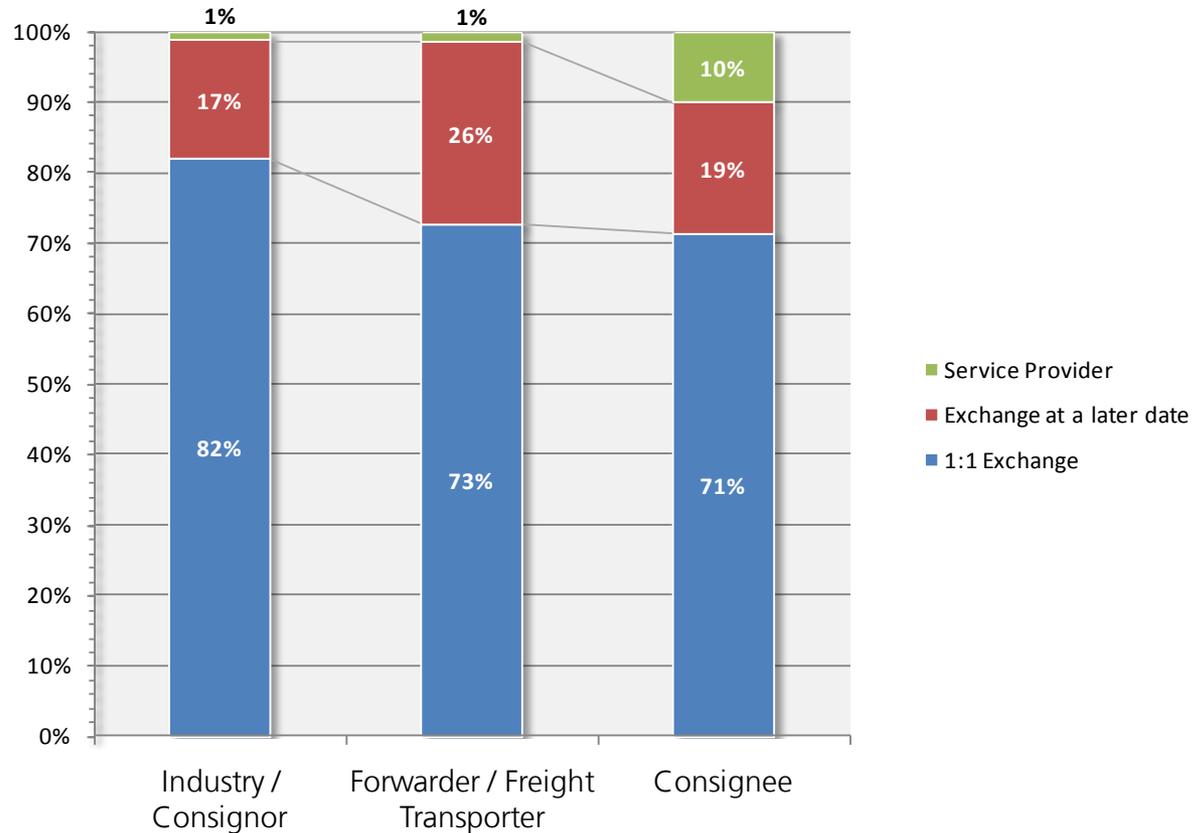
The shipment structures

- The majority of the companies taking part in the survey ship partial and full loads as well as mixed consignments
- In the consumer goods and foodstuffs segments some stated that they only use full loads
- It was mostly smaller traders who stated that they only have mixed consignments



Exchange procedures currently in use

- Exchanging pallets immediately 1:1 is by far the most usual means of exchange (70 – 80 %)
- Only about a quarter of the pallets are exchanged at a later date
- It is mainly traders who make any significant use of service providers to exchange pallets



Percentages refer to amount of pallets exchanged

Immediate 1:1 exchange is practised most frequently. This proportion is far above the values for Switzerland (approx. 70 %) and Germany (approx. 55 %)

Qualitative feedback from the participants

- »There is **no standard way** of handling EUR pallets«
- »Increasing automation in distribution centres and warehouses **demands higher quality standards**«
- »A lot of money can be saved by **handling pallets correctly**«
- »More and more customers want **as new pallets** and give **poor quality material** back«
- »Some companies charge **pallet exchange fees** and then provide extremely bad pallets in return«
- »Carefully checking the pallets received in exchange takes **a lot of time and effort** «
- »Not everyone has the same idea of what an **exchangeable pallet** is«
- »The system has developed over more than 20 years and now **runs perfectly** «



Cost factors considered in the study



Replacement and repair

- Losses
- Breakages
- Repairs



Additional shipments

- Trips purely for collecting or delivering empty pallets



Accounts receivable

- Costs of capital tied up in pallets not directly exchanged



Physical handling

- Checking
- Sorting
- Handling
- Documentation



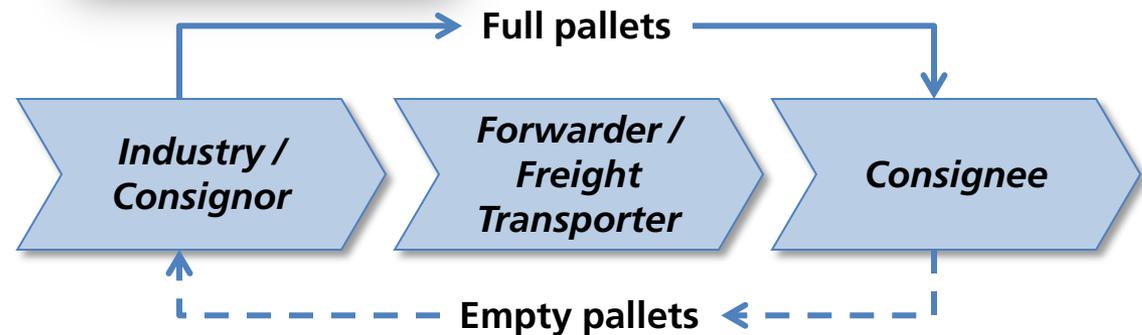
Administration

- Accounting
- Checking
- Organisation & procurement

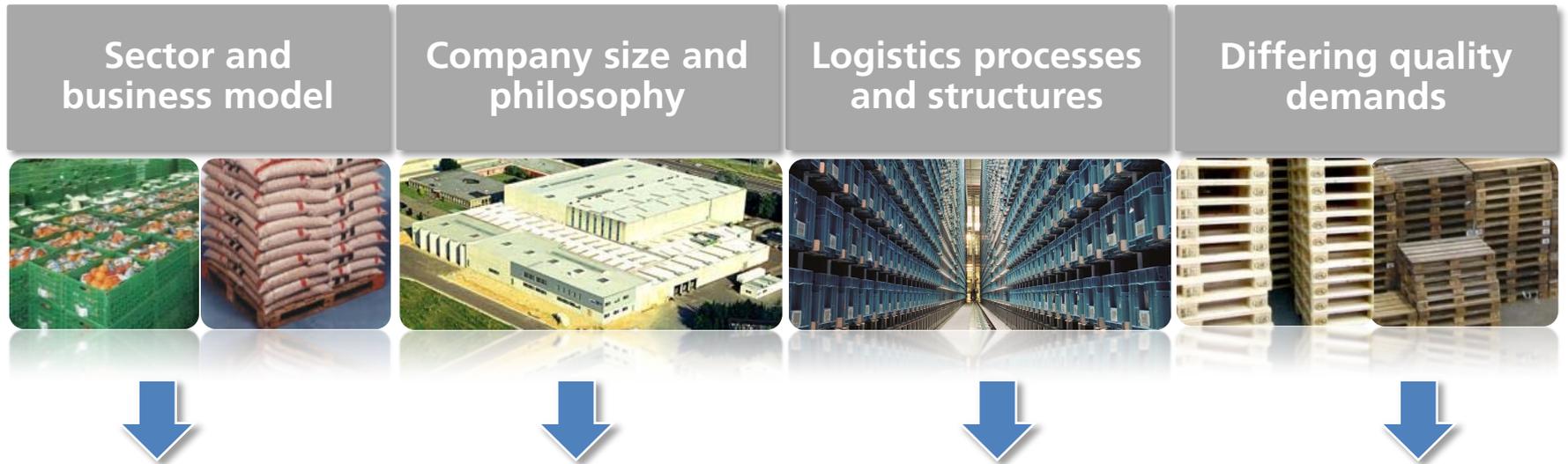
Cost factors in the pallet exchange procedure

Pallet exchange in the logistics chain

- One **pallet cycle** covers the complete flow of loaded and empty pallets between industry / consignor, forwarder or freight transporter as well as the recipient /retailer
- Focus on **classic exchange processes**, so companies which do not exchange (e.g. sellers or those only exporting) are not taken into account here
- Costs are stated **per cycle**



Heterogeneity of companies as an influencing factor



- Average costs of pallet exchange vary within certain ranges
- so unit and total costs are expressed within a range for each of the different partners
- Min./max.-values of individual cost items may deviate

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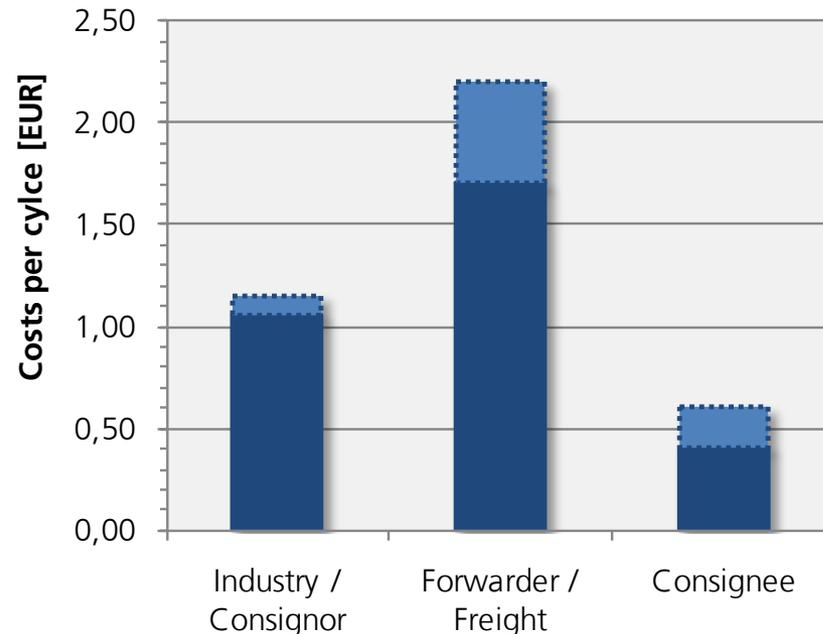
Total costs according to participants

- The costs for one pallet cycle are divided up differently between the partners involved:

Industry / consignor: 30%

Forwarder / freight transporter: 55%

Consignee: 15%



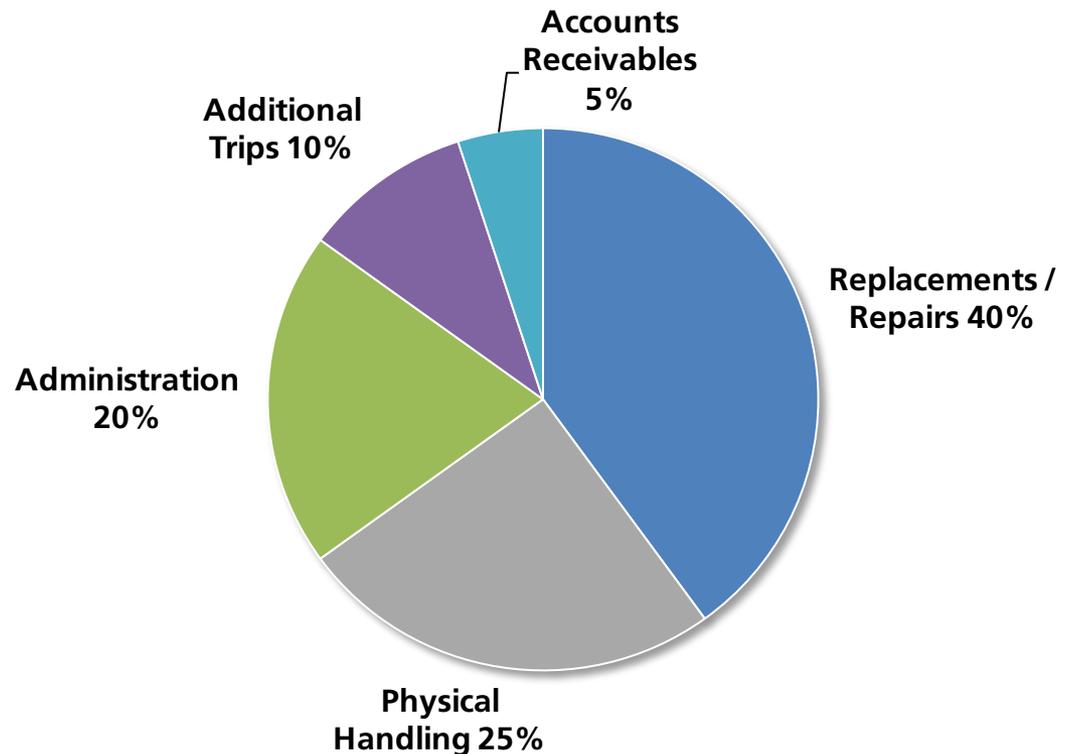
Range[EUR]	1.05-1.15	1.70-2.20	0.40-0.60
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All figures rounded

The total costs for one pallet cycle range between EUR 3.15 – 3.95

Total costs according to cost type

- Expenditure for replacements and repairs are a key cost driver making up around 40% of the costs,
- followed by personnel costs for physical handling of the pallets (25%) and administration (20%).
- Costs for additional trips for empty pallets and costs for accounts receivables play a minor role



All figures rounded

Replacements, repairs and personnel are the main cost drivers in the pallet exchange procedure

Summary of the Pallet Study Austria 2011

- The **total costs** for one pallet cycle range from **EUR 3.15 to 3.95**
- The costs within the logistics chain are divided up as follows:
 - Industry / Consignor EUR 1.05 – 1.15 (~30%)
 - Forwarder / Transporter EUR 1.70 – 2.20 (~55 %)
 - Consignee EUR 0.40 – 0.60 (~15%)
- The main **cost drivers** are costs for replacement and repair (approx. 40%), physical pallet handling (approx. 25%) and administration (approx. 20%)
- The **distribution of costs** among the participants in the exchange procedure is very uneven
- The **range** of costs is due to the heterogeneity of the companies, different quality requirements and the differing supply chains



Conclusion from the participants' point of view



Photo: © Paul-Georg-Meister / Pixlio

- The Europallet exchange procedure has proven to be effective:
Approx. 70% of the respondents are in favour of continuing to use Europallets. Around 30% advocate alternative systems (pool or one-way)
- But there are criticisms of the exchange procedure:
The main problems stated are the quality of the pallets, the way pallet exchange is carried out and the costs connected with this (checking and documentation)
- Alternative systems are also viewed critically:
In addition to the costs for pool operators or for one-way pallets, many believe acceptance for these systems is not given across the board

The overwhelming majority of participants is in favour of continuing to use Europallets. But the participants demand improvements in the pallet exchange procedure itself

Contact



- **Wirtschaftskammer Österreich**

Mag. Hagen Pleile
Bundessparte Industrie

Email: hagen.pleile@wko.at



- **GS1 Austria GmbH**

Dr. Nikolaus Hartig
Manager - Logistik Verbund Mehrweg

Email: hartig@gs1.at



- **Fraunhofer-Institut für Materialfluss und Logistik IML**

Dr. Volker Lange
Dipl.-Logist. Jens Hoffmann
Abteilung Verpackungs- und Handelslogistik

Email: jens.hoffmann@iml.fraunhofer.de

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