

Benefits and Pitfalls of Pallet Rental

Analysis of issues to consider when reviewing options.

Pallet Rental Comparisons with White Wood (As It Exists Today)

General Benefits of Rental Systems

- 1.) Higher quality pallet – Generally you can get a higher quality pallet at a lower initial price by rental compared to buying white wood. This may change though if the white-wood market develops a viable alternative on a large scale, such as PIMS.
- 2.) Widespread acceptance in the U.S. grocery supply chain, including advocacy from some major retailers. Some pallet users ship on rental pallets to obtain special price concessions from the retailer.
- 3.) Large pool of similar pallets maintained to tighter specifications than general exchange pallets.
- 4.) IT systems designed to help track shipments and reconcile bills. Some of the larger white-wood companies offer these services.
- 5.) Outsource pallet management to a third party with expertise in this area. The same thing can be done by working with an innovative white-wood company.
- 6.) Various rental pallets offer different design advantages. Generally, the biggest design advantage over the white-wood market is the widespread affinity for block pallets by retailers.
- 7.) The product manufacturer only rents the pallet and does not own it, which means the product manufacturer doesn't have to worry about its asset once it leaves to another party in the supply chain as long as the shipment is going within the rental network.
- 8.) Nationwide service under a single contract with one vendor. This can make pallet purchasing easier and more coordinated between facilities.

General Disadvantages of Rental Systems

- 1.) The lower initial price can be deceptive if the activity of the customer leads to lost pallet charges or other incidental expenses that can add up quickly. The real cost of a pallet rental system is actually \$7-10 per pallet load.
- 2.) The one thing to remember is that pallet rental is a self-managed program. Rental companies claim to take away pallet headaches for customers. But, in reality, they just add different ones. It can cost companies anywhere between 75 cents to a dollar or even more to hire staff to manage a relationship with a pallet rental company.
- 3.) Limited size and design options for rental pallets. White-wood pallets can be designed to meet any specific unit load requirement. Pallet companies have to ship on a very set specification when dealing with a rental pool. This can add cost into your supply chain because the most expensive aspect of a unit load is the stretch wrap and product packaging not the pallet.
- 4.) Once you get in a pallet rental system; it is hard to get out. This occurs because a shipper has to invest a lot of money to put white wood into its supply chain once it has been removed. Also, rental pallet companies are notorious for using lost equipment charges and other fees to keep customers from jumping to other options.
- 5.) Pallet rental companies have tended to favor larger clients and may not be as adept as a local pallet company in providing smaller clients with Just-In-Time delivery and other services.
- 6.) When you buy a pallet, you have an asset that you can charge the recipient for or request some type of sales concessions. When you rent a pallet, you have less control over what can be done with it.
- 7.) Local pallet suppliers are closer to your business and can offer more tailored services to meet your needs.
- 8.) Some rental providers have become known for having an arrogant attitude in the marketplace. They use contracts and corporate sophistication to negotiate deals that may serve their interests better than a customer's wishes.

Insights, Strategies & Pitfalls that Pallet Users Should Know

Special Report: ***Pallet Profile Weekly & Recycle Record***

By Chaille Brindley
Dr. Ed Brindley
Jeff McBee, pallet market analyst



BLOCK vs. Stringer Pallet

This special report is designed to be a tool that you can use to discuss the recent Costco mandate and other factors involved in deciding how to respond to block pallet requests by retailers as well as review the pros and cons of pallet rental and purchase options. It is available free of charge as a special report bonus for active subscribers to either the *Pallet Profile* or *Recycle Record*. If you would like to find out more about either of these publications, please contact Jeff McBee at 804-550-0323 or email jeff@palletenterprise.com.

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The complete report can be downloaded from the following link: www.palletprofile.com/costcoreport.pdf