

**Title** Perception of the value of grocery pallet systems: the retailer's point of view  
**Author** Cristina Guzman  
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### **Abstract**

This research explores how and why grocery retailers make decisions with respect to reusable pallet systems. A qualitative research method was used to interview the vice president of logistics from 13 retail grocery chains. Retailers in the US using pallet rental and recycling systems were compared with retailers in Canada participating in the Canadian grocery industry's commonly owned pallet pool system, CPC (Canadian Pallet Council). Physical testing found that plastic pallets are often more durable than wooden ones. The research found that grocery retailers prefer to work with more than one pallet provider to lower costs. US retailers depend on competition between national pallet rental companies and regional pallet recycler. Pallet systems are evaluated by their perceived benefits and the problems they bring to a distribution center and supply chain. Decision are based on operational orientation, vertical integration with the supply chain and knowledge of pallet-related costs. A retailer's operational orientation has a major impact on pallet choice. The retailer focused more on pallet costs as embedded in the cost of goods are more likely to accept any kind of pallet and to rely on third parties to manage their pallets. Furthermore, many of these cost-oriented retailers have conveyor-based DCs and floorload their outbound trailers, trading labor for cube space, so they do not depend on pallets for storage and handling. On the other hand, other retailers have more traditional distribution centers, focusing on accelerating their operation and using conventional forklifts. These speed-oriented retailers depend on high quality pallets. They maintain a balance between rental and recycled pallets, to avoid being captive to a pallet supplier and to generate revenue. The retailer's knowledge of pallet-related costs was found to increase with its degree of vertical integration with food manufacturers and pallet providers, giving them a broader view of system-wide cost implications. Retailers with a higher knowledge of costs are more likely to hire third party services to improve efficiency, ranging from pallet sorting to management of the entire distribution center.