



introduction

Unisource is Canada's premier national supplier of over 80,000 paper, printing, imaging, graphic arts, packaging and maintenance supplies products and equipment. Its focus is to design single-source Just-in-Time supply programs that increase customers' productivity and lower total costs, with the ultimate goal being to improve its customers' profitability.

The company operates out of 19 locations with over 1,700,000 square feet of warehouse space, from coast to coast, making it Canada's largest national single source distributor.

Unisource's purpose is to deliver the best value every time. As such, it surrounds customers with the services that they value. From packaging supplies, to cleaning chemicals, to paper and ink for a printing presses or copiers, Unisource not only supplies the product, but also the expertise to help a business buy easily and run cost-effectively.

pallet control objectives

- Minimise monthly pallet transfer charges.
- Streamline the management of traded pallets.
- Eliminate the risk of lost pallets and thus the need for compensation payments or purchasing replacements.
- Increase productivity in pallet management.
- Reduce pallet control costs.

background

Located in the outskirts of the greater Toronto area, Unisource's Richmond Hill Distribution Centre is the principal specialist warehouse serving the company's large grocery sector customer base.

It holds some 7,000 product lines, and each month handles between 1,300 and 1,500 delivery pallet delivery transactions, each of which may include up to 20 pallets supplied by either pallet hire companies or pallet exchange companies.

In late 2005, and specifically recognising the inherent complexities of effectively managing multiple pallets, the DC determined that a suitable IT system was required to streamline this work. The conclusion reached being that if no suitable third party software tool was available; the organisation would design and build its own solution.

As Unisource Warehouse Specialist Rob Barr explains, "the pallet business in Canada is substantially different to that of some other countries. Here we pay a set up front fee for new pallets that we order irrespective of how long we will then have them. From then on, we don't pay a monthly rental as users do, for example, in Australia. Rather, for pallet exchange companies we pay an annual 'membership' fee and have the responsibility for exchanging pallet for pallet with our trading partners. In contrast, pallet hire companies bill us each month for each and every 'transfer on' that has occurred.

"In calculating that, pallet hire companies base their transfer charges on a sliding scale. The specific figure



here being determined by what is termed the 'pallet ratio' – which is all about keeping ins and outs in balance and thus ensuring people are not losing pallets. So specifically, the supplier makes a monthly percentage calculation that expresses transfers off as a percentage of transfers on. If our ratio is 100 percent or better (because we've processed all of our transfers off but some suppliers have not yet processed theirs), we'll be charged at the lower end of the pricing scale. But whenever the ratio falls below that 100 percent figure, rates can start to rise quite dramatically. By as much as thirty fold in the worst case scenario.

"So it's absolutely essential that we get our transfers done quickly and accurately. At the same time it is also vital that we help our vendors keep their pallet ratio close to the 100 percent mark. If they fall behind, they will be charged more and that can well be passed onto us via higher product costs or increased delivery charges."

An additional concern, noted by Unisource, had to do with the financial risk associated with lost pallets. As Mr Barr notes, "if we lose pallets, or are unable to reconcile, we may need to trade pallets with other users or may be charged for replacements by our supplier. This can pose a substantial annual liability for any organization with large trading volumes and inadequate pallet management.

"Compounding the challenge is that while pallet exchange companies do work with paper transfer dockets – even though they do not process or bill transfers – pallet hire companies do not. With them, transfers are all done electronically which means we have to use other forms of POD (proof of delivery) to resolve trading partner queries.

"So all in all, we are having to work with two totally dissimilar ways of doing things. And that clearly compounds the complexities of effective pallet management and the effort that is involved in doing things properly. Hence our ambition to acquire or develop an appropriate software solution."

the solution

While Unisource considered the use of the IT pallet reconciliation tools provided by both pallet exchange and pallet hire companies, these were not viewed as ideal solutions. In addition, "we only wanted to work with a single system that was able to do everything we wanted", Mr Barr said.

"We also had certain concerns about the effectiveness and costs of these supplier provided tools. In one instance, we would be paying an initial set up cost for the software, an annual usage fee and a charge for every transaction. This also demanded that we go online whenever we wanted to use the system, which was certainly not our preferred way of doing things.

"That said, it also became very obvious, very quickly, that there was no independent software solution then available in Canada. A situation that led us to look further a field and to then evaluate and install the 2ic Pallets software solution developed in Australia.

"With some basic modifications, 2ic was able to totally meet our requirements and the distinct subtleties of the Canadian pallet business."

Among the contributions the system is now making is the ease with which reconciliations can now be made. "With pallet hire companies, where they do process transfers, but where there are no pallet dockets, it is all too easy to transfer pallets to the wrong account number. We think it's correct, but it's not. And so the hire companies reject the transaction and we have to go back, determine the right account number and reprocess the transaction in question.

"With 2ic we can't make these mistakes. And that's because the system sets up and maintains a master customer file which matches our internal customer number with the corresponding pallet hire companies account number. So whenever we ship goods, the entire pallet transfer process becomes automatic and error free. We only need to manually intervene when we don't have a recorded pallet supplier account number for a customer and that's immediately highlighted to us by the system."



Reconciliation has also been streamlined via 2ic's automatic reconciliation process, under which only exceptions are reported, thus removing the need to arduously work through all transactions and dockets manually. As Mr Barr explains, "the system directly imports transaction data from pallet hire companies' own accounts system and matches that against our own internal records. And so on our average monthly 1400 hire transactions, the focus now is solely on the 80-90 of these where there are queries. This saves a great deal of effort and also gives us far more time to effectively follow up queries and do things like chasing up pallets that we are owed.

"With pallet exchange companies, on the other hand, our task is to exchange pallet for pallet with our trading partners, with a cost of \$C20 per pallet being levied for those we cannot reconcile. That means we are typically chasing several thousand IOUs every month. And we can only do that, with total effectiveness, if we are able to provide all relevant PODs and know precisely what we are owed by whom.

"It can be an absolute nightmare, but it's a task that is extremely well handled by 2ic."

A final contribution made by the system is its automatic generation of pallet dockets for pallet exchange company transfers. Unisource previously had to complete this paperwork manually and with each multi-part form it used costing 32 cents in stationery overheads alone. Automatic printing now costs just 12.5 cents per form and, more importantly, means there is no longer any manually written dockets, no computer data entry of this paperwork and an essentially zero error rate. Indeed in terms of reduced paperwork alone, pallet management is now saving 40 labour hours a month."

the 2ic contribution

- Pallet hire companies 'pallet ratios' are consistently above 120 percent ensuring minimum transfer fees.
- Effectively drives pallet exchanges.
- Minimises financial risk of lost pallets.
- Saves 40 labour hours per month in handling pallet paperwork.
- Substantially reduces the cost of printing pallet exchange companies pallet dockets from 32 cents each to 12.5 cents each.