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A More Pallet-able Solution

By Susan Mardele

iGPS pallet warehouse photo provided by iGPS

HAVE YOU EVER noticed those piles of flat, wooden crates or platforms stacked behind WalMart or Kroger? While most people realize those are pallets, few know there are about one billion of them in use on any single day in the United States. They facilitate shipment of various products around the country to stores for consumer purchase. Pallets account for almost 40 percent of all hardwood harvested in the U.S., and two-thirds of that precious wood goes directly to the landfill after one use. Pooling or sharing pallets reduces waste, but pallets still make up 1.4 percent of total waste and 19.6 percent of total wood waste deposited at municipal solid waste facilities.

After reading these statistics, you may be saying, “We have to do something about that!” Well, there is a company in Frisco that is doing something. Intelligent Global Pooling Systems (iGPS)

manufactures and rents trackable plastic pallets made from a previously wasted byproduct of the natural gas industry. iGPS is headquartered in Orlando, Florida, but employs about half of its 100-person staff in operations, sales and customer service at its Frisco office.

A BETTER MOUSETRAP

Rex Lowe, president of iGPS, has been in the pallet business for more than 18 years. He launched Commonwealth Handling Equipment Pool (CHEP) in the U.S. in 1990 based on “pooling” or renting wooden pallets. He knows the pallet business first-hand. Mr. Lowe believed there was a better way, so in 2005, he founded iGPS. “Pallets are the most common way for the whole planet to ship products. Nothing moves unless it’s on a pallet. I believed three years ago when we started out that there is a better, more economical, more sustainable way

to do it that is easier for the workplace to handle and will ultimately take cost out of the supply chain.”

“I wanted to do it again with better technology, something more environmentally friendly and better for all of us,” continues Mr. Lowe. “It took me a little while to put it together. I was successful in raising \$310 million to launch a business doing the same thing CHEP did, but using 100 percent recyclable pallets instead of wood.”

“It’s the next logistics frontier,” says Mr. Lowe. “Think back in time to when the train was replaced with the airplane, when glass bottles were replaced with plastic and when paper grocery bags were replaced with plastic. There are more than one billion wooden pallets in use on any day. We want to replace them with sustainable, environmentally friendly pallets and take the cost out of the supply chain.”

After about three years in business, iGPS is on its way. The company has more than three million pallets currently in use, displacing six million wooden pallets in the supply chain. Just about every industry is a candidate for using the plastic pallets – beverages, consumer electronics, grocery, home improvement, pharmaceutical, produce, meat and raw ingredients.

COUNT THE WAYS

Besides saving landfill space and trees, there are many more benefits to using plastic pallets. For instance, iGPS plastic pallets are 30 percent lighter than wooden pallets. That translates to more freight shipped per gallon of diesel fuel, and with the recent spike in fuel prices, every pound counts. If all wooden pallets were replaced with iGPS pallets, more than nine billion pounds of valueless weight would be removed from the U.S. supply chain each year. Making changes like this can help keep consumer prices in check, even with fuel costs continuing to escalate.

Plastic pallets are made from a natural gas derivative. In the past, this derivative was simply burned off and wasted. Now it is used to make plastic pallets. “The pallets are 100 percent recyclable,” notes Mr. Lowe. “They last forever. If they’re damaged, they’re ground up and made into brand new ones. In the fourth quarter of 2007 there was a glut of natural gas, so this plastic is not as directly impacted by the rising cost of petroleum as other plastics would be.”

Wooden pallets are highly susceptible to breaking, splintering and producing protruding nails. This is dangerous to workers, equipment and products. “For example, when SC Johnson ships a load of Windex and uses iGPS plastic pallets instead of wood, it reduces their product damage,” states Mr. Lowe. In addition, many distribution functions are becoming increasingly automated. The uniformity of plastic pallets is ideal for such an environment, and plastic pallets do not have the nails or splintering wood that can jam equipment.

Plastic pallets are more hygienic than the wooden alternative. Wood is porous, and therefore is more susceptible to harboring insects and carrying harmful bacteria like salmonella. To meet

compliance requirements, wooden pallets must be fumigated and heat treated to protect against insect infestation, adding \$175 to \$500 in cost per truckload of goods. Plastic pallets are non-porous, immune to insect infestation and can easily be cleaned and returned to use. In an interview in Pallet Enterprise, July 2006, Bob Moore, CEO of iGPS says, “Cross contamination issues exist with wood because it cannot be sterilized. A plastic pallet can be sterilized as many times as you want to sterilize it.”

Plastic pallets are made from a natural gas derivative. In the past, this derivative was simply burned off and wasted.

PALLET POOLING

In recent years, pallet pooling has become a practice with shippers because it reduces costs and saves resources. Mr. Lowe built a business on this concept with CHEP and is building iGPS on that concept as well. A pallet pooler maintains a supply of pallets and provides shippers with the number required when and where they are needed. This means the shipper does not have to be in the pallet business as well as its core enterprise. It also means less waste. Pallets are the main business for the pallet provider so more units are retrieved for reuse and fewer end up in the landfill.

Because of the difficulty of tracking wooden pallets, attrition of the pallet inventory has been a major issue. “Wood is difficult to tag because of the moisture content and density of the material,” says Mr. Moore in the Pallet Enterprise interview. “The situation is even more difficult for CHEP because it has about 80 million pallets in the United States. I don’t know how you would stop them all to tag them. And a partially tagged pool does not work for anybody,” he says.

“...Wood is just tough to tag,” Mr. Moore continued. “While you can put a composite block with a tag imbedded

in it on a wooden pallet, then you have to partially disassemble the pallet. This process is very expensive. It is pretty inexpensive to fold a tag in when you are building a plastic pallet.”

DO YOU KNOW WHERE YOUR WATERMELONS ARE?

iGPS plastic pallets are all radio frequency identification (RFID)-enabled so every pallet can be located. “With an RFID tag imbedded inside every pallet, we can provide shippers information about where their product has been and where it is going. Hopefully someday we will be able to help with recalls,” states Mr. Lowe. “We know where it goes, where it came from, dates, times, we have all kinds of information because our pallet has a unique ID number. It is the only pallet in the world that does that.”

iGPS provides customized RFID reading and reporting to its shippers. The technology can help the shipper better understand the status of its inventory, resulting in more accurate billing and fewer losses. The tags are quadruple redundant and can be read in three different ways – by bar code, by RFID and a visual alphanumeric code.

In addition, when iGPS can track its pallets, the company loses fewer pallets, keeping costs lower for iGPS and shippers.

A SUCCESS STORY

An early customer to come on board with iGPS was Arizona-based Martori Farms, one of the nation’s largest growers and shippers of broccoli and melons. Martori Farms supplies supermarket chains across the country with time-sensitive produce, so any technology that can expedite shipping saves money by avoiding spoilage and meeting delivery schedules.

Martori Farms was attracted by the contamination-free and environmentally friendly pallets provided by iGPS. In addition, they wanted to be able to track their shipments throughout the supply chain and to have pallets that would move easily through their transfer system.

The grower tested the pallets in the winter of 2006-2007. “There are a number of elements that made the iGPS product appropriate for a test program,” said Paul Fleming, vice president of



iGPS pallets in use

photo by Chris Fritchie

marketing and business development for Martori Farms. “iGPS’s pallets offer many advantages over traditional wood pallets, including light weight at 47 pounds, greater durability and a consistent 48” by 40” top deck, all of which could lead to significant shipping efficiencies.”

The test was successful and Martori Farms continues to ship using iGPS pallets. They are able to load more products on each truck, manage their produce from grower to final sale, reduce handling and warehousing time and make decisions based on timely and accurate information. All of these benefits have enabled Martori Farms to better preserve their profit margins.

IN FOR THE LONG HAUL

Mr. Moore and Mr. Lowe aren’t the only people behind the iGPS concept. The company was founded with the attractive combination of social and environmental responsibility and a business concept with great profit potential. This combination of factors has attracted some notable people. The iGPS board of directors includes Terry Tammenin who was director of the EPA in California reporting to Governor

Arnold Schwarzenegger. “He got the Governorator green,” says Mr. Lowe. “He is considered to be the leading authority in the world on what’s going to save planet earth. He believes strongly in our concept. He’s tired of seeing the waste caused by wooden pallet use.”

Joe Montana of NFL fame has his own shipping company, his own brand of beer and his own barbecue sauce from which all proceeds go to charity. “He wants to ship on our pallets. He believes in our concept so strongly that he joined our board,” noted Mr. Lowe.

GROWTH AND SUSTAINABILITY

iGPS is still in its infancy, but the company’s growth trajectory is impressive. “We plan on having 50 million pallets in use by 2010 and we expect to be a billion dollar business in two and a half to three years,” stated Mr. Lowe. “We expect to see the majority of the U.S. grocery, beverage, produce and pharmaceutical companies changing to plastic in two to three years. Most of the businesses in the U.S. supply chain will move to the plastic form that has RFID tracking.”

Times are changing in our environment, our society and our economy. Businesses

that are aware of the changes and operate accordingly have the greatest chance of success. A positive financial bottom line is still essential for a business to succeed, but without consideration of the impact to the world we live in, the success is likely to be short lived. iGPS seems to have found a balance between seeking profit and improving environmental impact – a combination that promises to take the company far.

Susan Mardele is a freelance writer living in Princeton.

Useful Tips for Going Green

PACK A WASTE-FREE LUNCH.

Eliminate plastic bags, plastic utensils, disposable containers, paper napkins and those brown paper bags. Instead use a reusable lunch box, drink containers, cloth napkins and silverware. You could save \$250 a year and as much as 80 lbs.!

From The Green Book