

The Hidden Risks of Incomplete Pallet Proposals:

Lessons in Protecting Core Value

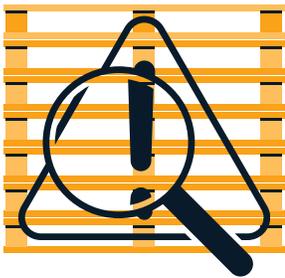
Introduction

In pallet management, the true cost of a program goes beyond headline prices. Without clear processes, complete data, and robust accountability, retailers risk losing significant value, even when they believe they are getting a better deal.

This white paper highlights how a lack of transparency in pallet request for proposals (RFP) can quietly cost retailers money and shares best practices for protecting the full value of core returns.

The Problem

A major retailer was approached by a pallet provider offering what appeared to be a higher per-pallet price compared to their incumbent partner. **However, the offer included critical omissions:**



- The provider submitted a blended price during the RFP process, but once awarded, only paid for certain pallet types, intentionally disregarding the program structure requested by the retailer.
- GMA pallets were paid at full price, but odd-size pallets were either underreported or classified as scrap, leading to zero credit for a large percentage of cores.
- Retail leadership, unfamiliar with these practices, misinterpreted the proposal and unknowingly accepted a program that ultimately reduced their pallet revenue.

Specifically, the retailer had asked for a price to include both GMA and odd-size pallets, which is a common way to structure RFPs when a single price for all whitewood pallets is desired.

A pallet recycler took advantage of this request by proposing a price for both categories but, after being awarded the business, created a new “scrap” category and began classifying over **30%** of the volume as scrap, paying **\$0.00** for those pallets.

This approach masked the true cost of the program and led to significant lost revenue for the retailer.

The Approach:

A comprehensive review and analysis of the program revealed:

- Historical scrap rates for odd-size pallets (~38%) were consistent and should have been valued, not discarded.
- Reporting discrepancies showed a lack of transparency and accountability on pallet classifications.
- Comparative analysis indicated that despite a higher GMA price, the overall program payout was lower than what had previously been offered by 48forty with full grading transparency.

Key Risks Identified:

- Pallet recyclers submitting an RFP price that does not follow the RFP guidance.
- Pallet recyclers not adhering to RFP commitments, submitting proposals that are not apples-to-apples, and taking advantage of the retailer's trust in their pallet provider.
- Underpayment for usable assets classified as scrap.
- Revenue loss through selective categorization.
- Operational blind spots due to insufficient reporting and auditing.



The Results:

When compared against historical data and a transparent, blended-price program:

	Perceived Higher Priced Bidder	Transparent Actual Highest Bidder
Blended Offer Price	\$3.00 (GMA/Odd-Size)	\$2.35 (Blended, all pallets valued)
Credit for Odd-Size Pallets	\$0 (pallets classified as scrap)	\$2.35 Credited and valued appropriately
Actual Retailer Revenue	\$1.89 per pallet	\$2.35 Higher sustained blended value
Total Revenue (100,000 pallets)	\$189,000	\$235,000

Best Practices: How to Protect Your Pallet Value

Retailers and manufacturers can safeguard against similar risks by following these guidelines:

- Demand Full Grading Transparency: Ensure all pallet types, not just GMA, are fairly evaluated and credited.
- Request Complete Reporting: Require clear documentation of how pallets are categorized, paid, and scrapped.
- Understand the Fine Print: High GMA pricing can mask losses elsewhere; always assess total program economics.
- Validate with Historical Benchmarks: Compare projected results to prior program data to identify discrepancies.
- Prioritize Accountability: Select partners who offer audit trails, site-level visibility, and clear remediation processes.

Conclusion:

In pallet programs, what you do not see can cost you.

An RFP proposal that looks better on paper can ultimately deliver less value if providers do not fully categorize returned pallets or report transparently. Without full visibility into pallet grading and reporting practices, retailers risk significant hidden losses.

Choosing partners who provide clear grading, accurate reporting, and a commitment to total core value is essential to protecting both your supply chain and your bottom line.