



By Rick LeBlanc

## Dave Wants to Get Everyone On the BUS

Forget about only acquiring the 5,000 broken white wood pallets that are generated out of a grocery distribution center (DC) every week. Instead, imagine a situation where recyclers acquire all 50,000 pallets that flow through the DC, with 80% available for immediate resale after sorting. From the recycler's perspective, this is the vision of Dave Sandoval, a logistics consultant with a new twist on an old idea. His new twist is the Buy-Use-Sell (BUS) System.

Dave, who hails from the Midwest, is an industrial engineer and formerly a logistics executive for companies such as Kraft, Stella Cheese and others. He also spent a few years running the supply chain management practice at a consulting company before a restructuring ended the business.

His idea about the white pallet system is one that he put into practice during his days as a pallet user. The concept is simple. In a nutshell, he recommends for pallet users to treat pallets like they treat everything else. In other words, they should specify the pallet required and then purchase it under load. The difference between the BUS model and other 'buy under load' programs is that it involves purchase at a discounted price by the receiver in order to limit or nullify the cost of participating in the system.

To paint a picture, Dave suggests the scenario of a grocery manufacturer that buys a reconditioned GMA pallet for \$5 and then sells it to a retailer under load for \$3. The retailer sells it to the recycler for \$3. The prices will vary regionally, but the idea is that the

recycler will pay the distributor a premium for the high percentage of usable 'as is' pallets he receives.

"There is an opportunity for the recycler to be the third-party re-deployer of these pallets," Dave said. "In my model, envision buying pallets at a fair price, and if you buy a hundred of them, 80 can be resold just as they are, and all you have to do is deploy them."

"There is no exchange," Dave said, "so every pallet that comes down the supply chain comes one way." According to Dave, recyclers would get 100% of the pallets that flow through the supply chain, sort and repair as necessary, and return them to suppliers to renew the flow.

Dave suggested a scenario in which a DC receives 50,000 pallets per week with 10% of them damaged. Instead of getting only the 5,000 broken pallets that a distribution center might generate in a week, the recycler would purchase all of them.

"The goal of the recycler would be to be a re-deployer, a pallet supplier and part time fixer, rather than a full time fixer and a wood chip maker. It is a different business model for the recycler."

The recycler would handle 10 times more pallets but would not use any more nails, Dave noted. The primary advantage of his system is that it eliminates pallet exchange, which many pallet users consider to be a costly exercise.

Dave has a patent pending on the process of buying pallets at market price and selling them under load at a

discount to customers to promote acceptance. The result is that the product manufacturer only pays part of the cost for the pallet while the distributor should be able to recoup its pallet costs through resale of empty pallets. Dave plans to generate revenue from his idea through consulting, as well as a royalty.

"There will be regional differences in pricing — there is today," Dave remarked candidly, "but so what. The manufacturer will not get \$3 from everyone because the distributor might not be able to get \$3 in its market. Every plant doesn't pay \$5. Some pay \$5.60, some pay \$4.85. There are regional pricing issues, and that is one of the beauties of it. It is free market driven."

His system addresses the pallet tracking issue by treating the delivery of a pallet in the same manner as confirming the receipt of every other product through the company's standard operating procedures.

The BUS System has two major consumer product manufacturers actively pursuing test partners for the program, according to Dave, and a major food service distributor has pushed the plan upstairs for top executive approval. He anticipates some pilot testing within the next several weeks. "I am feeling pretty good," he said of his prospects for BUS.

It sounds like a promising idea for recyclers if he can convince enough pallet users to hop aboard.

For more information, contact Dave Sandoval at B.U.S. Systems, Inc., 815-675-9612. 