Hello. My name is Alex Zini and I am the Store Manager at IKEA Portland. I have been with IKEA for 15-years and I am pleased to be here and share my experience with the change from wooden to paper pallets. I have actually gone through this change twice - once in 2009, when I was still store manager in Rome and once in 2012 here in Portland.

This change had a rough start from the store point of view because we are the last ring of a long chain:

- At the very beginning we started to receive paper pallets but still hadn’t implemented the new racking in the warehouse. So, we had to re-palletize every pallet and that was the biggest challenge.

- As soon as we implemented the new racking the acceptance of the change became exponential due to an incredible gain in efficiency in every step of our daily operations:

  - Our day starts from receiving the goods and here’s the first gain in efficiency: More freight comes to us packed on a truck than before – 45 wood pallets vs. up to 66 cardboard pallets.

  - Because we received close to 90-percent of our freight on paper pallets, we no longer need to stock the empty pallets to return to the DC (Distribution Center) on our dock; we gain space that allows us to unload trucks faster, which means the trucks can get back on the road faster.

  - The replenishment of the store is much more efficient due to three main reasons:
    
    1. The paper pallet can be loaded on a pallet jack from both sides – co-workers rarely need to change the pallet jack with different size of pallets
    
    2. Three times the amount of empty paper pallets can be stocked on a pallet jack, so it means fewer trips to the cardboard bailer for our co-workers
3. The trip is to the bailer and it just requires the time to put the cardboard in the bailer, not the time to make room and stock the wooden pallets on the dock. When we open the store, it is much easier to maintain the commerciality and safety of the sales floor because we can keep reducing the size of the cardboard pallet as the merchandise sells, recycling as we go.

Because of the space gained on the dock, in the rare cases in which we don’t completely finish the replenishment in the morning, we can temporary leave the received goods in the area in which we used to stock the wooden pallets. This allows the co-workers to be able to get products easily for the customers who need them. In the evening, the cleaning and prep of the sales floor is much faster because of the same reasons I mentioned for the replenishment.

All this gained efficiency not only has contributed to the increased store profitability, but it has also contributed to a significant development in our sales thanks to the higher volume that we are receiving with the same number of trucks.

Plus:

1. Paper pallets are light! You can lift a pallet with two fingers. This not only opened up job opportunities to a more diverse and gender balance workforce in Logistics, but helped to significantly reduce back injuries in our store. We’ve made a big training investment for achieving this reduction, and I cannot say that paper pallets are the only reason for this reduction, but I can for sure say that injuries coming from twisting the back are the ones that dropped the most (about 50-percent in these four years vs. about 30-percent as a total injuries decrease).

2. As we collect the cardboard, our waste management generates income most months.

3. We still have a few suppliers that haven’t switched from wooden to paper pallets and sometimes we still use wood between the port terminal and the store.
Nevertheless, while we used to send back to our DC empty wooden pallets once a week. We now only send one back every other month. Effectively, we’ve taken 42 semi-trucks a year off the road just in running empty pallets. That’s how much Portland has contributed to the 75-thousand fewer tons of CO² emissions per year.

4. Yesterday, we had our monthly store rally with our co-workers and I shared with them I was coming here today. I asked them, “What should I say, if they ask me how you feel about this change?” They said, “Tell them that we would never go back to wooden pallets and that we are proud of working at IKEA because of this change.”

5. Also, our suppliers are really glad that they don’t have to deal with the pallets coming back to them and the cost associated with that.

So, to summarize my learning after experiencing the change twice in two different countries:

• The quality of paper pallet and loading ledge is crucial.

• For us, a close cooperation with our suppliers, as well with our DCs has also been crucial to secure the success of the entire change over.

• Invest time in creating awareness of the change with your co-workers.

• Take good care of explaining why you are making the change.

• Anchor the change to your sustainability commitment, not just to money savings you get from this change.

• Underline that is a long term investment.

• Make it crystal clear that like in every change, the expectation at the beginning is to have a productivity dip due to adjustments to new equipment and new ways of working.