



General Mills Pallet Strategy
Wood vs Plastic
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Why the Change to IGPS?



- Wood Pallet Quality Issues
 - Decline in current pallet quality and service
 - Rejected loads due to pallet quality
 - Pallet-driven product damage from broken wood, nails, and overhang
 - Potential product safety issues due to wood/nails
- Sustainability
 - Pallet weight 65-75lbs consuming truck capacity and fuel
 - Streamlined depot network
 - Recyclability





Why the Change to IGPS?



- Operations Performance
 - Downtime in automated equipment due to broken wood
 - Pallets exceed 50 lb lifting guideline – potential safety issues
- Administration
 - Resources spent inspecting, tracking, accounting
 - Retail customers charging for acceptance of pooled pallets due to admin and lost pallet exposure



GMI Journey



- Significant Change for GMI – Had to Be Worth It!
- Top Ten Pooled Pallet Customer – No Leverage
- Current Vendor Non-Responsive on Quality and Admin Issues
- Considered Alternative Wood Options
 - Similar model to existing pooled pallet vendor
 - Similar pallet design so similar damage and repair scenario likely
 - Concerns re: inherent quality issues associated w/ wood pallets (broken boards, nails, inconsistent dimensions, ongoing commitment to repair required)



Key Hurdles



- Scope
 - 115 GMI sites effected
 - \$40MM annual spend
- Functionality
 - Basic dimensions, strength, safety, etc.
 - Fire safety
- Financial Performance
 - Pallet cost- current and over time
 - Productivity opportunities
- Customer Acceptance – Win/Win
 - Pooled pallets won't work without participation throughout supply chain



Why iGPS Plastic Pallets?

✓ Functionality

- Same specs as wood
- Testing focused on pallet lip found no incremental damage
- Received UL (7/2007) and FM Global (9/2008) certifications

✓ Financial Performance

- Higher pallet cost offset by increased truck utilization and operational savings (e.g. palletizer downtime reduction)
- Elimination of administrative burden and lost pallet exposure

✓ Customer Acceptance

- Flexibility in iGPS participation options including no contract
- Two participation levels provide financial incentives





GMI Tipping Point

This will be a major impact to our network.

Is it worth it?



Points of Differentiation

- Pallet quality – Superior pallet design
- Significant intangible benefits throughout supply chain
- Streamlined pallet supply network aligned with sustainability and productivity goals
- Vendor commitment to service, collaboration and continuous improvement
- Leverage/Competition will motivate all vendors encouraging cost, quality, and service improvements
- Strong customer acceptance among pooled and non-pooled pallet users due to flexible participation options





Key Learnings



- “No Pallet Is Perfect” Message – Internal & External
- Significant Positive Customer Response to GMI Efforts to Solve Pallet Problem
 - Some Outliers
- Internal and External Change Management
 - Creates New Opportunities (e.g. Slipsheet Removal and Truck Utilization)
 - Requires Some Handling Changes in Frozen (Utilize Best Practices)
- Frozen Handling Learning Curve – About 2 Weeks in GMI Locations
- Employee Morale Boost





GMI Timeline



Search for Pallet Alternative	Early 2007
iGPS Pilot	Oct 2008 – Feb 2009
Contract Negotiations	Feb 2009
Retail Expansion	Mar – Aug 2009
Foodservice Conversion	Mar – Jul 2010



GMI Frozen Conversion –Status



- 99% of GMI frozen network converted
- 98% of frozen retail customer locations receiving iGPS
- Working with 7 ship-to locations with ongoing handling concerns
- Expansion into frozen Foodservice announced for June 2010
- Working on frozen Foodservice customer acceptance



Questions