

# 2023 Outlook for the U.S. Pallet, Logistics, and Transportation Markets



Zach Gilbert  
Chief Commercial Officer, PLA





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## **2023 Outlook for U.S. Pallet, Logistics, & Transportation Markets**

ZACH GILBERT, CHIEF COMMERCIAL OFFICER



# The Headlines

## Global supply chain crisis could last another two years, warn experts

As some bottlenecks ease others are just starting, meaning the post-pandemic economy ‘won’t return to normal any time soon’



McKinsey & Company

Travel, Logistics & Infrastructure

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### How Shanghai’s lockdowns are affecting global supply chains

May 27, 2022 | Video

**FREIGHTWAVES**  
The Nerve Center of the Global Supply Chain

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## Latest supply chain crisis could threaten global stash of food, energy

You should keep a close eye on barges

 Rachel Premack · Thursday, October 13, 2022

ECONOMY

## After two years of shipping snarls, things are starting to turn around

PUBLISHED SUN, OCT 16 2022 7:33 PM EDT | UPDATED SUN, OCT 16 2022 9:20 PM EDT

Su-Lin Tan  
@SULIN\_TAN

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Like inventory surplus forces wholesale strategy rethink · Logistics news round-up: road, rail, sea and air freight · Supply chain disruption 'is heralding

Article · Supply Chain Risk Management

### Pandemic: will volatility be 'new normal' for supply chains?

AP

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## Tentative labor deal averts threat of nationwide rail strike

By JOSH FUNK, JOSH BOAK and ZEKE MILLER September 15, 2022

Harvard Business Review

Operations And Supply Chain Management | New Data Suggests

Operations And Supply Chain Management

## New Data Suggests the U.S. Trucking Shortage May Be Ending

by Noel Perry, David Simchi-Levi, and Brent Hutto

May 18, 2022

The New York Times



### A Normal Supply Chain? It's 'Unlikely' in 2022.

The chaos at ports, warehouses and retailers will probably persist through the year and perhaps even longer.



Administration

JUNE 17, 2021

## Why the Pandemic Has Disrupted Supply Chains

[CEA](#) [WRITTEN MATERIALS](#) [BLOG](#)

By Susan Helper and Evan Soltas



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# Introduction

## Freight and Logistics Background

- Freight; Warehousing; Flex Solutions Coyote Logistics
- E-Commerce; Air Cargo; Amazon Operations at UPS
- Sold a combined UPS/Coyote suite of Supply Chain Services

## Chief Commercial Officer, PLA





# Why PLA?

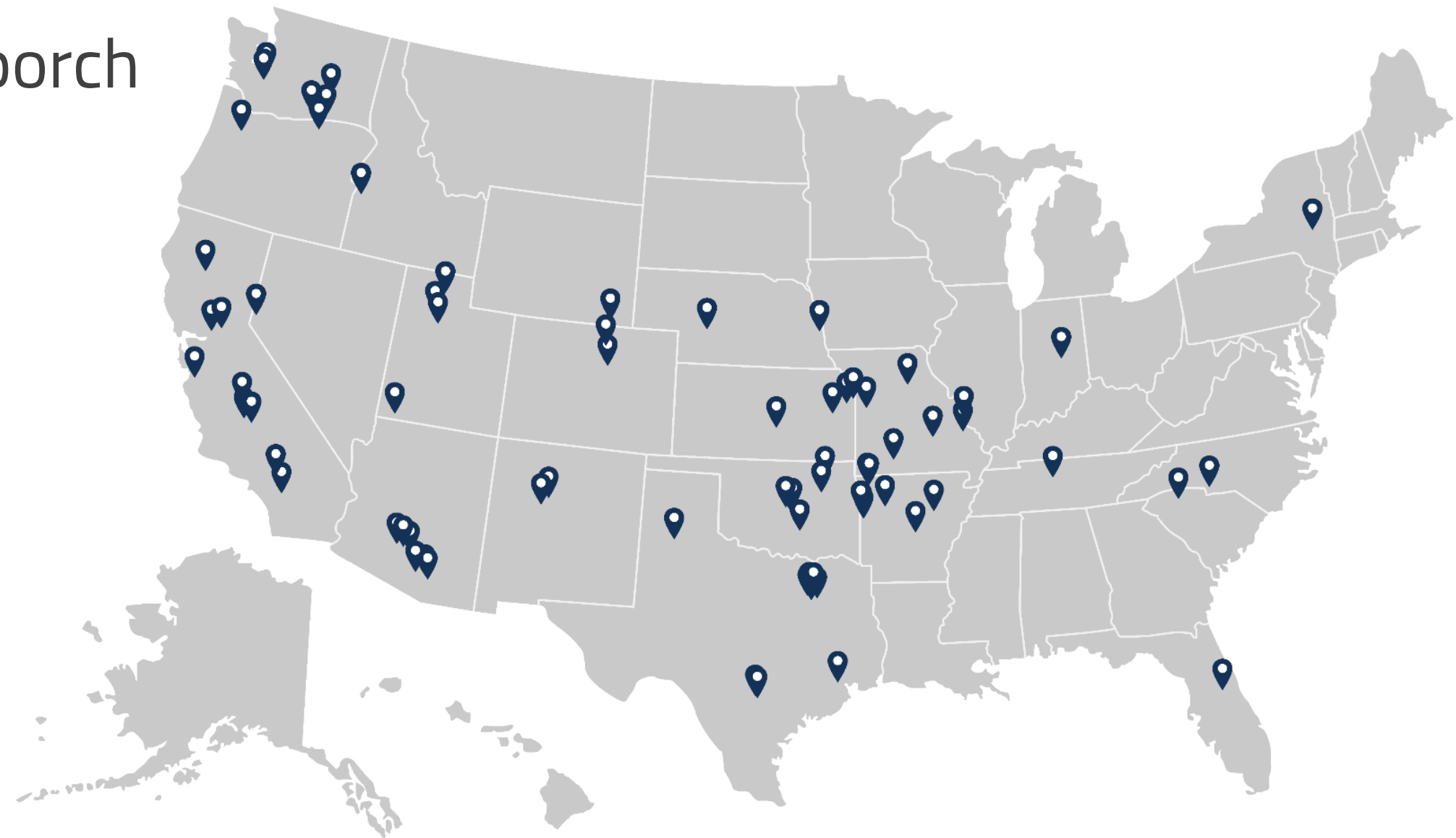
Touch the entire supply chain, port to porch

Nationwide asset footprint

- 75+ locations
- 3,300+ combined drivers and trailers

Volume and density

- 1,500+ customers
- 115M+ pallets handled annually



**25**  
TPM Sites



**13**  
RLCs



**23**  
3PL Operations



**2**  
Freight Brokerage  
Locations



**17**  
New & Recycled  
Pallet Plants



**1**  
Lumber Mill

# Pallet Solutions



## NATIONAL PALLET PROGRAMS

Nationwide service through our network of 75+ company-owned and operated facilities and expansive network of trusted partners.



## PALLET RETRIEVAL

Always know what's going on in your pallet program with a vendor that prioritizes consistency, accountability and transparency.



## CUSTOM CRATING

Put our three decades of crating expertise and supply relationships to work for you, ensuring the best crate for your needs.



## RECYCLED, NEW, & CUSTOM PALLET

Work with a single provider for all your pallet needs, so you don't have to deal with the headaches of juggling multiple pallet vendors.



## PALLET REPAIR & RETURN PROGRAMS

Reduce costs with a program that gets the most value for your used pallets and minimizes the pallets you need to buy.



## NEW LUMBER MILLING

Rest assured your lumber will be cut precisely and consistently to your specs with our modern, automated equipment.

# Supply Chain Services



## REUSABLE PACKAGING OPTIMIZATION

Pallets, RPCs, bins, and totes – we'll help you stay on top of all your reusable packaging flows.



## REVERSE LOGISTICS

From pallets to shopping carts to reusables to unsaleables, stay on top of everything coming back from your stores.



## TRANSPORTATION & LOGISTICS MANAGEMENT

Let the experts at PLA optimize your freight through our private fleet and extensive nationwide network of transportation providers.



## ON-SITE SERVICES

PLA's trained staff can expertly execute a variety of pallet management and other warehouse services at your facility.



## 3PL & WAREHOUSING SERVICES

Smarter material handling, inventory control, and order management can help streamline your supply chain.

# It's Incumbent Upon PLA to be Data Obsessed



- Pallets are the true beginning and end of the supply chain
- We see production and consumption data in real-time
- Pallets are an early indicator of transportation demand

**"History doesn't repeat itself, but it often rhymes."**

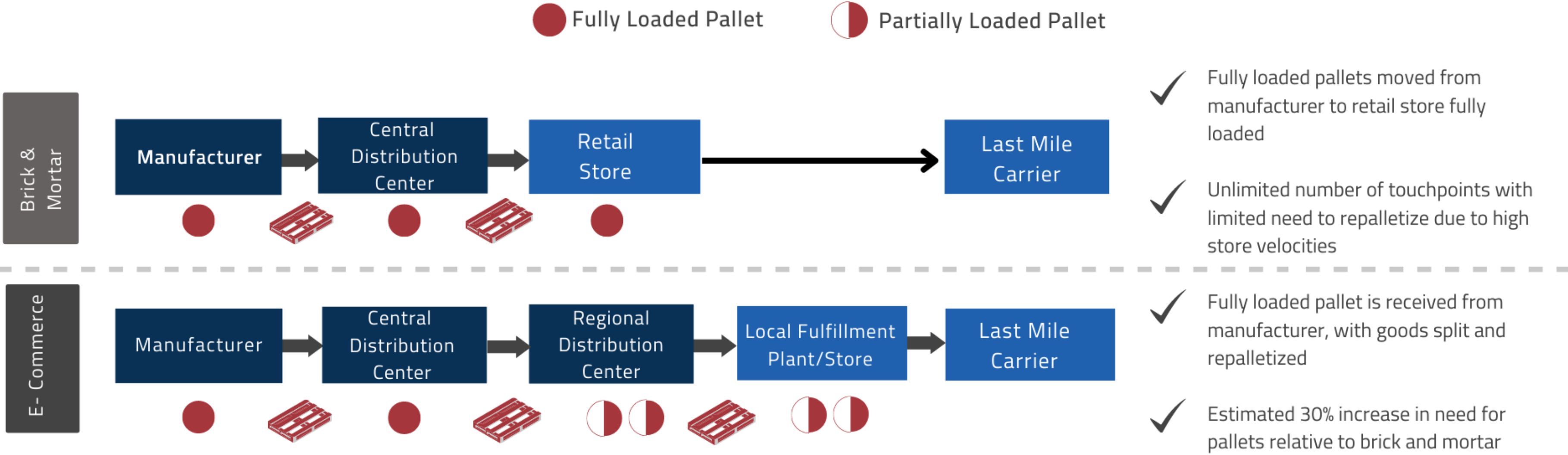
- Mark Twain (attributed to)



# WHAT DRIVES THESE MARKETS?



# Just-in-Time and E-Commerce – the “Amazon Effect” on Pallets



# Supply Chain Evolution: Shifting to a post-Covid “Just In Case” Supply Chain

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Nike inventory surplus forces wholesale strategy rethink • Logistics news round-up: road, rail, sea and air freight • Supply chain disruption 'is heralding gre

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## SAP report: supply chains shifting to 'just in case' model

By Sean Ashcroft  
June 08, 2022 • 5 mins

### Global Warehousing Market Size Estimated to be Valued at \$285 Billion in 2022, Says Beroe

Demand for warehousing is pegged to increase to \$326.3 billion in 2024, recording a 7 percent CAGR in the duration. Increased demand for online purchases of fresh produce and grocery, vaccines, and pharmaceuticals, fueled by the COVID-19 pandemic, is the biggest growth driver.

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NEWS PROVIDED BY  
**Beroe Inc.** →  
Mar 15, 2022, 09:00 ET

Disruption is Expensive

Build Inventory to Avoid Shutdown

Prioritizing Supply Chain Redundancy

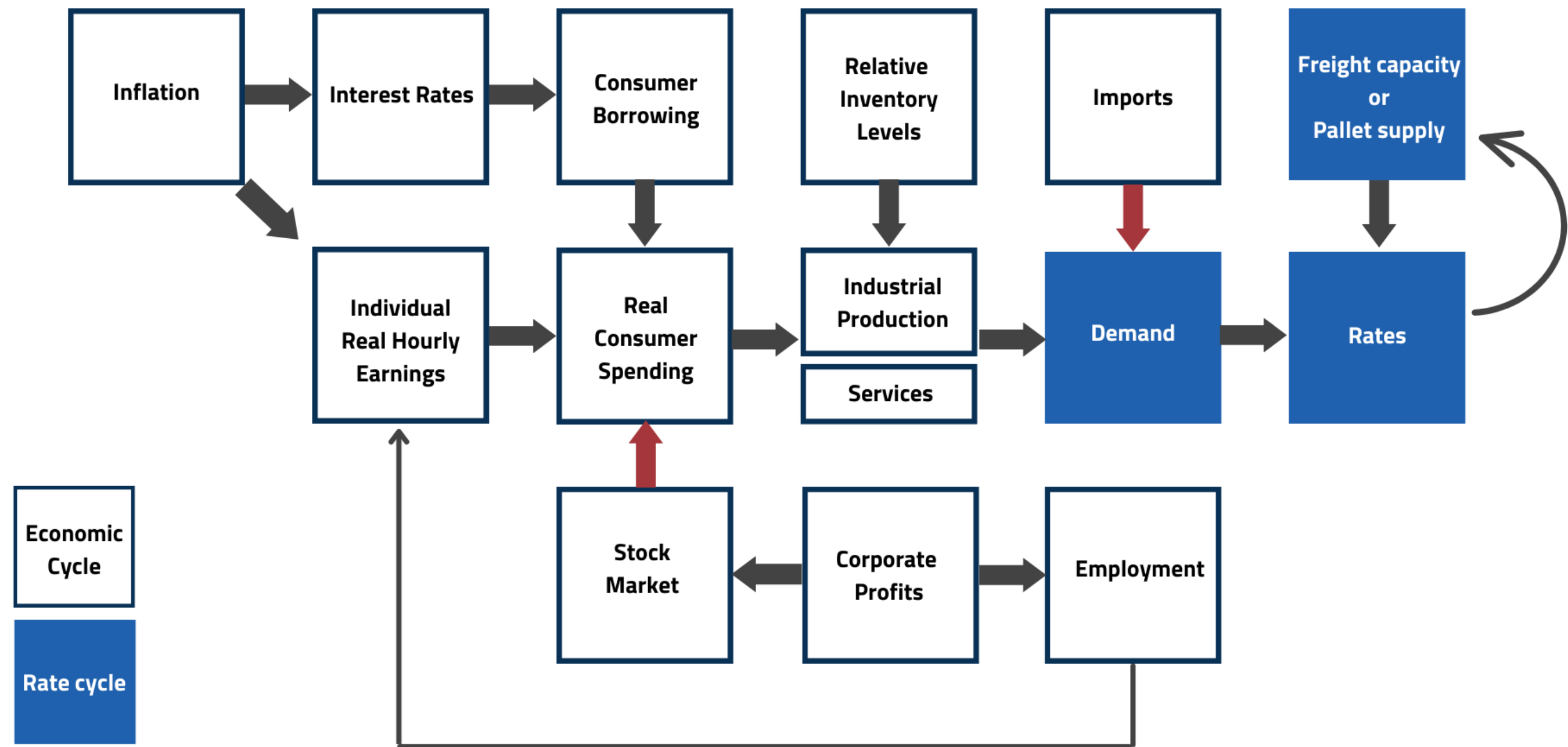
Diversify Supplier Base

Reshoring





# Impact of the Economic Cycle: Inflation & the Resilient Consumer



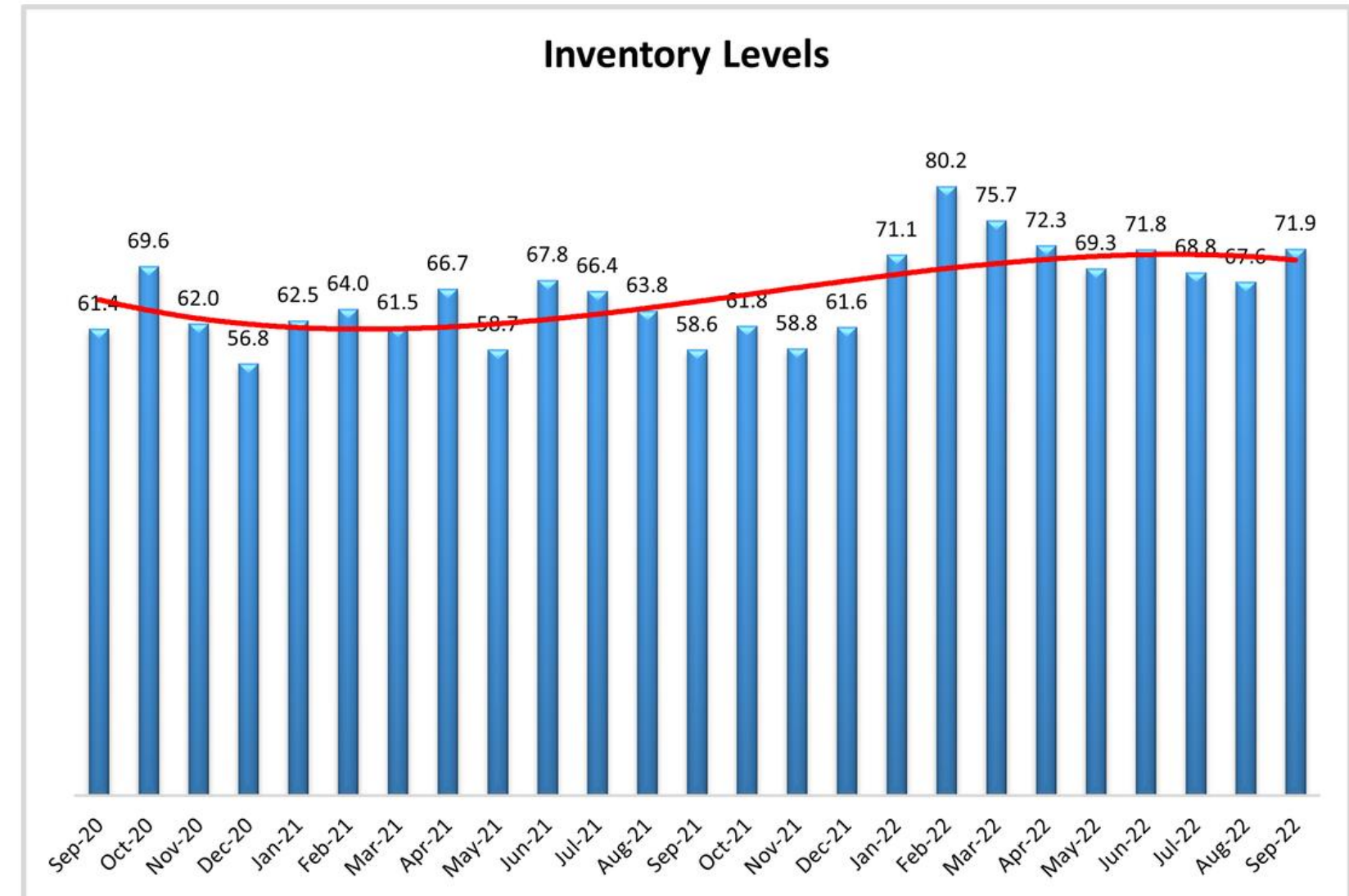
➡ Primary Effect    ➡ Secondary Effect

Economic Cycle Model Source: Ellis, Joseph. "Ahead of the Curve". Harvard Business School Press, 2005

# 2022 Market: Evolving Supply Chain and the Pallet Impact

- Shift to “Just In Case” Supply Chain
- Reshoring
- E-Commerce Boom
- Micro-Fulfillment
- Resilient Consumption

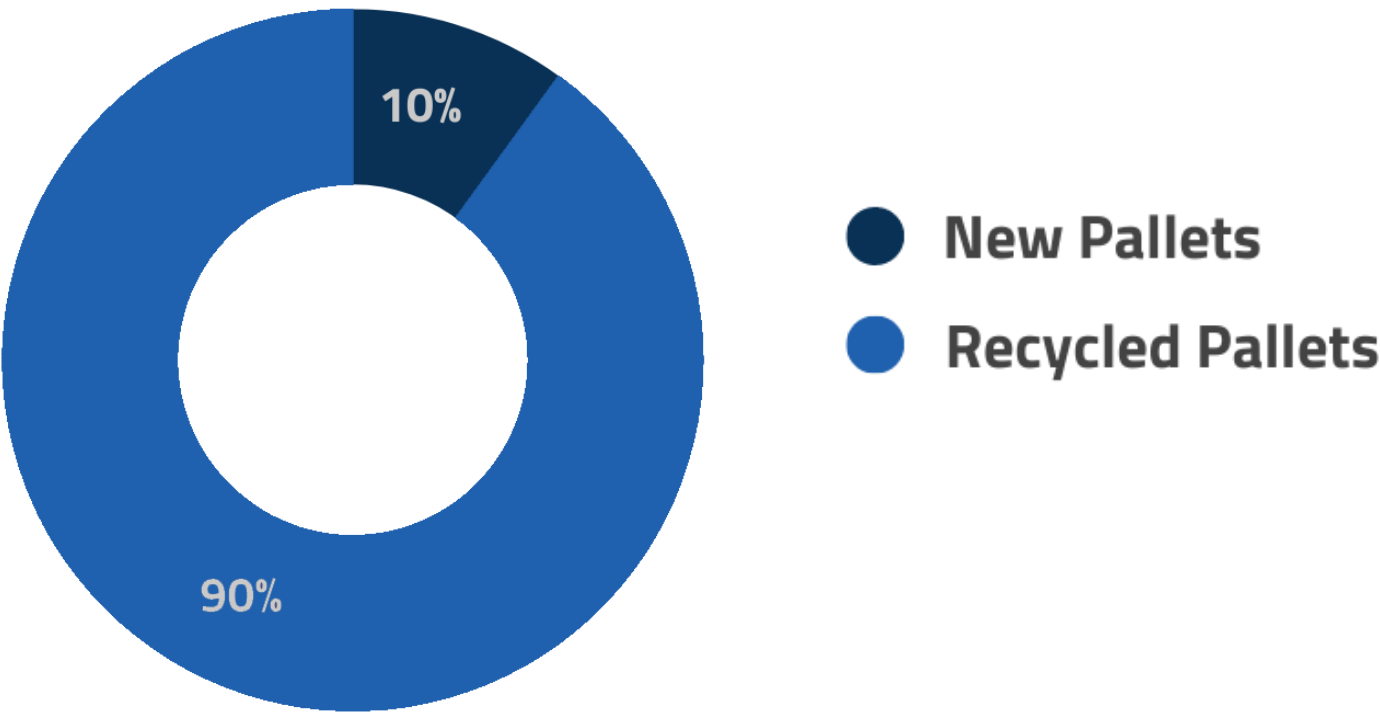
More inventory, more locations,  
more pallets required



Source: Logistics Manager's Index

# 2022 Market: Lumber, Sustainability, and the impact on pallets

- Volatile Lumber Market of 2021 and 2022
- Shift from New to Recycled
- Sustainability initiatives put added pressure on recycled material
- 90% of pallet demand volume is recycled



Source: Independent Third-Party Study

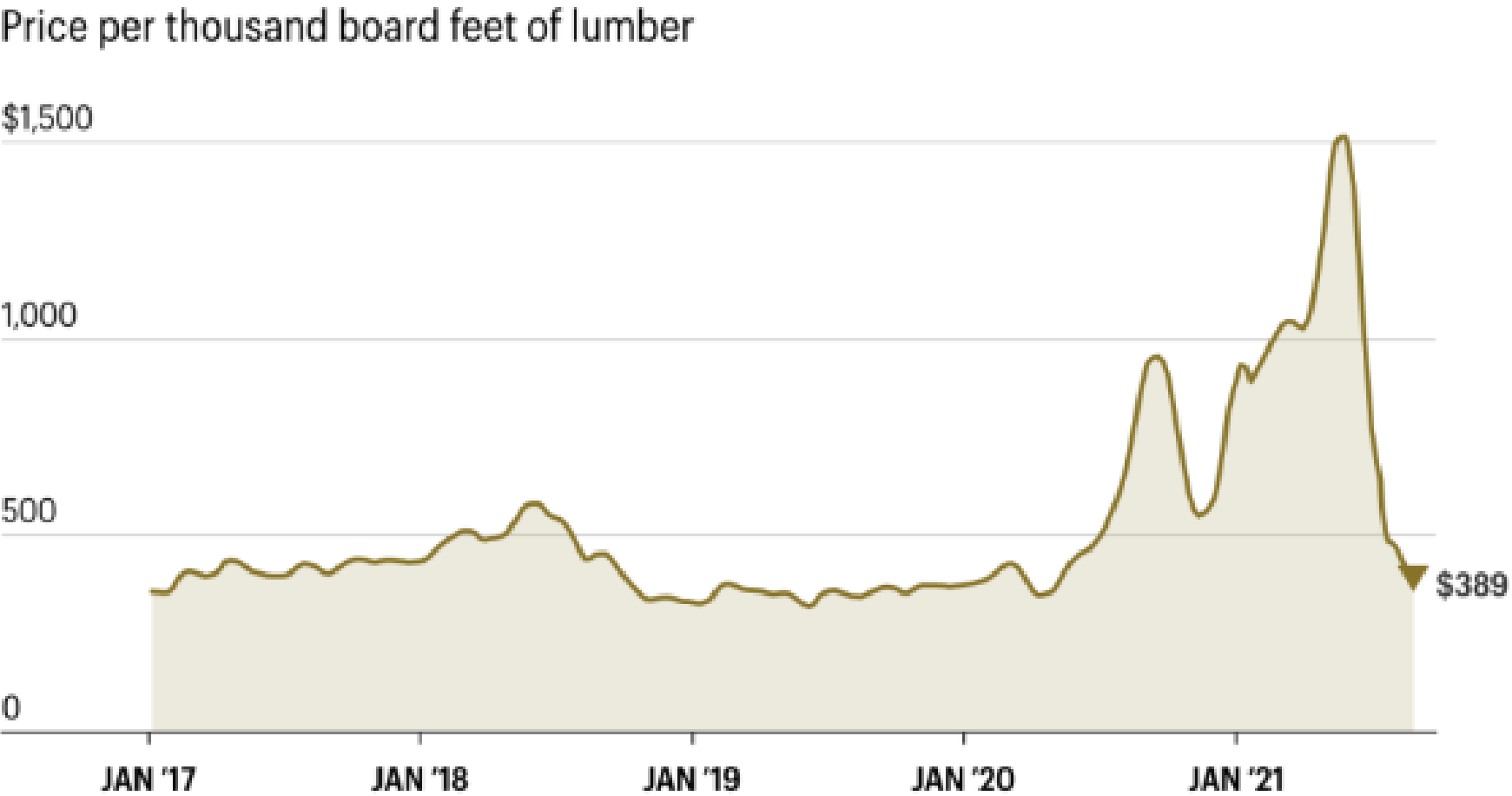


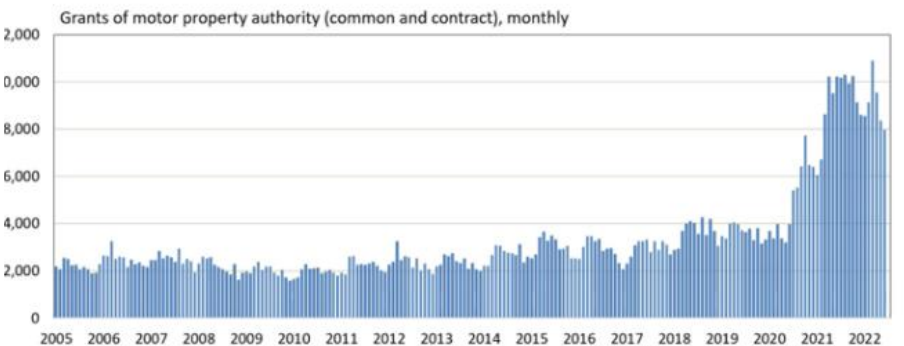
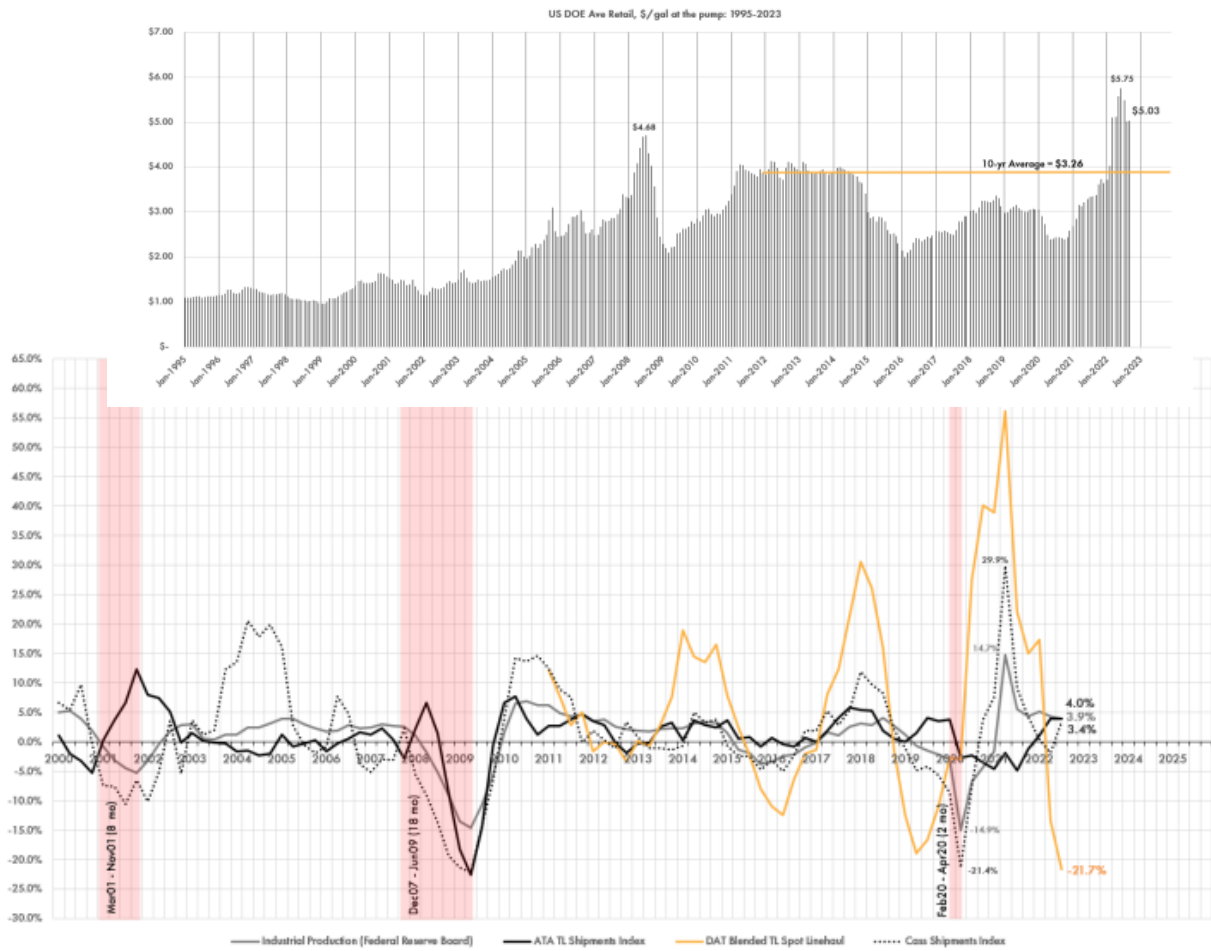
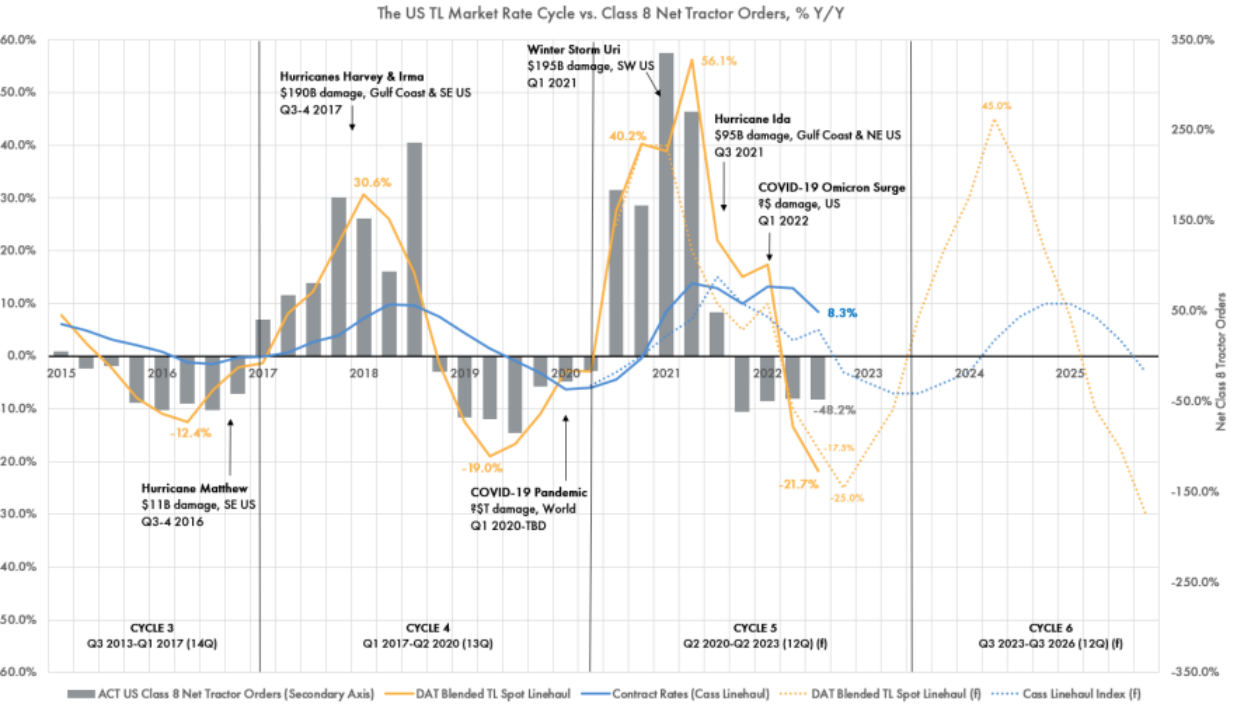
CHART: LANCE LAMBERT • SOURCE: FASTMARKETS RANDOM LENGTHS FRAMING LUMBER COMPOSITE PRICE FORTUNE

Source: Fortune



# Cyclical Transportation Market – The Pickett Line

- Chris Pickett – Chief Strategy Officer – Flock Freight
  - Ex Coyote CSO - “The Coyote Curve”
- Founded Pickett Research LLC
- Publishes Monthly “The Pickett Line”



Source: FTR analysis of Federal Motor Carrier Safety Administration data ([www.ftrintel.com](http://www.ftrintel.com))



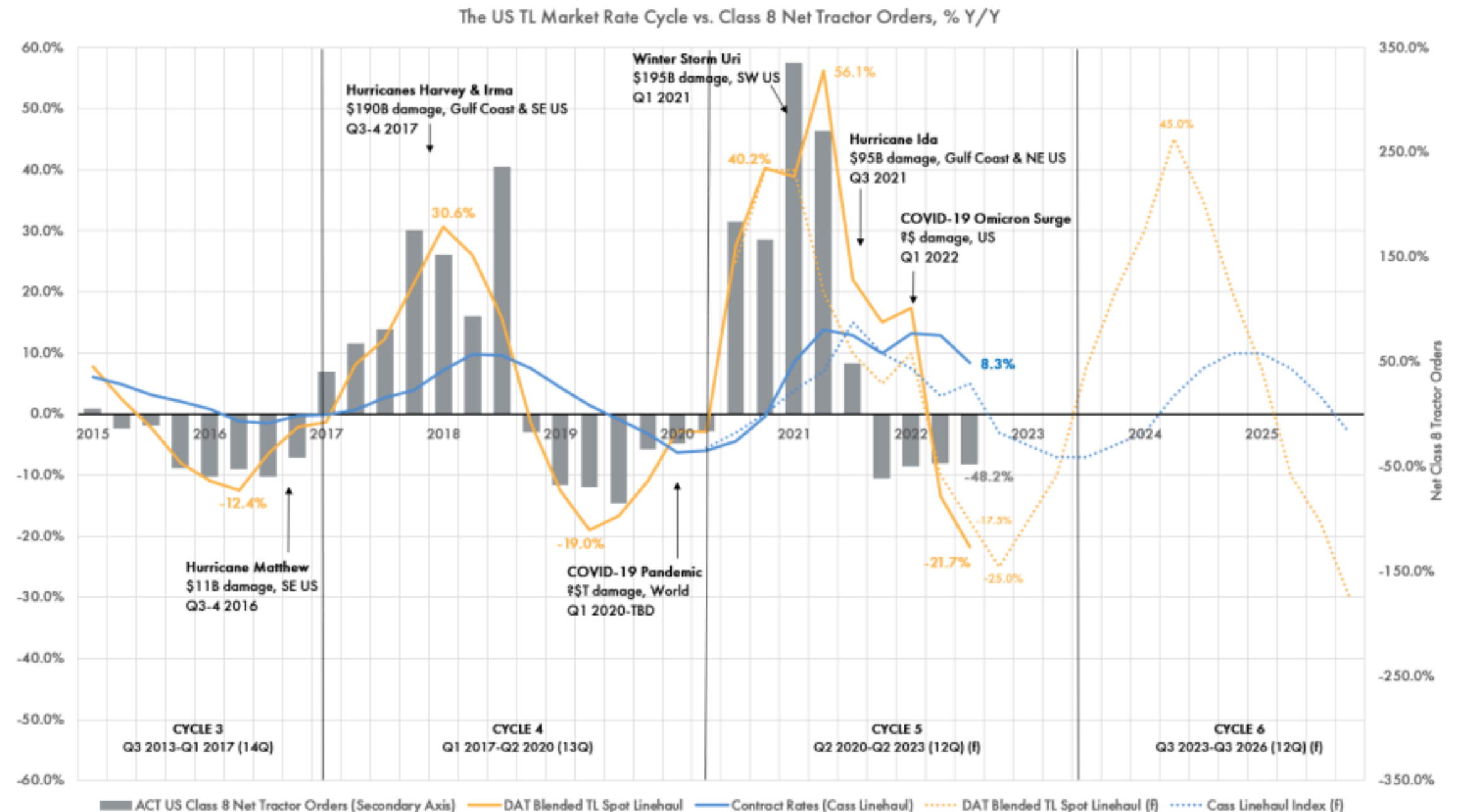
# Cyclical Transportation Market – The Pickett Line

Transportation is Cyclical  
(~3 yrs)

There will always be “noise”  
in data – zoom out and you  
see a model that repeats  
itself

“Driver Shortage” Reality:

- When times are good – drivers enter market
- Too many drivers shifts demand, drives down rates
- When times are bad – drivers exit market



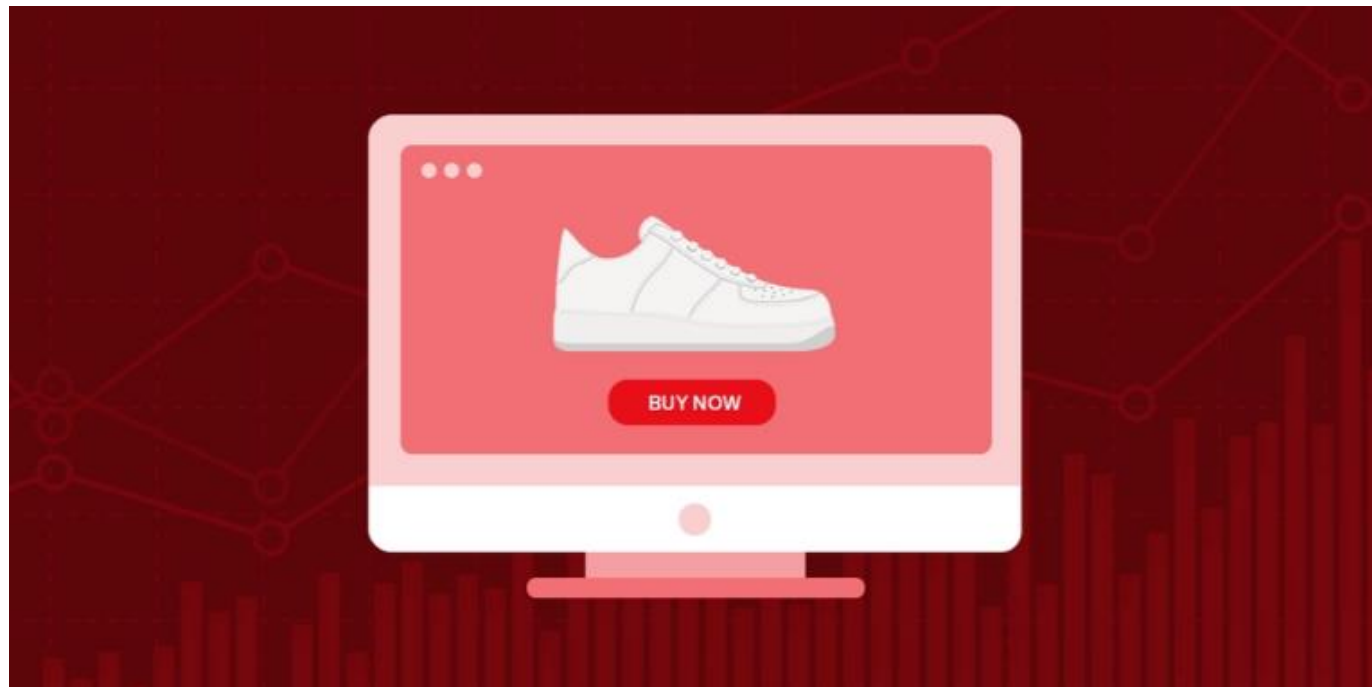
# 2023 MARKET OUTLOOK: PALLET



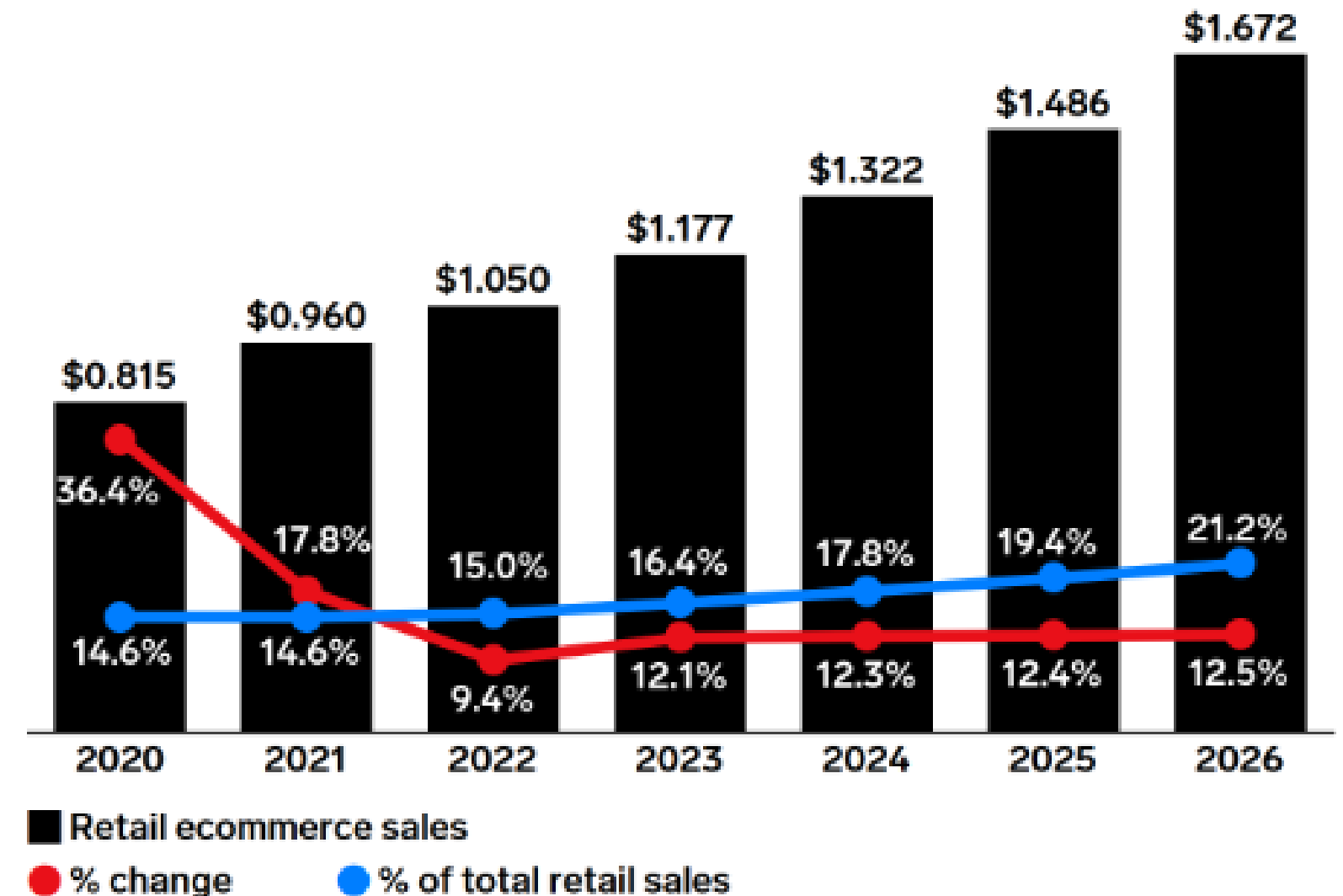


# 2023 Outlook: E-commerce

- **E-Commerce** expected to grow YoY
- **Micro-fulfillment** = more pallets
- **Where are we going?**
  - **South Korea E-Commerce penetration is 35%**



**Retail Ecommerce Sales in the US, 2020-2026**  
*trillions, % change, and % of total retail sales*

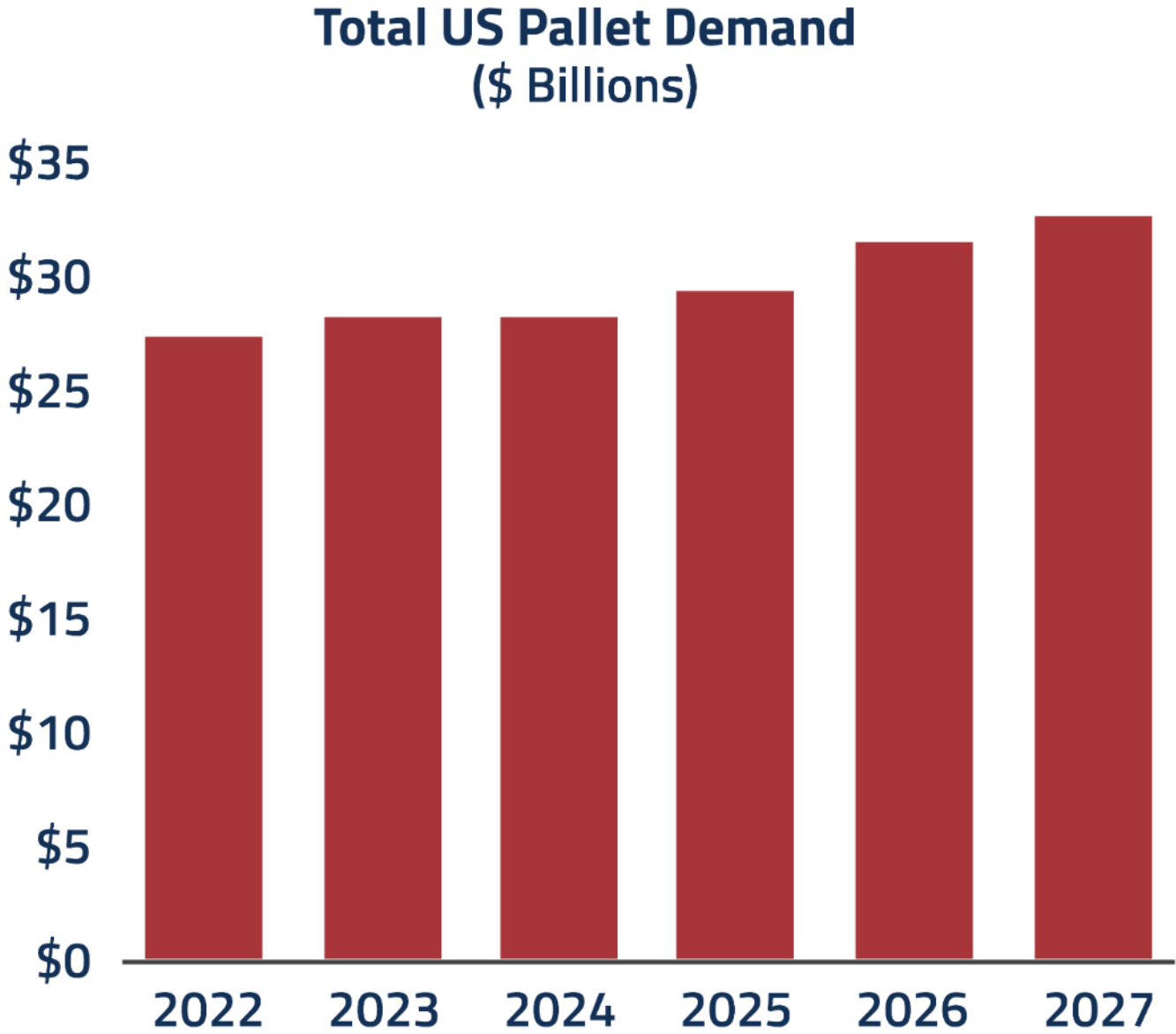


*Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales*

*Source: eMarketer, June 2022*

# 2023 and beyond – What's next?

~\$25 billion US Pallet Industry  
expected to grow to **\$30+ billion**  
over the next five years



Source: Independent Third-Party Study



# 2023 Pallet Supply Likely to Remain Stable vs. 2022

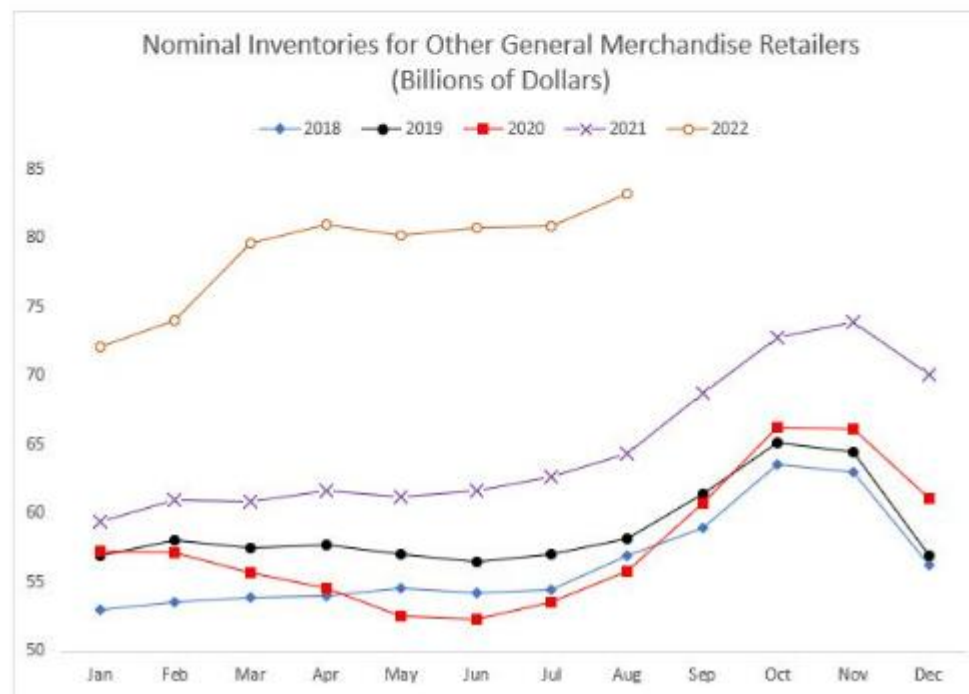


MARKETS | HEARD ON THE STREET

## American Stores Have Too Much of the Wrong Stuff

Chains such as Walmart, Kohl's and Target are stuck with goods and apparel customers wanted months ago

- **Supply will increase with flushing of inventory**
- **Extended Black Friday**
- **CPG/other necessities – which makes up majority of pallet market – remain stable**

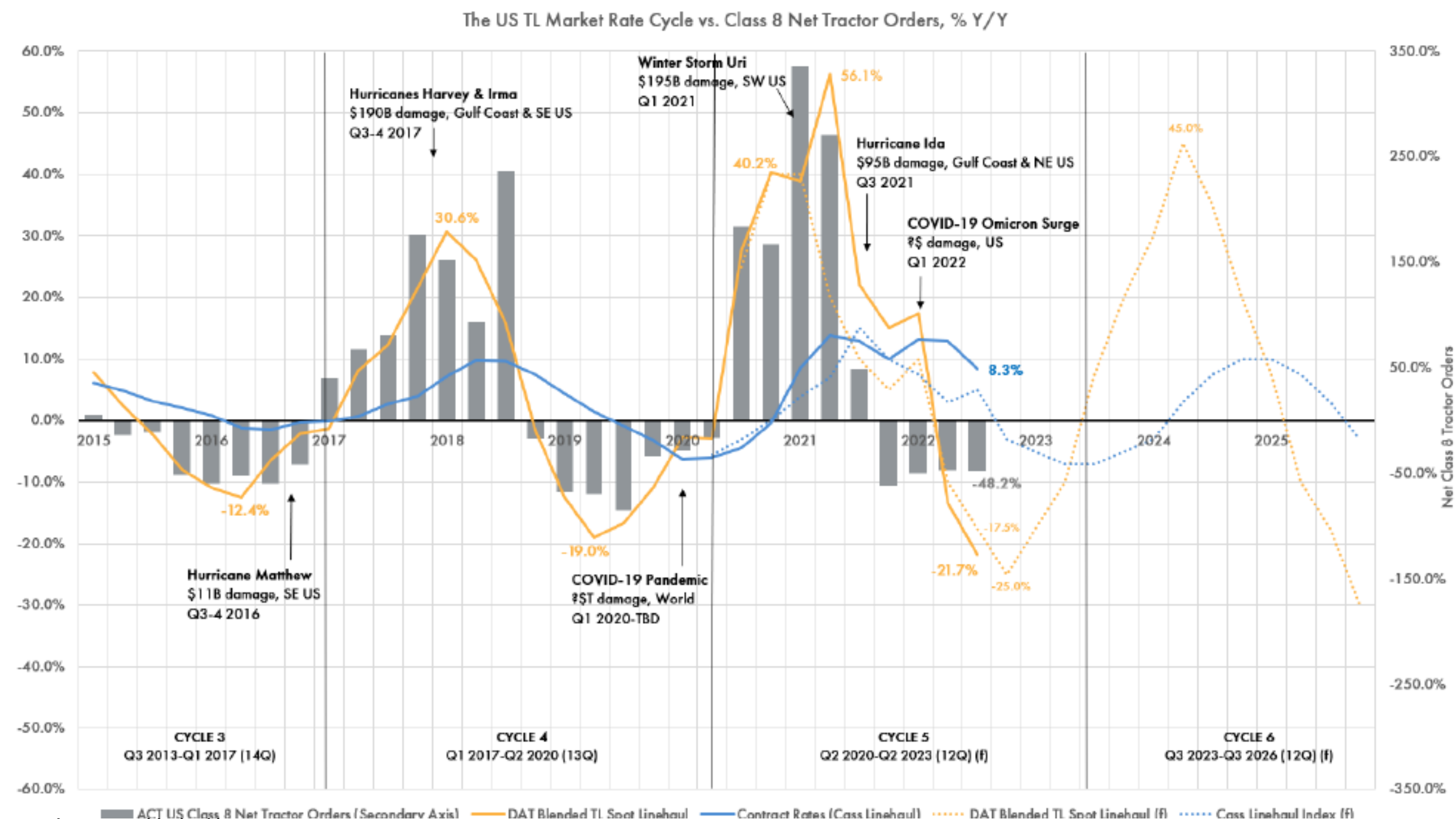




# 2023 MARKET OUTLOOK: TRANSPORTATION



# 2023 Outlook: Where are we in the cycle?

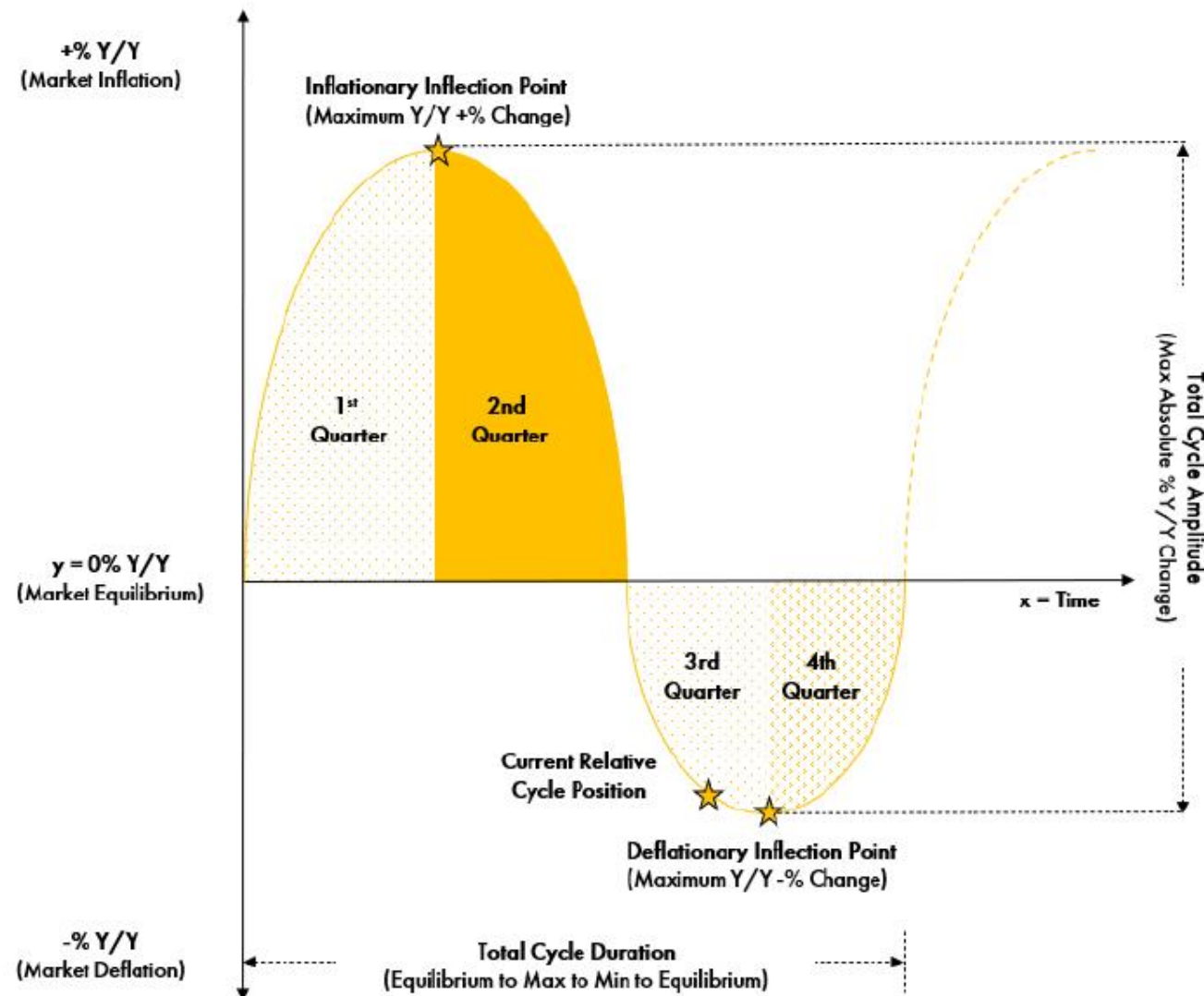


Source: Pickett



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# 2023 Outlook: Where are we in the cycle?



## Current Position Summary: Q3 2022

Market Cycle Phase: Late 3<sup>rd</sup> Quarter, 2020-2023(f) Cycle

Q3 2022 Actual: -21.7% Y/Y vs. Forecast: -17.5% ( $\pm 5\%$ )<sup>1</sup>

Q4 2022 Forecast: -25.0% Y/Y ( $\pm 5\%$ ) or flat Q/Q<sup>2</sup>

Q3 2023 Forecast: +7.5% Y/Y

Next Inflection Point: Q4 2022

<sup>1</sup> Revised Q1 2022 Forecast

<sup>2</sup> vs. Current Q3 Actual

- **Nearing Deflationary Inflection Point**
- **Expect Equilibrium sometime in first half of 2023**
- **Inflationary trend throughout remainder of 2023**
- **Pickett Line Published Monthly with updated forecasts**

# NAVIGATING THE MARKET IN 2023





# Actions you can take to lessen the uncertainty

- Analyze how the events of the past 2 years impacted your Supply Chain
  - Triage what went wrong and why?
- Leverage Experts in areas of weakness
- Create updated forecasts based on the realities of your new supply chain
- Review your supplier base – diversify and invest with strategic partners
- Be transparent in your supply chain goals/initiatives – help us plan to help you mitigate
- Help us help you – visit us in **Booth 6858**

**“History doesn’t repeat itself, but it often rhymes.”**

**- Mark Twain (attributed to)**

**THANK YOU**

