



Logistics Association of Australia Ltd

INNOVATION & MATERIALS HANDLING

The Logistics Development Award is sponsored by CHEP Australia and supported by TMP Worldwide.

Following is the fifth in a series of articles from Paul Walton, winner of the Logistics Development Award 2001, sponsored by CHEP Australia and supported by TMP Worldwide.

During my international study tour, I reviewed a groundbreaking Global Innovation Centre currently under completion by CHEP. CHEP is the sponsor of the Logistics Development Award, and was also kind enough to invite me to review their new facility in Orlando, Florida. The site is cutting edge not only for the delivery of some breakthrough products, but also for its approach and process of innovation – building a comprehensive framework, with a focus on collaboration.

COMPANY BACKGROUND

CHEP is the largest division of the global support services company Brambles. Group turnover is around AUD\$8.7 billion per annum of which CHEP contributes around 34%. CHEP has only recently become a significant player in the US market, demonstrating outstanding growth of 44% last financial year with key contracts including Walmart and Home Depot.

BUSINESS DRIVER FOR CHANGE

CHEP, like many international companies, was hampered by a fragmented innovation process. Each major office in Europe, USA and Australia looked after their own innovation. Even then, technical development was often decoupled from product development.

What resulted was:

- Duplication of effort
- Inconsistent delivery of products and services
- Higher costs, and gaps in product and technology

CHEP identified the value opportunity for both itself and its customer base, and set about securing the opportunity, through the establishment of Innovation Centres around the globe.

INNOVATION CENTRE LAYOUT

- The Centre is based around a Video Conference Room which enables real time information to be shared globally.

- The Tear-Down area provides the capability to examine any product designed with desired performance traits. A mobile phone is a good example, with plastic weight and strength being critical properties in common with a pallet.
- A Mock Supermarket allows both CHEP and customers to trial new products within a working environment, working out operational bugs impossible with a standalone prototype.
- Stress test equipment enables CHEP and its customers to replicate environmental hazards such as humidity, temperature, handling and pallet damage.

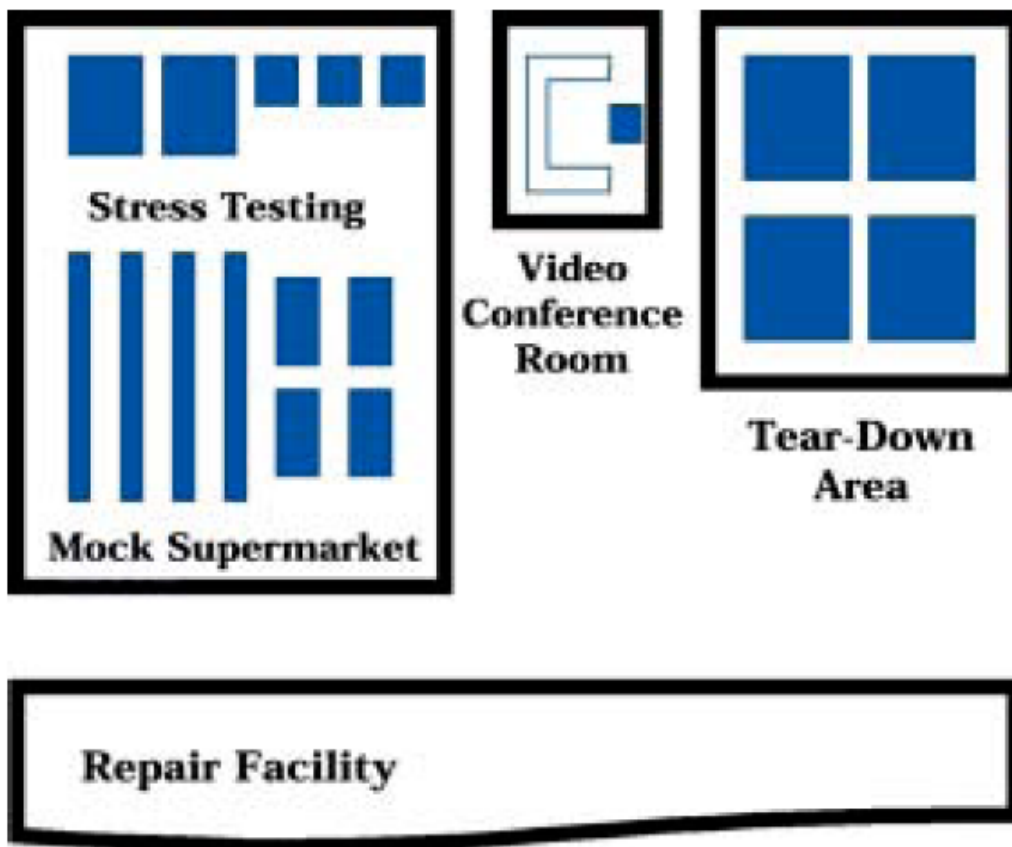


Figure 1 – Innovation Centre

COLLABORATIVE INNOVATION PROCESS

CHEP Global: the Global Innovation Centres, which have been established in the US and Europe so far (with Australia on the drawing board), are linked by web technology to ensure real time sharing of information and results and the joint development of ideas.

Customers: are involved heavily at the concept development stage of the innovation process, during the product validation stage (which involves significant trials in the Mock Supermarket and Stress Test area), and also in market testing. Ideas do not proceed past any stage without customer support.

Suppliers: are leveraged in a collaborative design process. CHEP has partnered with specialist input materials providers who combine their expertise with CHEP's application and market knowledge.

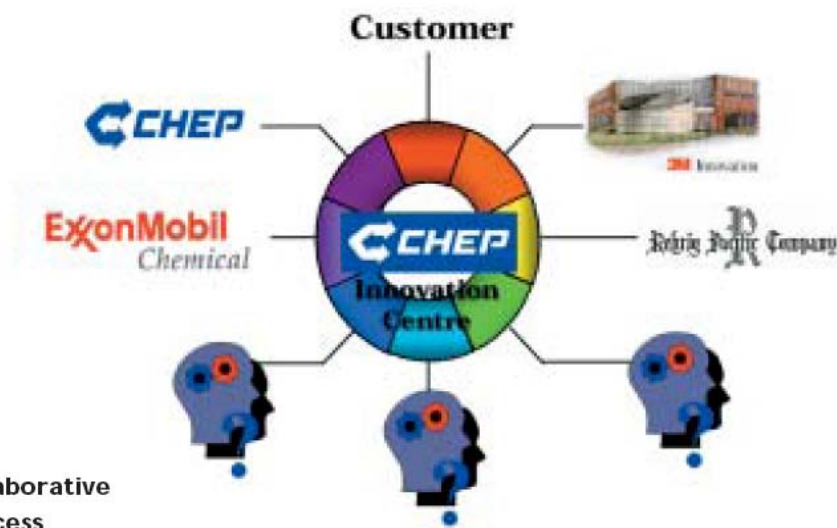


Figure 2 – Collaborative Innovation Process

PRODUCT OUTPUTS

Plastic Pallets: Traditionally plastic pallets have not withstood the rigours of the demanding materials handling market for a number of reasons:

- Weight, racking strength and surface friction
- Cost

CHEP has focused significant resources globally and believes it has a product ready for market testing in 2002. Some of the benefits include:

- Lower weight, higher racking strength and improved surface friction
- Consistent dimensions and formation
- Cleaner design
- Compatibility with new technologies

Savi Chip: Is a read/write chip with twenty word alphanumeric capacity which can be embedded in a plastic pallet or leadboard. The read range can be set at either 3.5m or 100m and the chip enables unlimited applications:

- Automated recording of production batch information
- Rapid warehouse operation and stocktaking with handheld equipment
- Automated truckload receipting via a sensor at customer/depot gatehouse
- Recording of pallet usage history for quality investigation purposes

SUMMARY

CHEP has identified the opportunity to add value in the materials handling arena through innovation in product capability. It has enabled this by designing and implementing a robust innovation process which is under trial in

the US and Europe. Some groundbreaking products have resulted which we should see in the Australian market over the next twelve months. If the Global Innovation Centres continue to deliver successful products, it is likely Australian companies will see the concept established more quickly here: with its strong collaborative approach to materials handling innovation.