Product Lifecycle Logistics

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Elevate Sustainability with a Third-party Logistics Partner

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Sustainability, through and through.

The 70's and 80's brought us awareness of impending air and water pollution prompting corporate responsibility initiatives; the 90's introduced awareness and response to natural resource depletion such as LEED (Leadership in Energy and Environmental Design); the 21st century ushered in globalization of corporations and cultures; and today we are united by sustainability to ensure the future provides secure economies, social well-being, and resource availability.

The entrenchment of sustainability has gone deeper than rhetoric and broader than green. As more than two thirds of Fortune 500 companies set goals and develop initiatives to participate in the sustainability of global resources, how can their strategies go beyond their walls and into the supply chain?

Integrating Sustainability Goals with your 3PL

Third party logistics providers (3PLs) are in a unique position within the global supply chain. Neither the manufacturer nor the retailer, 3PLs are tasked with bringing innovation, technology, and best practices to the movement of goods throughout the supply chain. As such, sustainability practices are a natural fit for the 3PL to partner with its customers and collaborate on projects to further customers' sustainability ambitions.

Integrating sustainability into a 3PL operation requires alignment with the customers' vision and industry focus. If the 3PL operates a multiple client facility, the 3PL's sustainability efforts will most likely be common across all customers and limited to areas within the logistics provider's control and budget. When the outsourced warehouse facility is occupied by a single customer, the ability to tailor the workplace to include aggressive sustainability projects widens.

Businesses have common goals to reduce energy use, lower carbon emissions, reduce waste into landfills, and support diversity in suppliers and in the workplace. Within industry segments, the goals vary by priority and measurability. As an example, the retail industry may focus on energy and communities. Technology manufacturers are more concerned with conflict minerals and government regulations on e-waste. Fluctuating market pressures, regulations, and reporting requirements complicate and quicken the challenge to establish environmental and cultural metrics within each organization.

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Variance by Industry

Starting with the third-party warehouse and transportation industry, what is the impact of sustainability on a 3PL's business? Would it require drastic changes in the operating approach or the culture? Can a 3PL be sustainable and maintain the cost levels customers expect? What metrics should be measured and reported? How do various service offerings address sustainability? How much capital does the 3PL need to invest in sustainability projects? And how does the narrative change, if at all, for an asset-based 3PL vs. a non-asset-based 3PL?

The reality is that the customer who outsources logistics will have an agenda to be followed for sustainability goals. 3PL contracts are designed to improve efficiencies and reduce costs more than if the operation was handled internally. As a business model operating on tight margins, customers may be reluctant to agree to sustainability projects that do not have clear ROIC (Return on Invested Capital) results.

An opportunity to align logistics providers operations with the customers' sustainability objectives can be a Win-Win if the 3PL can provide expertise in the projects most important to the customer. Therefore the first objective is to know the customer's industry and its priorities related to market trends, government regulations, and impactful activism to sustain resources, environment, labor, and social resilience.

Sustainability or corporate responsibility undertakings are unique to each company and industry, with priorities set by their greatest ability to influence changes in the environment, society, or business continuity. Here are examples of commonalities and variances to be considered when developing a synchronistic program for the customer with a partner.

Table 1 – An industries' greatest area of impact drives sustainability initiatives

CONSUMER GOODS
- Workplace (consumers, suppliers, workforce, communities)
- Economic (innovation, product pipeline, affordable, profitable)
- Environment (materials, resources, carbon emissions, zero-waste-to-landfill)
- Supplier Collaboration (end-to-end supply chain alignment of goals)

HEALTH CARE
- Social (health, nutrition, community, employees, humanitarian programs)
- Regulatory (quality, compliance, risk management, disaster recovery protocol)
- Resource Conservation (renewable materials, packaging, water, energy)
- Environment (CO_2 Emissions, Hazardous Waste Management)

INDUSTRIAL
- Environment (carbon disclosure, water consumption, fuel efficiencies)
- Energy (renewable energy, LEED buildings, building management systems)
- Recycling (recycled materials in production, waste-to-landfill reduction)
- Transportation (fleet efficiencies, CNG vehicles)

RETAIL
- Social (diversity in hiring, fair wages, military support, emergency response)
- Resource Conservation (repurposed materials, energy, climate, LEED buildings)
- Environment (hazardous waste management, recycling, EPA WasteWise)
- Transportation (network design, fuel conservation, EPA SmartWay)

TECHNOLOGY
- Environment (e-waste management, green packaging, reduce energy)
- Communities (volunteerism, diversity, inclusion, technology sharing)
- People (next generation leaders, flexible work programs)
- Supplier Collaboration (diversity, resources, conflict minerals)

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Process, Metrics, Results:

Once the 3PL studies its customers' objectives, the foundation for a viable and compelling strategy will evolve. Internal to the 3PL organization, the use of Lean practices such as value-stream mapping will help to identify areas of waste. Worker engagement leads to easily identifiable savings and ownership for success. Once the customer is engaged in the process, on-going communication of sustainability initiatives with the 3PL will enable continuous implementation of sustainability into an array of logistics solutions along the supply chain.

Six Steps to a Sustainability Strategy:

1. Identify stakeholders

A stakeholder is any person who can be affected by a company's actions. Simply put, we're all stakeholders- employees, customers, suppliers and shareholders. However, the stakeholder population extends well beyond these groups. As in, the communities and markets that are affected by the actions and initiatives of all businesses participating.

3PLs are the behind the scenes curator of success and metrics for customers. 3PL's stakeholders begin with its customer, and their shareholders, executives and consumers. Internally, 3PL operations are responsible for the ethical, environmental and energy correctness of its facilities, workforce, and communities. Accountability to these issues is a benefit the customer receives when aligning their own sustainability strategies with selected vendors to outsource supply chain services.

Large global corporations have much broader audiences, which can include the public, investors, non-governmental organizations (NGOs), government organizations, and environmental groups.

In identifying stakeholders, 3PLs need to understand how corporate decisions, processes, and behavior are linked to those stakeholders, and directly with the consumer, the biggest stakeholder.



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2. Develop a sustainability strategy

A practical starting point in strategy development is an evaluation of existing operations. Does the 3PL's customer have defined sustainability programs? If so, what do the programs consist of, what are the goals, and are they congruent with the context of the operation?

In most instances, it makes sense for the 3PL to mirror their customer's sustainability program. Using the customer's strategy as a base, the 3PL can devise programs within the 3PL's area of influence and develop overlapping goals and metrics.

With risk management crucial to business sustainability in today's global economy, 3PLs need to consider how their strategies might affect their businesses and stakeholders. Brand protection, environmental issues, supply chain stability, public image, financial strength, and legal issues are some of the key areas in which risk must be mitigated.

Two other elements—organizational alignment and accountability—fuel the success of a sustainability strategy. This can take the form of a mission statement; this level of formality isn't necessary provided the strategy is communicated consistently and effectively throughout the organization.

3. Identify metrics

If you can't measure it, you can't change it.

This basic tenet of business applies just as well to sustainability programs. However, with the perception that sustainability metrics are daunting, it helps to take a step back and make any metrics more manageable. The customer and 3PLs need to ask themselves:

- What can/should be measured?
- How often should it be measured?
- How accurate should the data be? Does it need to be verified by a third party?
- Who is responsible for collecting the information?
- How is the information converted into reportable metrics (emissions for example)?
- Where will the data and reporting be stored?

Start with the basics:

- electricity consumption
- natural gas consumption
- waste tonnage
- recycling tonnage
- safety (OSHA metrics)
- volunteer hours, charitable contributions

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4. Set reasonable goals

It can be very tempting to try to "boil the ocean" when it comes to sustainability.

The reality, though, is that most 3PLs operate on very thin margins, so doing anything that is capital intensive will require thorough analysis for its value and return on investment. Establishing reasonable, achievable goals is key to making sustainability an integral part of a 3PL organization. With the customer engaged in the process, there may be capital investments that they see as being a valuable addition to the strategy, and be willing to be vested in the implementation for well-defined short term returns.

Effective goal-setting revolves around two actions:

- Learn what is most important to stakeholders. If a 3PL's customer has a specific sustainability target that the 3PL can directly affect, then it's important to explore mirroring that target at the 3PL level.
- Determine how to reach the goals, identifying the personnel and financial resources required.

It's a good idea to have a balance of short- and long-term sustainability goals. Reaching short-term goals gives a quick jolt of success and momentum, providing motivation to achieve longer term goals.

Long-term goals can be more aspirational; however, they need to be flexible, knowing that advances in technology, changes in regulations, and other business demands could require adjustments to these goals.

5. Execute the plan

Once the framework is in place, it's game time. Establishing accountability at various levels throughout an organization, and between the customer and 3PL, fosters a united effort to achieve objectives and goals and ensures that everyone is on board. With both parties involved from the beginning, the investment in time and enthusiasm will foster success for identified sustainability initiatives.

On the execution level, many 3PLs have adopted Lean methodologies within their operations. As Lean and sustainability are closely aligned, 3PLs that practice Lean can more easily reach sustainability targets.

Once the plan is carried out, 3PLs will need to monitor and report the level of success. As noted earlier, it's crucial to have a method to track and measure progress and achievements.

An easy way is to incorporate sustainability metrics into key performance dashboards along with all other operational metrics. This provides continuous visibility into and accountability for achieving sustainability goals.

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6. Communicate

Rhetorical question: What good is a commitment if no one knows about it? The success of a sustainability program relies heavily on communication throughout an organization and its external stakeholders.

That starts with the early stages, once the decision has been made to move forward with a sustainability program. Communicating up, down and across the organization(s) sends a strong, positive message to all stakeholders and together ALL will enjoy in the success.

All-In for a Green Tomorrow

A decade from now the umbrella classification of sustainability may morph into new terminology and priorities, but there is no shame in doing the right thing for today's agenda to ensure resources, cultures and companies are around for the next generation. 3PLs play a vital role in the conduit of goods from source to manufacturing to end-consumer and back again into the supply chain cycle. Interacting at many touch points of the process, they have a great opportunity to enact measurable, comprehensive, impactful sustainability programs that generate value for stakeholders as well as the environment. As corporations around the world make sustainability an integral part of their business strategies, 3PLs can play an important role in support of their customers and other stakeholders' initiatives and goals to be respectful citizens.

Return on sustainability investment is greater than you think:

Brand value is elevated and in turn will impact sales and pricing power. In some markets it is imperative to control waste streams and energy usage. For consumer markets, the value of leadership and sensitivity to the environment implores loyalty.

Cost savings result in efficiencies in operations, improved profits, and cash flow. Shareholders recognize the positive impact of sustainability initiatives on financial results and legal risks.

Workforce engagement enables the employees to participate in local and global efforts and be empowered to directly impact business goals. It is evidential that workers will be more loyal, motivated, and productive while companies will have increased recruitment and retention rates.

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