



SUSTAIN | ABILITY



Understanding how North American companies are incorporating sustainability practices into their operations.





West Monroe Partners and the Supply and Value Chain Center of Loyola University Chicago conducted a joint supply chain sustainability survey to better understand how companies are tackling sustainability initiatives in their organizations.

Last year, West Monroe conducted a “Need for Green or Need for Speed Survey” to determine whether consumers would be willing to pay more or wait longer to have products delivered in a sustainable fashion. What we found was that 76% would wait at least one extra day for climate-friendly transport and more than half would pay at least 5% higher prices.

This year, West Monroe and the Supply and Value Chain Center at Loyola University Chicago hoped to dig deeper into how companies are addressing sustainability in their supply chain (specifically) and adapting to changing consumer preferences. We targeted supply chain and sustainability leaders to better understand the future of supply chains.

We surveyed a diverse group of supply chain executives, many of whom are members of the Loyola Supply and Value Chain Center. In all, we had 52 executives respond with company size ranging from \$100 million to over \$120 billion. The largest group represented was consumer packaged goods (30%), followed by retail (12%).

Lastly, our global alliance partner, BearingPoint, conducted the same surveys of both consumers (2014) and supply chain executives (2015) in Europe. Together, we hoped to better understand how habits and practices vary by geography – and how North America can adopt some of the best practices from more “sustainably advanced” countries in Europe. Regulations, a more compact distribution network and more advanced thinking has propelled European companies ahead of North America when it comes to implementing sustainability initiatives and reducing carbon emissions.

It is important for organizations to consider whether sustainable practices should be an option or the norm. In other words, should sustainable business practices, recycling, reduced carbon emissions, green facilities and other initiatives be business as usual? Pioneering organizations have a tremendous opportunity to create competitive differentiation by becoming early adopters. As our survey illustrates, few are embracing more than the basics when it comes to implementing sustainable business practices.

INDUSTRY SECTORS

Representative companies for the survey included the following industry sectors:

- Automotive
- Industrial goods
- Utilities
- Mechanical and plant engineering
- Electronics
- Metallurgy
- Pharmaceuticals
- Telecommunications
- Transportation
- Food and beverage
- Heavy industrial manufacturing
- Distribution
- Healthcare
- Material handling



STUDY CONTACTS

The study was conducted by Yves Leclerc, David South and John Caltagirone, with contributions by Tom Racciatti.

Yves Leclerc

Managing Director-Supply Chain
West Monroe Partners
yleclerc@westmonroepartners.com

David South

Senior Manager-Sustainability
West Monroe Partners
dsouth@westmonroepartners.com

John Caltagirone

Executive Director, Supply and Value Chain Center
Loyola University
jcaltag@luc.edu

Contributions by:

Tom Racciatti

Director
West Monroe Partners



LOYOLA
UNIVERSITY CHICAGO



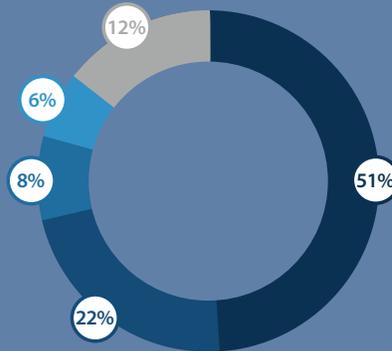
QUINLAN
SCHOOL of BUSINESS

BearingPoint®

Is having a green supply chain a strategic priority in your organization?

Key findings:

More than half (51%) of all survey respondents said that having a green supply chain was a strategic priority. While an additional 36% plan to address green supply chain in the short-, mid- or long-term, there are still 12% that place no importance on green supply chain.



12% - No
6% - Will be in > 5 years
8% - Will be in 3-5 years
22% - Will be in 1-3 years
51% - Yes, currently a strategic priority

12% of respondents place no importance on green supply chain

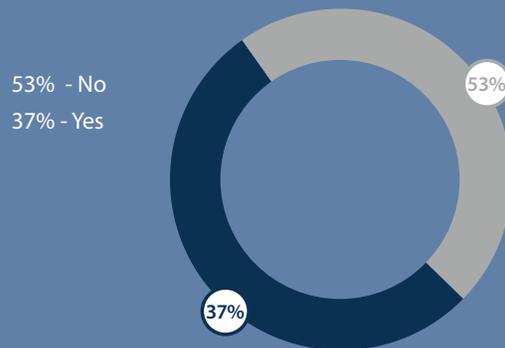
“Sustainability is not a priority for business currently.”

“No sustainability initiatives are in place. It’s up to the carriers to make this happen.”

Did you establish a dedicated organizational unit for your sustainability team in the past three years?

Key findings:

Even though more than half of all respondents indicated it was a strategic priority, only 37% have dedicated sustainability individuals or teams.



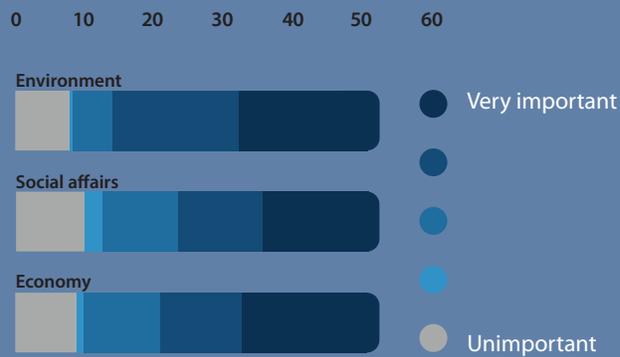
53% of respondents have not established a sustainability team in the past three years

“We operate 70 distribution centers in 19 countries globally. Our goal is reduce CO₂e by 20% by end of year 2020. Enabling this is our five year strategic roadmap that identifies each sustainability initiative (by DC and by year) that will reduce, reuse or recycle our consumption of energy, water and waste.”

How do you evaluate the importance of environment, social affairs and economy for the work of your sustainability team?

Key findings:

When asked to prioritize amongst the three pillars of sustainability, respondents placed the highest importance on the environmental impact by a small margin, followed by economic impact and then social affairs. Only a handful of respondents indicated that these factors were unimportant but several indicated no statement was possible, likely because many of our respondents do not have a sustainability team to consider these impacts.



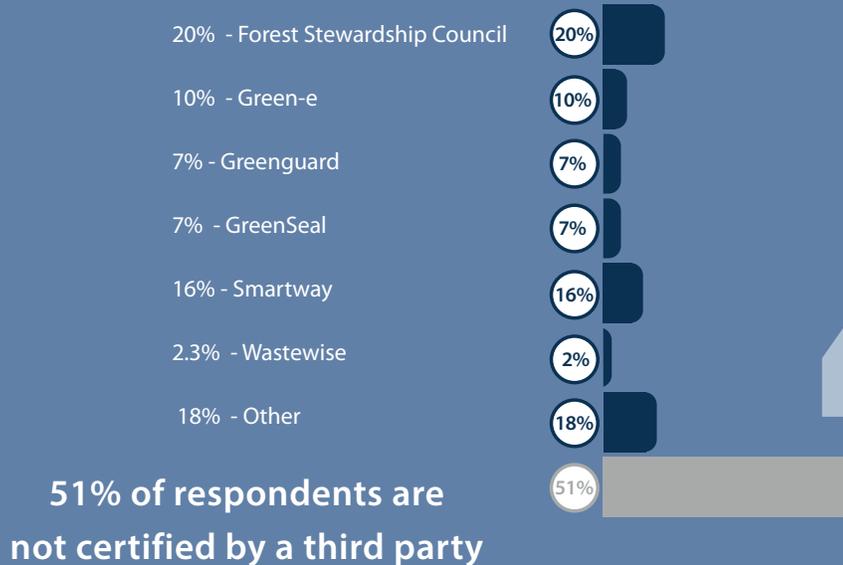
Respondents placed the highest importance on the environmental impact

“At one point, we had a VP of Sustainability and a company commitment to it, but with financial challenges created by a prior CEO that commitment is not getting the attention it should.”

Is your organization certified by or does your organization participate in any of the following?

Key findings:

Approximately 20% of respondents are certified by the Forest Stewardship Council and 10% are certified by Green-e. Another 7% of respondents are certified by Greenguard and 7% are certified by GreenSeal. Approximately 16% of respondents are certified by Smartway. Only 2% are certified by WasteWise. Over half of all respondents (51%) are not certified by any third party. Respondents in the “other” certifications or programs category cited several other programs.**



**See page 11 for detailed information about Certifications.

“Over the past three to five years we developed an energy university to train our facilities and maintenance folks on energy management and to develop strategies to reduce energy costs at many of our locations. We work with them to identify tax incentives and set sustainability goals. We’re now incorporating waste minimization into our strategy.”

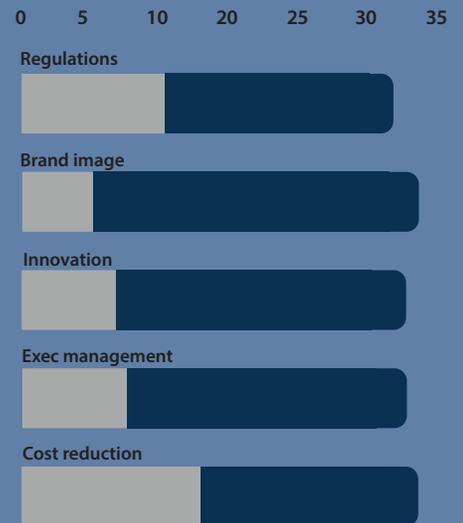
What were the main reasons for undertaking actions to move towards having a green supply chain?

Key findings:

The motivations for implementing sustainability initiatives vary greatly. The top motivator was brand image improvement, followed by innovation in products or processes and then executive management decision. What we hear from our clients and the business community is that sustainability can be a clear differentiator and source of competitive advantage, in addition to its other benefits. For example, one of our clients was able to reduce carbon emissions by 15% – something that gave them an edge against competitors.

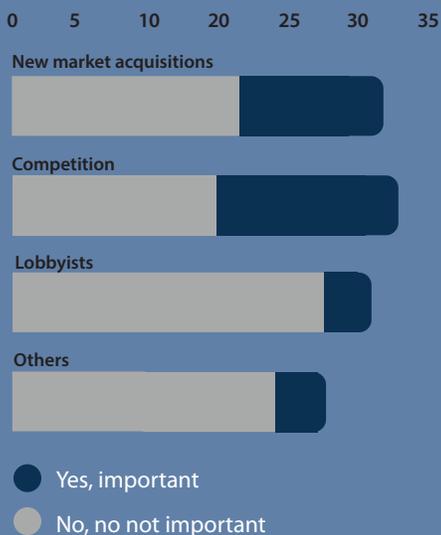


Sustainability can be a clear differentiator and source of competitive advantage



“We put together approximately 20 fields for each of our SKU’s to gather the information and put it into our ERP system so that we are able to articulate our current state. This has improved our customer rating by approximately 25%.”

Regulations were also cited by a number of participants. As we have seen in Europe, tighter regulations are critical to making sustainability adoption more common amongst categories. Additional reasons cited in the “other” category include risk control, customer expectations and consistency with corporate values.



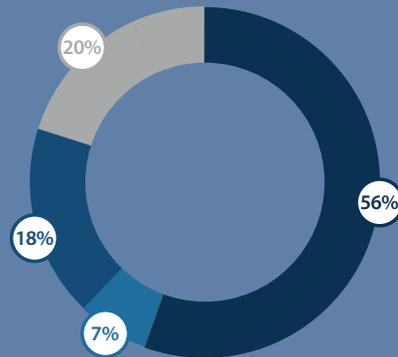
The top motivator for undertaking actions in the Green Supply Chain is Brand Image Improvement

“We have a formal sustainability program. As a supplier to Walmart, we have utilized the standards and expectations of their program as a centerpiece framework for ours. We continue to refine and enhance throughout the entire value chain in a cradle to grave fashion.”

Over the past three years, has your organization intensified, reduced or stabilized your efforts in green supply chain?

Key findings:

Approximately 56% of respondents are intensifying their efforts in green supply chain. Awareness and, more importantly, action are becoming commonplace and are increasing in both quantity and intensity. Yet, over 27% indicated they have either reduced or not implemented any green supply chain initiatives. However, of these respondents, only two indicate there are no plans to add any sustainability initiatives. The rest indicate that it is a priority to take action in the short-, medium- or long-term. There isn't a strong correlation between size of organization and commitment to sustainability – several of the organizations that aren't doing anything currently are multi-billion dollar companies.



20% - Not implemented
18% - Stabilized
7% - Reduced
56% - Intensified

“We have programs and metrics with people accountability at every plant to reduce greenhouse gases, water and landfill waste.”

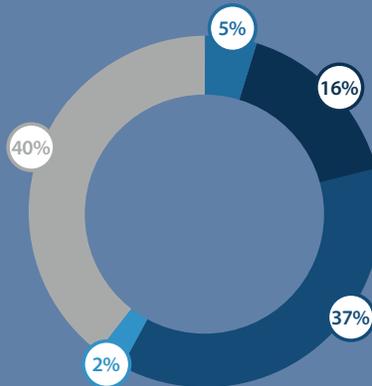
In the past three years, did you plan, implement, further develop or discontinue a program for “green” design?

Key findings:

Approximately 60% of respondents answered “yes” to the question of whether they had planned, implemented or further developed green design. The primary focus areas cited for those that responded yes include:

- Products and packaging (tied for first)
- Distribution/logistics
- Production processes
- The entire supply chain life cycle and components/ingredients (tied)

40% - Not implemented
 5% - Yes, implementation planned (1 year)
 2% - Yes, implemented but discontinued
 16% - Yes, implemented
 37% - Yes, further developed



“We started an in-office recycling program for plastic, paper and metal cans. We think the environment is important in principle, but our resources are limited to do a lot more.”

POSITIVE IMPLEMENTATION

CONCLUSION

Based on our survey results, it appears very few companies are embracing sustainability initiatives in any meaningful way. Until regulations force action, many companies won't be able to find resources and funding to make significant change.

Appetites for sustainability exist; budgets and resources do not

Unfortunately, while many companies tout sustainability initiatives for positive PR, most of the changes that have been implemented are too small to make a significant impact.

Companies interested in making substantial changes should put together a compelling business case for senior leadership. The business case should include, at a minimum:

- A carbon footprint assessment that identifies, quantifies and contextualizes environmental impact
- A customer sentiment analysis to determine potential revenue upside
- Bottom line cost savings

Sustainable supply chain leaders reap the benefits

Companies that have implemented sustainability programs have had the following effects:

- Improve brand image
- Meet customer needs
- Improve the ease of recycling
- Reduce logistics costs
- Comply with regulations
- Reduce production costs
- Differentiate themselves from the competition



GREEN CERTIFICATION PROGRAMS

Forest Stewardship Council

Promoting responsible management of the world's forests.

Green-e

Certification and verification program for renewable energy and greenhouse gas emission reductions in the retail market.

Green Guard

Certification aims to improve quality of life by enhancing indoor air quality and reducing people's exposure to chemicals and other pollutants.

Green Seal

Certifications of products, services, restaurants and hotels based on performance, health, and sustainability criteria.

Smartway

EPA program that reduces transportation-related emissions by creating incentives to improve supply chain fuel efficiency.

WasteWise

EPA program that applies sustainable materials management practices to reduce municipal and select industrial wastes.

Other programs cited by respondents:

- Using distributors that are certified with Green Seal and Greenguard
- Reducing paper and waste, such as eliminating bottled water and disposable cups for coffee, tea, etc.
- **Implementing** software products focused on methods of reducing paper output (focusing on sign on glass technology, dashboards instead of management reports, etc.)
- ISO 14001
- Energy Star
- LEED Certification
- Sustainable Purchasing Leadership Council (SPLC)
- Corporate Social Responsibility and Sustainability (CSR&S) Report
- Sustainability Disclosures through Sedex, CDP, Eco Vadis
- Third party carbon and water footprinting
- Roundtable on Sustainable Palm Oil (RSPO)
- GreenPalm
- Rainforest Alliance
- Utz Certification



BUSINESS
CONSULTANTS

DEEP
TECHNOLOGISTS

An uncommon blend of business savvy
and technical expertise that can help you
achieve sustainable success.



westmonroepartners.com