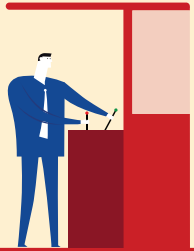
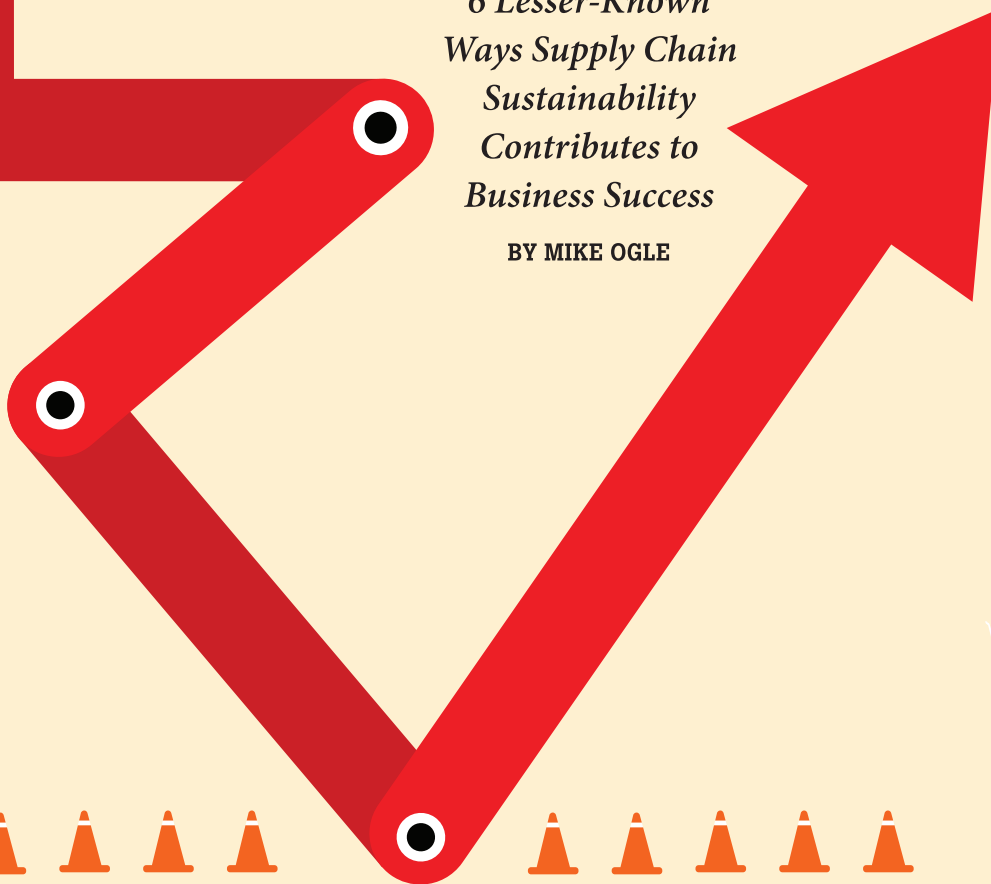


# BROADENING THE SCOPE



*6 Lesser-Known  
Ways Supply Chain  
Sustainability  
Contributes to  
Business Success*

BY MIKE OGLE



**T**

he word sustainability makes most people think about the environment and green initiatives. Business people may quickly think about costs and regulations. Supply chain sustainability articles often focus on sourcing, energy savings, packaging and reducing physical waste.

All these things ARE part of supply chain sustainability, but a broader definition is needed that includes sustainable business practices that make business continuity a priority. Companies are pursuing sustainability initiatives that not

only make them “green-er” by reducing material and resource use, but are also pursuing initiatives that help supply chain partners and entire industries continue to be viable. These consumption and competitive practices affect the bottom line

today, but also reduce supply chain risks and volatility for decades and generations to come.

This article goes beyond the “green-er” benefits like energy and waste reduction to highlight some often overlooked benefits of sustainability initiatives such as culture change, recruiting, collaborations and risk reduction.

## **1. Lean practices align with sustainability**

Individual companies can turn many small, incremental reductions in waste into large collective changes by pursuing long-practiced lean process techniques that reduce the eight types of waste. This enables longer-term sustainability by “doing more with less” and opening up additional capital to invest in growth, but lean techniques haven’t been thought of as a “sustainability” practice.

Daniel Adam, global director of fulfillment design and engineering services at MHI member Sealed Air, said, “Operational excellence focuses on being nimble and efficient. Sealed Air is known for inventing Bubble Wrap® packaging, but the company also employs more than 700 Green Belts, trained to look at process wastes and share best resource practices, often recommending less use of our products rather than more.”

Jason Adlam, vice president of new business development at MHI member CHEP USA, said, “Companies have awoken that sustainability has business benefits. Being green has costs, but you can have it both ways—eliminating waste AND being more sustainable—particularly when using a network of partners to scale your efforts of reducing waste.”

Also emphasizing how lean thinking aligns with sustainability, Bart Cera, COO of MHI member Vargo, said, “We integrate fulfillment solutions that meet output requirements, but make them as lean as possible, reducing building footprints, operating at high efficiencies and using less energy.” He explained that clients may not be providing specific sustainability targets, but the focus on lean is part of the standard design process.

## **2. Re-prioritizing the 3Rs**

Sustainability in the “green-er” sense has focused for years on the three Rs of Reduce, Reuse, and Recycle. Unfortunately, there’s too much emphasis on Recycle at the expense of Reuse and Reduce.

Tim Debus, president and CEO of the Reusable Packaging Association (RPA), emphasized the point of reusability versus recycling when he said, “Reuse prevents waste; recycling manages waste. China and other countries are increasingly denying imports of scrap waste, reducing the end market options for waste processing, resulting in increased diversion to landfills.” He also pointed out that long-term macro trends against disposability are changing the mindset of business leaders as consumers ask more questions about material sources and end-of-life planning for products. He said generating and disposing of more goods is unsustainable, particularly with worldwide overall population and economic growth.

Debus also pointed out the growth of cities and urbanization, creating the unsustainable burden of greater density and waste generation. New business opportunities are available for companies that can look up and down supply chains for more product distribution collaborations and networks for reuse rather than gathering and hauling waste or recyclables out of cities.

In an increasingly regulatory world and with quickly spreading social media, another benefit of pursuing supply chain sustainability is the reduction of landfill expense exposure if costs suddenly rise either due to market or regulatory pressures.

## **3. Transparency tech practices enable true sustainability**

Technology provides new tools for gathering and communicating data, particularly at the point of use when machines, processes, people and transportation devices provide real-time data about status and utilization. Transparency provides opportunities for better resource use, becoming yet another “green-er” benefit. For sustainability initiatives, tracking and communicating establishes a level

of trust, verification and accountability that enables more reliable collaboration practices. Transparency technology also helps greatly with reporting, whether internal or external for consumers, supply chain partners or governments.

That transparency is especially important at the consumer level, improving the perception of the company.

## **4. Leadership, priorities, and attracting next generation talent**

Sustainability initiatives help companies be viewed as forward-looking leaders in their industries. Companies measure success according to income and profit growth, but those that truly support supply chain sustainability also measure success according to their ability to identify and reduce waste, along with reducing exposure to supply chain disruptions. That helps companies attract and recruit increased numbers of NextGens and Millennials who think in those same directions. Also, company culture shifts are made to include sustainability discussions as part of every project.

Adlam of CHEP said, “Success breeds success and becomes almost infectious, constantly setting and reaching higher level goals and metrics. People need to view processes with a sustainability lens along with costs.” He added that the dialog spreads throughout the supply chain from point of origin to store shelf to ensure the customer has a better, more sustainable product.

Adam of Sealed Air noted, “We see a shift in the market to more senior leaders talking about business sustainability. These are people with high-level P&L responsibility that emphasize investment returns, but also understand the value of creating better customer experiences.”

## **5. The biggest future gains are in collaboration**

Individual companies can quickly and easily pursue “green-er” in-house energy-saving and waste reduction initiatives, but the greatest future promise for large-scale sustainability benefits is in practices that affect entire supply networks. The supply chain

industry can draw on decades-long experience in pooled reuse models for pallets and containers in the agricultural, baked goods, automotive and many other markets.

Julie Huang, CEO of Team Corp, found the benefit of working with a reuse network when she said, “As a smaller company pursuing larger customers, we found that conversations about pallet requirements were quickly satisfied when we mentioned our use of CHEP’s pallet pool. Customers were

immediately accepting, particularly if they were also in the network.” She added that upfront costs of pallets were higher, but customers were willing to work with us because of the sustainability story and the trust in the quality of the pooling network.

A recent, newly-launched collaborative example is Loop, envisioned by the company TerraCycle, putting together a strong lineup of large direct-competitor consumer products companies (Unilever, Procter & Gamble, Nestle,

Mondelez, Pepsi, Coca-Cola and a variety of others) to address the problem of consumer packaging that tends to be land-filled rather than recycled. The goal is for consumers to purchase products in reusable containers (initially by e-commerce and in just Paris and New York test markets), then have empty containers picked up and taken to facilities to wash and prepare them for reuse. The initial target is 100+ uses per container. The biggest question is whether consumers are willing to pay for the additional cost, time and inconvenience for the sustainability gains.

Throwaway thinking won’t be sustainable in the long-run if landfill and disposal costs rise sharply due to either a lack of low-cost space or a more abrupt change in public mindset, tightening markets and changing behaviors. What would that mean for worldwide supply chains? For many brands, a container is a container, not greatly changing production lines that fill those containers, put them into cases and on pallets for shipment to markets around the world. However, reuse costs will be higher initially, then slowly fall, but likely never reach the current low-cost disposable option.

**6. Benefits of culture change**  
 Companies can also leverage the collaborative benefit of being part of many “green-er” and more sustainable multi-company initiatives that are highly visible to consumers and trading partners. The next generation of consumers is asking hard questions about sources and practices, preferring to work for companies that create and emphasize a sustainability culture. Long term sustainability, in the business continuity sense, is going to be even more important for supply chain related companies to land the talent they need.

Adlam of CHEP closed by emphasizing the culture benefit, when he said, “Once you get started, successful companies have a long-lasting benefit and a sustainable program by setting goals, targets, responsibilities and metrics, clearly communicating progress openly with employees, partners and customers, resulting in a sense of passion and pride that they spread to friends and family.”

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