



Chain Reaction

IN AN EFFORT TO REDUCE THEIR CARBON FOOTPRINTS, COMPANIES ARE PUTTING THE EMPHASIS ON SUSTAINABLE SUPPLY CHAINS.



**2010
LOGISTICS
COSTS:
\$1.2
TRILLION**

Source: Council of Supply Chain Management Professionals

Heavy haulers: a Ryder tractor, powered by liquefied natural gas (left); a Union Pacific intermodal train.

EAGER TO GROW profits and burnish their reputations for responsibility, companies across the U.S. are taking a close look at their supply chains. That's good news in itself, but there's more: They are finding they can often accomplish both goals simultaneously.

According to Aberdeen Group, a Boston-based research firm with a supply chain practice, 63% of 190 firms in a recent survey reported they are incorporating at least some sustainability criteria into their supply chain decision-making. When asked for specifics, 44% said they were concentrating on improving energy efficiency, while 25% said they were changing transportation or logistics strategies.

"There is a substantial trend of environmentalism and sustainability that is completely compatible with cost-consciousness," says Terry Harris, managing partner at Chicago Consulting, a designer of supply chains. "Drive fewer miles. Have a well-engineered warehouse network." To maxi-

mize efficiency, companies are looking to partner with firms to reduce their carbon footprints. Ryder System Inc., for one, reports strong demand and increased lease deals for low-emission, natural-gas-powered trucks.

RAISING THE BAR

Not long ago, sellers and buyers of merchandise were basically happy as long as well-priced goods arrived on time and intact. How the goods got to market was of little concern. Now the bar is set higher. Squeezed by high fuel costs, manufacturers and merchants have zero tolerance for unnecessary waste, and consumers and regulators are demanding eco-friendly practices everywhere, from forest to factory to display case. Concern about water usage and disposal practices are just two of the factors that led Coca-Cola to name a vice president for sustainability this year.

"Companies are thinking about things like how

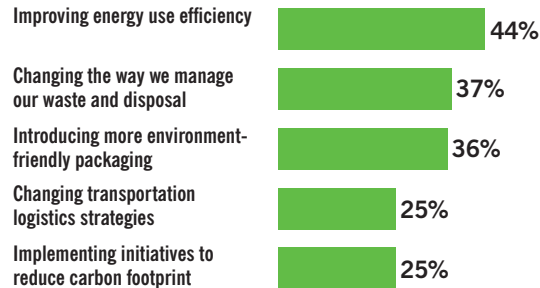
to move more freight with less miles," says Rick Blasgen, president and CEO of the Council of Supply Chain Management Professionals, a professional association. To make it happen, he says, some are exploring consolidation programs with third-party logistics providers. Others are changing order cycles with customers to improve transportation efficiency.

Whatever route they're taking, ensuring sustainability up and down the supply chain is becoming a high priority everywhere. Because gaining supply chain advantage often means heading off problems in safety and compliance before they take root, companies are making use of new tools to assess which potential partners are best positioned to deliver results. Union Pacific Railroad, for one, which moves chemicals and many other products across the Western United States, points with pride to the fact that it has received certification from the American Chemistry Council's Responsible Care Management System (RCMS) program for its transporting of hazardous materials.

Union Pacific customers are also reaping the benefits of massive infrastructure investments

Taking Action

A survey of 190 companies by Aberdeen Group in early 2011 shows some of the ways companies are addressing sustainability in their supply chains.



that are paying dividends in safety and beyond. Pouring \$31 billion into upgrades, from new track to intermodal connections, has over the past decade helped Union Pacific reach a companywide customer satisfaction score of more than 90%. "We're seeing many more inquiries now asking for background on our greenhouse gas emissions, fuel efficiency, and safety," says Bob Grimaila, vice president for safety, security, and environment at Union Pacific. "Everybody from auto manufacturers to bulk shippers of grain, coal, and building prod-

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**IN 2010
LOGISTICS
COSTS
WERE
EQUAL TO
8.3%
OF GDP**

Source: Council of Supply Chain Management Professionals

ucts wants to know what their options are and the impact they have on the environmental dimension.”

COMPARING TRACK RECORDS

In trucking, customers that rely on big rigs are working with the newly expanded Safety Management System from the Federal Motor Carrier Safety Administration. A detailed scoring system shows how trucking firms stack up on such measures as vehicle maintenance, driver fitness, and crash history. With this powerful instrument in hand, retailers and others are comparing track records to see who really performs in terms of protecting lives, property, and the environment.

High scorers such as Ryder, which ranks in the top 10% in two safety categories, find that customers are reading comparison charts carefully

before choosing a logistics partner. It works the other way, too. “We have looked at the stats and proactively targeted poor performers. We’ve gone to them and said, ‘Maybe you’d like to work with us and get some improvement,’” says Ryder Chairman and CEO Greg Swienton.

No matter what’s inside the container, all agree that reducing fuel consumption is a worthy goal. To reach it, many companies are increasingly using rail, a sector that saw revenues jump 20%, to \$60 billion in 2010. This year, Union Pacific earned a top score from the Environmental Protection Agency’s SmartWay Transport program, which encourages freight shippers to conserve fuel through strategic techniques and cutting-edge technology. Today Union Pacific hauls a ton of freight almost 500 miles on one gallon of diesel fuel. How is this possible? One reason: Steel wheels on steel track



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generate relatively little friction.

"We've got this natural advantage," Grimaila says, "and we're doing everything we can—with our employees, with technology, and with better business processes—to continue to improve on it."

To be sure, greening the supply chain includes more than logistics. For instance, producers of many consumer items, from paint to laundry detergent, are significantly reducing shipping and packaging costs by delivering concentrates that are mixed at the end point. Packaging alone impacts transportation in a big way since smaller boxes mean fewer shipping containers on the roads, rails, and shipping lanes.

For manufacturers, distributors, and retailers alike, the challenge is largely one of adapting supply chains to meet the marketplace's evolving

needs. Fortunately, they have tools and options galore to help them make good decisions. On that score, Ryder notes that it has received recognition from the Customs-Trade Partnership Against Terrorism (C-TPAT), a joint government-business initiative that certifies carriers that meet standards for vigilance in the U.S. and abroad.

As it turns out, a company's sustainability credentials are only as strong as the weakest link in its supply chain. Yet with capable partners competing hard for new business, a strong showing from end to end has never been more feasible. ●

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On the right track: a Union Pacific train moves wind turbines through Iowa (left); Ryder manages a fleet of over 180,000 vehicles nationwide.



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