



# Intent Group Sustainable Supply Chain & Logistics Guide

Recommendations, experiences and ideas to guide  
your path to more sustainable business.

**Published February 2023**



# Purpose

This document is a Guide, not a report. We seek to highlight good ideas and suggestions, to canvas what others are doing, and some of the learnings of others. The guide highlights the directions others are taking, which could shape your thinking and support your path to environmental sustainability across the supply chain.

# Scope

Sustainable business is a very complex and broad area. We have focused on the most commonly occurring questions, challenges and opportunities for companies with a physical supply chain, and our centre of focus is the key impacts of supply chain and logistics.

# Approach

The guide has been compiled from 100 discussions with supply chain and logistics leaders from mid-large organisations from across sectors. All quoted comments are anonymised in order to achieve open and frank views.



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# Where to start?

'There is only one way to eat an elephant: a bite at a time'.

Chicken and egg: set a target then create a plan, or plan then set a target?



# Setting a target

Many organisations have a 2030/2050 sustainability goal. For most, this goal can feel far off and aspirational rather than 'real world'. Those with a net zero goal know that offsetting will be employed; often considered a less compelling approach. It may therefore be said that it is more meaningful to try to focus on reducing carbon emissions using today as a baseline.



Identified pros of setting a target as a first step	Identified cons of setting a target as a first step
<ul style="list-style-type: none"><li>For many this is a positive first step towards taking action</li></ul>	<ul style="list-style-type: none"><li>Can be regarded as baseless without a measurement and knowledge of what's actually possible</li></ul>
<ul style="list-style-type: none"><li>Helps unite the business to bring sustainability into decision making framework</li></ul>	<ul style="list-style-type: none"><li>Targets without a plan are less immediate/imperative in day to day decisions</li></ul>
<ul style="list-style-type: none"><li>Sets a positive ambition, good for the organisation in terms of investor demand and attracting talent</li></ul>	<ul style="list-style-type: none"><li>Cost is not taken into account</li></ul>

# Measuring the baseline

Even small organisations have a complex supply base. Measuring true end to end emissions kicks up the below challenges

- Multiplicity of measurement standards
- Lack of granularity: averaging and best guessing are largely unavoidable
- Lack of access to data
- Lack of clarity on scope; what to include
- Lack of dedicated resource to undertake the exercise

## Creating a plan



*“The barriers are lack of knowledge and cost”*

Even large businesses tackle emissions in a piecemeal way. Does it make sense to identify the greatest points of impact, and tackle those, or should all efforts fall within a central framework?

# Setting a target

Common first steps	Challenging next steps	Most challenging
Energy Efficiency	Better planning (less waste, less inventory storage)	Collaborate with customers to encourage less frequent, larger orders
Electric vehicles (forklifts, vans)	Reusable/returnable consumer packaging	Collaborate with others to share logistics
Solar power	Freight consolidation, reduce LTL	Source closer to customers
Recyclable/recycled/reusable packaging	Alternative fuels	Collaborate with suppliers to improve ESG performance
Reduce material usage/substitute materials	Audit suppliers	
Better transit packaging - eg sleeves, pallets		
Reduce use of air freight		

## Acting commercially

Despite good intentions, a key challenge for large and small businesses is that of maintaining commerciality: it is considered unfeasible to put forward ideas that involve extra cost. Improving efficiency inevitably has the dual benefit of reducing emissions whilst lowering cost. So for many, cost reduction is the 'lens' to improve sustainability - it is much easier to execute a measure with sustainability benefits if costs are reduced in doing so. Companies with a far reaching vision who have committed to goals are more likely to make bolder choices that will yield benefits.

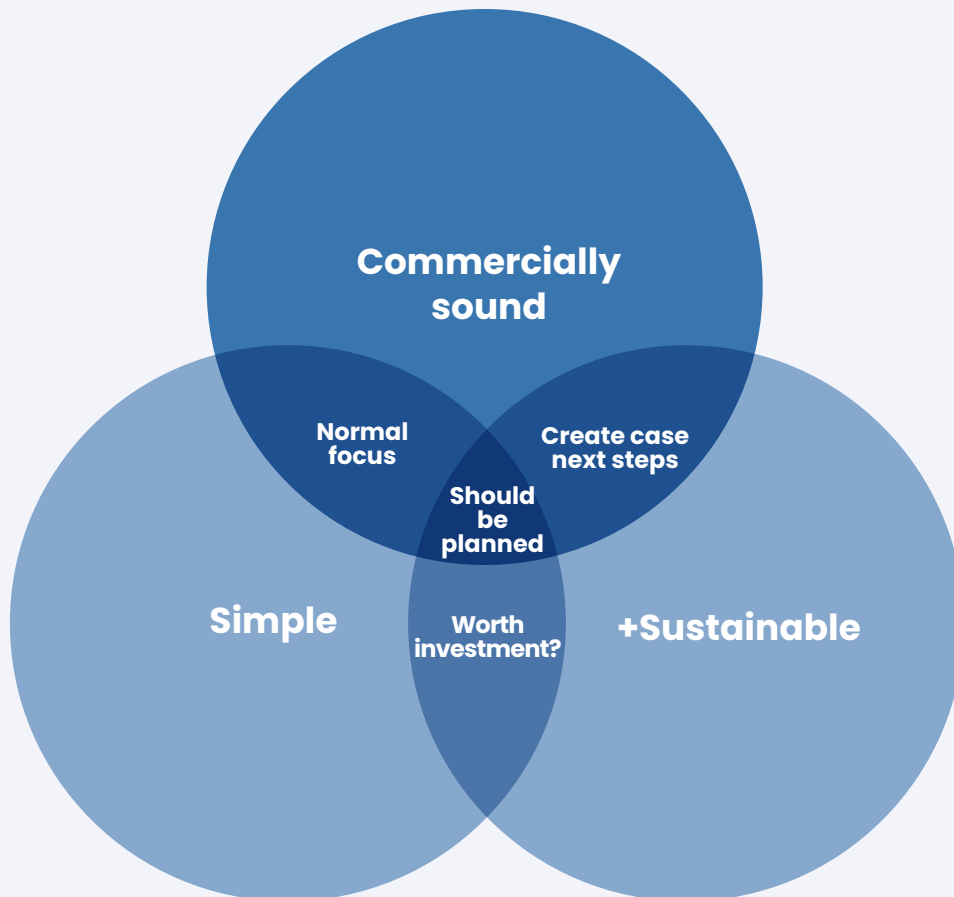
For more conservative businesses, 'commercially sound' changes are the only ones that would conceivably be considered.

# Is cost efficiency a valid proxy for sustainability?

*"It's part of a supply chain leader's role to optimise and find efficiencies. This should not be positioned as a true sustainability measure"*

vs.

*"Efficiency is the flipside of sustainability: reduce waste, reduce emissions - these lead directly to better sustainability performance"*



The most common request amongst those we spoke to was to know how others approach the question of commerciality vs. sustainability. NB. in some organisations, those taking up the mantle of improving sustainability have taken this upon themselves, with no formal mandate.

*"You will find others of the same mind, in every organisation there is someone who wants to improve sustainability"*

# Suggested approaches for moving forward with ESG actions

Maturity	No actions yet	Some simple steps taken	Many actions underway	Ambitious changes being made
Suggestions	"Find others with the same mindset to corral change"	"Pre-empt legislative change, early actions will pay off"	"Try to think long term: what are the risks of inaction?"	"Can individuals be incentivised though bonus structures to find improvements?"
	"Look for commercial no-brainers"	"Look for suppliers who share aims"	"Try to think about every decision through an ESG lens. Giving it a weighting is helpful"	"A sustainability team with cross functional representation is vital"
	"Look for the simplest switches that don't require a substantial change programme"	"What are the long-term wins - ESG wins are part of a path to derisking business sustainability"	"Look for opportunities to nudge customers - these are often win-win"	"Think end to end: align with suppliers and work with them, rather than simply adding pressure"





# Data & avoiding guesstimation



Getting data is for most the key foundation: know your baseline, set achievable goals, measure progress. Without data, it's a very difficult task to act in a concerted fashion. However, granular data is not easy to gather, and is in some instances considered impossible at the current time, especially when considering Scope 3 emissions.

## Challenges

- ERP/CRM does not yield answers - data is not captured, or is not granular
- Data gathering is a huge task, requiring substantial time and dedicated manpower
- Outsourced logistics can be a barrier to transparency
- What to measure, and how, is open to debate - no 'gold standard'

## Opportunities

- There are some excellent specialist consultancies who can help to create a picture of your current/baseline emissions
- Software solutions are already being used to great effect by some
- Cost to serve calculations can be adapted/amplified to provide a picture of emissions
- Good solutions can pull data from multiple sources and parties

## What standard should we use?

Calculating the carbon footprint of individual SKUs is for most, impractical. There are myriad ways to measure, calculate and report carbon footprint - it can be difficult to decide just what to measure, and how. Most report that data outputs are useful to highlight the impacts of a given product as an example of where to focus efforts.

**Most:** have looked at minimising packaging, using recycled materials, and trying to reduce miles travelled, by sourcing locally and reviewing inventory positioning.

**Some:** have measured the footprint of key products end to end, and are looking to switch to products with lower overall footprint.

**Few:** have looked at the entire product range, switched to locally sourced materials, or fundamentally changed supply base.

Serge Schamschula of Transporeon offers his suggestions of why we must broaden our focus when calculating freight carbon emissions:

It's great to have a focus on your own CO2e intensity, but it's better to look at the world outside too. If you choose a supplier which connects many actors and provides one single source of truth you enjoy additional benefits and so do the other network participants:

- All parties do have the same CO2e in front of them [for the same transactions] when discussing. If any party isn't okay with the outcome they just need to share [more] primary data
- You can potentially access the ghg emission of your incumbent contracts on lanes which they don't perform for your company.\*\*
- You can view the carbon performance of carriers which aren't incumbent but propose business to you.\*\*
- You can benchmark yourself but also your carriers against the industry average or the best performers by mode, corridor, etc, in order to see where you have a short-term opportunity to decarbonize your operations

\*\*to the extent they permit data sharing under GDPR

# Case study: Patagonia consolidates its suppliers and continually audits to track impacts



**Problem 1** Patagonia increased its supply base but lost the ability to work closely with suppliers fully aligned to its ethos

**Solution:** though not the cheapest option, Patagonia concluded that in order to maintain high standards and ensure suppliers met its high ESG standards, it would have to rationalise its supply base. The company executed this strategy, reducing its manufacturing base from 100 to just 45 factories.

**Problem 2** How to reduce landfill of clothing (350,000 tonnes of apparel is landfilled annually in the UK)

**Solution:** Patagonia extends the life of its products, repairing clothing for free, by creating a repair centre in the Netherlands. 300,000 items are repaired each year, saving a million kg of waste. Clothing brand Scotch & Soda now shares this facility to offer a similar service. This increases customer satisfaction and loyalty.

### **Problem 3** Achieving and maintaining consumer transparency of manufacturing

**Solution:** Patagonia vets suppliers to ensure that all its trim and textile suppliers are adhering to high standards: all suppliers undergo a Patagonia audit, checking hiring, social responsibility, and recycling practices, Garments are fair trade - protecting workers. 94% of lines use recycled materials, and using 100% organic cotton saves water and reduces carbon by 45%.

### **Problem 4** reducing final mile packaging

**Attempted solution:** customers wanted Patagonia to reduce packaging. Patagonia experimented by removing poly bags in the DC - however it was found that 30% of products were soiled or damaged in the picking process by doing this, and several thousand hours had to be spent removing this packaging.

### Auditing suppliers: what approaches are others taking?

**Most:** are trying to build a picture of performance by enhancing supplier audits, especially at tendering stage. Scope 3 requirements make this a sensible step.

**Some:** are using this data to support buying decisions or use of 3PL services (some ask the question but do yet not insist on this as a prerequisite.

**Few:** are actively working with suppliers to offer support. One apparel company we spoke to offers more favourable payment terms to suppliers who collaborate to support better practice.

## **LOGISTICS: Example Approaches**

### **AEVs:**

*"We're piloting an AEV in one of our locations. It is fully customised to our product specifications, and, if successful, will be rolled out in multiple locations. It could reduce labour risk, improve efficiency and remove carbon from our operations. Our motivation to do this is an effort to think forward and negate the trends that threaten commerciality"*

# Flexible 3PL

Logistics collaboration platforms such as that offered by 3T open up the possibility of more flexible 3PL and load sharing.

## Collaboration with customers

*"We are nudging our customers to make fewer, larger orders by increasing delivery charges. We now deliver once or twice a week rather than every day."*

*"We are looking to 'classify' which products are genuinely required next day, versus which are never urgent. That way we can make fewer deliveries and find efficiencies."*

## Offering options to customers

*"The manufacture of our products is necessarily energy intensive. However, we're looking to reduce the energy consumption in fulfilment. We aim to present a 'menu of options' to customers - the sustainable options will have a higher cost - that way we can test appetite."*

## Warehousing

Solar panels and efficient lighting are obvious steps. Many are already moving to battery powered forklifts. Other measures encountered include:

*"We are looking to move to double stacking - fewer and fuller loads will have a significant effect"*

*"We're looking to reshape the network so that we can deliver some products direct to customer, skipping a step."*

*"We are piloting a digital twin to model efficiency of product movements. We are hopeful that this will generate insights to enable us to reduce product journeys, yielding savings and a smaller carbon footprint."*

# SUPPLY CHAIN: Example Approaches



## Organisational structure

We have a newly formed strategy & sustainability team, with functional representation. New ideas are discussed, with a commercial framework. Strategy/innovation and sustainability are coupled, so that we can ensure a dual focus and that ideas are tested here before being put forward for consideration.”

## Reducing waste to landfill

“Products leave the shelves in three ways: they are bought, wasted, or stolen. Better planning ensures less is wasted - we are looking to use ML to develop more highly tuned demand modelling to try to reduce waste, thereby reducing cost and boosting our sustainable performance. Waste reduction is an effective lens to improving ESG.”

## Better planning

“Improving planning is the key direction for us. We are looking to a technology-based modelling tool that will enable us to model the carbon footprint of planning decisions, so that this can be built into our decision-making.”



# Risk / Business Sustainability

## What are the key business risks stemming from sustainability?

We asked Stuart Williams, Director of Supply Chain Sustainability at Baringa to detail some of the major business risks that all should now understand and act on.

Understanding sustainability performance gives buyers new insights into their suppliers and competition. This transparency recognises emerging commercial risks and opportunities beyond sustainability itself. A robust sustainable procurement approach which is integrated through category strategies and the procurement, contract and supplier management processes can reduce supply chain risk and increase resilience in multiple ways:

- Risk of non-compliance with current legislation: there is a huge range of social and environmental laws with which procurement teams and their suppliers must comply. These vary by country and include due diligence and reporting on modern slavery and illegal deforestation, restrictions on harmful chemicals in products, and factories staying within safe and legal limits for air and water pollution. Non-compliance can result in product recalls, port seizures, factory closures, fines and prosecutions. An effective sustainable procurement programme will review the legislative requirements for each procurement category and put measures in place to ensure compliance. These range from specifications prohibiting the use of high risk materials through to supplier audits to ensure fair and legal working conditions.



# *“It’s in the long-term commercial interests of procurement teams to select suppliers with higher sustainability performance and support existing suppliers to improve their products and operations”*

- **Future-proofing against new legislation:** social and environmental legislation typically increases in coverage and ambition over time. This can make practices which are widespread today uneconomical or prohibited tomorrow. Examples of ‘transition risks’ include tightening product legislation – such as phasing out of internal combustion engine and hybrid cars by 2030/35 and single-use plastic bans. There are also carbon border adjustments, where a price of carbon will be imposed on commodities such as steel, cement, aluminium, fertilisers and power imported into the EU. It’s therefore in the long-term commercial interests of procurement teams to select suppliers with higher sustainability performance and support existing suppliers to improve their products and operations. This mirrors investor practice of cleaning up their portfolios and divesting from carbon intensive businesses with high transition risks.
- **Litigation risk:** companies are increasingly facing litigation as a result of lack of ambition (or active resistance) around climate action, labour standards in their supply chains and health and pollution concerns about their factories and products.
- **Reputational risk:** legal and reputational risk go hand in hand given the increased scrutiny by media and NGOs. Whilst significant consumer boycotts and shareholder revolts are rare, transgressions even far down the supply chain can tarnish brands, undermine trust and negatively impact customer and investor confidence. Red lights are also a lack of ambition or failure to deliver as regards voluntary sustainability commitments. Conversely, brands which actively invest in sustainability and communicate this with integrity can benefit from a ‘halo effect’ which will attract customers, investors and new employees.
- **Exposure to cost increases and shortages:** more sustainable products, services and operations are more energy and resource efficient, so are less exposed to the huge increases in energy and commodity prices over the last year. The one silver lining of these energy prices increases is a stronger business case to invest in energy efficiency and renewable generation has been supercharged – so buyers should encourage their suppliers to seize this opportunity.



- **Physical climate risk:** agriculture, mining, manufacturing and distribution are all vulnerable to the physical effects of climate change such as droughts, floods, wildfires, storms and in some regions 'wet bulb' temperatures exceeding 35C - where heat and humidity makes outdoors work a danger to life. This can result in lost production and distribution delays, costly damage to factories and stock and most seriously, loss of life. Evaluating suppliers' exposure to physical climate risks and reviewing their adaptation measures should now form part of buyers' supplier audits and due diligence. For example, suppliers in flood zones should consider mitigation such as relocation of factories, physical flood defences, moving critical equipment, stock and electrical infrastructure above flood levels and emergency planning and transport to support workers. Buyers might also need to diversify supply to reduce reliance on individual suppliers facing severe climate risks.

*“Buyers need to make it clear to suppliers that their ability to win and retain business will be directly linked to their sustainability performance”*

Whilst there is a strong business case for many social and environmental improvements - from direct cost savings and increased sales to staff recruitment and retention and a lower cost of capital – the majority require some degree of investment by suppliers, which can often be substantial. Buyers need to make it clear to suppliers that their ability to win and retain business will be directly linked to their sustainability performance – but may also need to offer technical and financial support alongside 'customer loyalty' to provide the certainty that suppliers' efforts will be rewarded through more collaborative, longer term business relationships and fair pricing.

# Thanks & Acknowledgements

Intent Group would like to thank all of those who gave their time to contribute suggestions and ideas to this Guide. We have not mentioned individuals in this document to ensure that the content is a fair reflection of the true maturity, challenges and approaches that supply chain and logistics leaders are facing. However, particular thanks go to:

Gina Lovett at Patagonia, Serge Schamschula of Transporeon, Stuart Williams of Baringa.

## Guide Partner



## About Baringa

We set out to build the world's most trusted consulting firm – creating lasting impact for clients and pioneering a positive, people-first way of working. We work with everyone from FTSE 100 names to bright new start-ups, in every sector.

You'll find us collaborating shoulder-to-shoulder with our clients, from the big picture right down to the detail: helping them define their strategy, deliver complex change, spot the right commercial opportunities, manage risk or bring their purpose and sustainability goals to life. Our clients love how we get to know what makes their businesses tick – slotting seamlessly into their teams and being proudly geeky about solving their challenges. We have hubs in Europe, the US, Asia and Australia, and we work all around the world – from a wind farm in Wyoming to a boardroom in Berlin. Find us wherever there's a challenge to be tackled and an impact to be made.

[www.baringa.com](http://www.baringa.com)

Intent Group will be running small group specific discussions around the areas highlighted in this guide. Please visit [www.intent-group.com](http://www.intent-group.com) for more information.

