Transport Intelligence
Market Intelligence for the Transport and Logistics Industry

Logistics & Transport Industry Environmental Survey sponsored by Kewill

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KEWILL

Ti Transport Intelligence

About Transport Intelligence

Based in the UK and established in 2002, Transport Intelligence has quickly grown to become the world's leading provider of expert research and analysis dedicated to the global logistics industry. Utilising the expertise of professionals with many years experience in the mail, express and logistics industry, Transport Intelligence has developed a range of market-leading web-based products, reports, profiles and services used by all the world's leading logistics suppliers, consultancies and banks as well as many governmental organisations.

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About Kewill

Kewill Systems Plc is a leading provider of global solutions for the dynamic supply network. The dynamic supply network enables enhanced responsiveness to customers through flexible connectivity between partners and systems, providing improved visibility and effective compliance, bridging the gap from a traditional rigid supply chain.

With over 35 years experience in global trade management, Kewill is a long-time innovator of software focusing on data integration, forwarding, customs, compliance, order fulfilment, transport management, warehouse management, service logistics and visibility solutions for global trading communities.
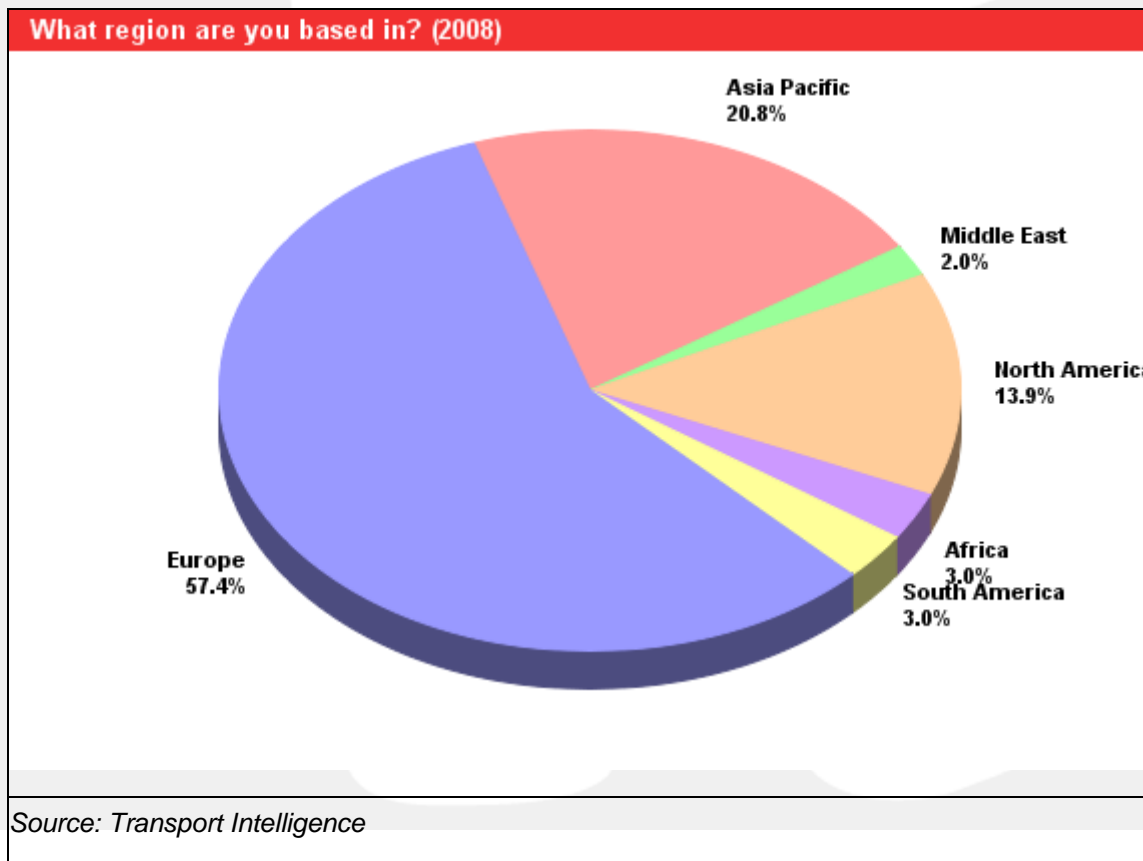
Some of the customers which entrust Kewill with the management of key elements of their global supply networks include: Allianz, A.N. Deringer, Atlantic Forwarding, Baltrans Logistics, BHS, DHL, DSV, FedEx, General Electric, General Motors, Glasgow City Council, JD Williams, Mazda, Mitsubishi, MMA, Nintendo, Nisa Today's, Legal & General, Panalpina, Philips, Pratt & Whitney, Sainsbury's, Shop Direct Group, Texas Instruments, TNT, Towergate Insurance, UPS.

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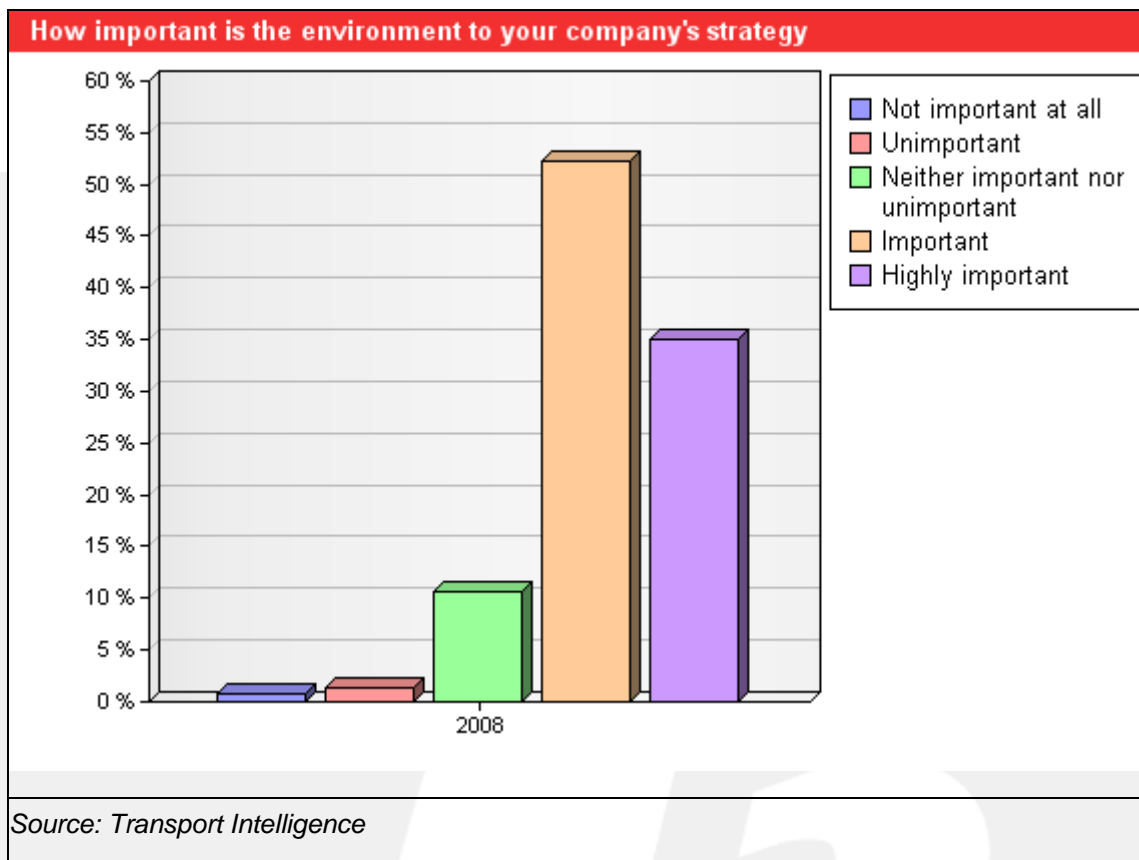
1.0   Are 'green' words backed by 'green deeds'?

'Green Logistics' has become one of the major issues of the decade and impossible for anyone in the industry to avoid. All logistics companies boast of their environmental credentials, and manufacturers and retailers spend large amounts of money convincing people – and governments – of their ethical sourcing strategies. But is this just a passing trend, which will be quietly forgotten when economic times get hard, or is it here to stay?

In June 2008 Transport Intelligence undertook a major survey examining how companies were reacting to environmental concerns. The survey was designed to probe beyond the public relations spin in order to identify what logisticians really felt about the new set of pressures they face. The survey attracted high levels of interest, with 450 respondents from around the world, representing the full spectrum of the logistics sector as well as manufacturers/retailers.

What region are you based in? (2008)

Asia Pacific
20.8%

Middle East
2.0%

North America
13.9%

Africa
3.0%
South America
3.0%

Europe
57.4%

Source: Transport Intelligence

Unsurprisingly the vast majority of respondents stated that the environment was either 'important' (52%) or 'highly important' (35%) to their companies' strategy.

How important is the environment to your company's strategy

Legend:
- Not important at all
- Unimportant
- Neither important nor unimportant
- Important
- Highly important

Source: Transport Intelligence

When asked what steps they had taken to offset the impact of their business on the environment, there were a wide range of responses. The initiatives can broadly be divided into the categories 'operational' and 'strategic'.

As far as operations are concerned, many companies pointed to their replacement of ageing fleets with newer, more fuel efficient vehicles. Others had gone even further by introducing either hybrid, electric or gas powered trucks. In addition driver training was cited as being very important, especially as regards to vehicle idling policies – both for vehicles and airplanes.
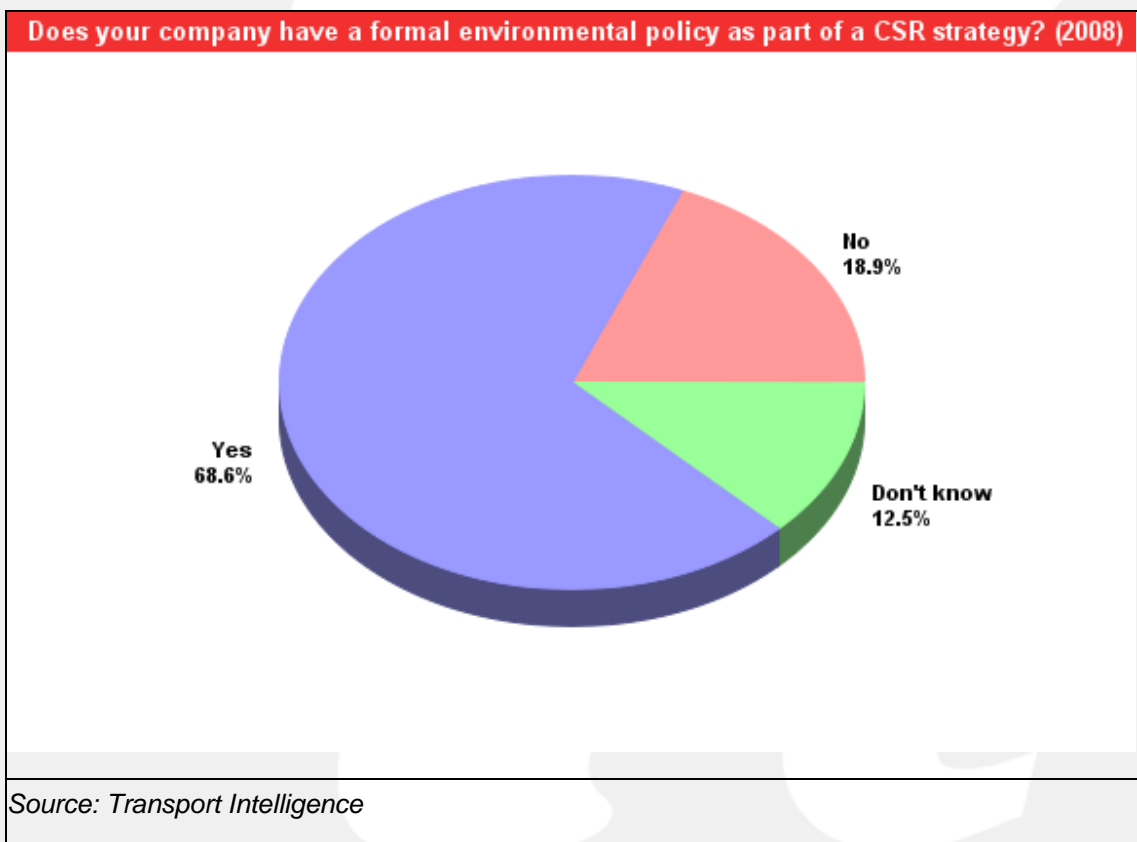
Warehousing was also mentioned as an area in which companies' environmental impact could be reduced. As well as choosing specially designed 'green' warehouses, many respondents said that much could be done to reduce impact within older facilities. This included recycling of packaging waste, reducing air conditioning use, switching off lights and better utilisation of packaging and paper.

Many respondents stated that their companies had also taken a 'strategic' approach to reducing carbon emissions. This included reviewing their use of certain transport modes with the goal of switching to those with lower carbon footprints e.g. rail, short sea shipping

or intermodal barges. Others pointed to the creation of 'intelligent transportation networks' with shipment consolidation and route optimisation.
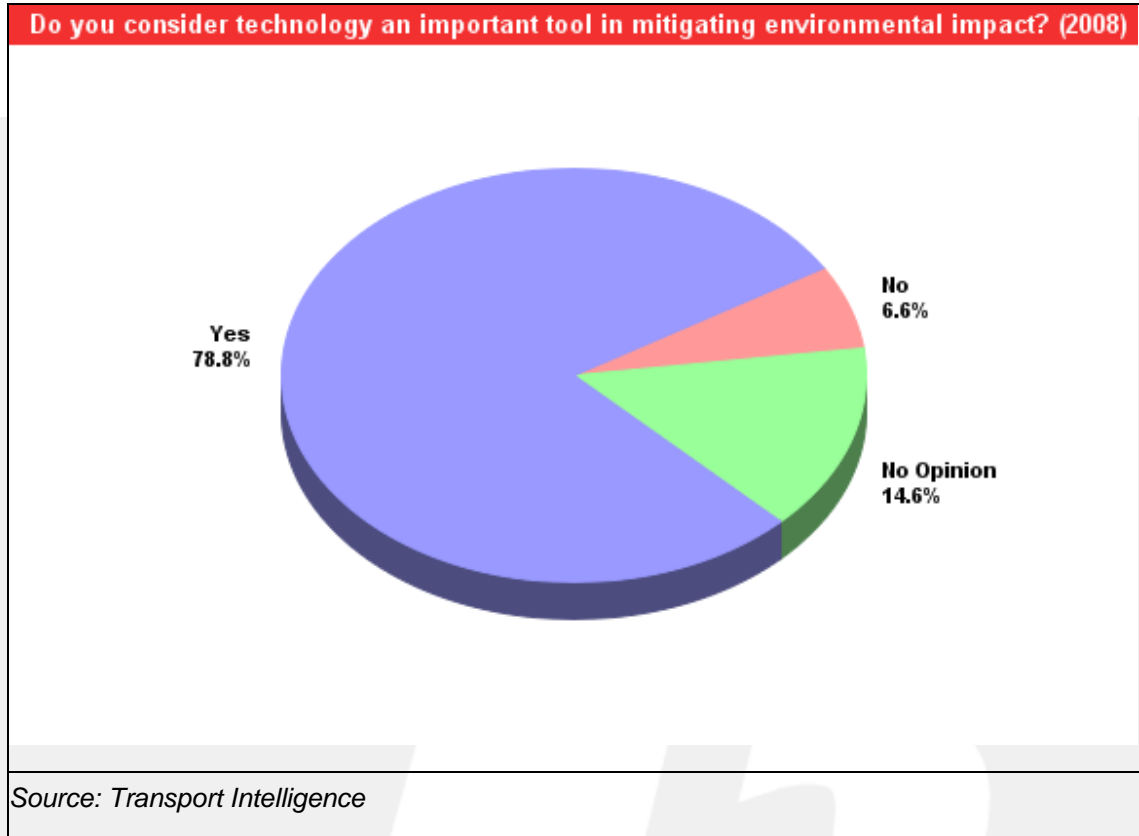
Many respondents stated that their companies had adopted the international environmental standard ISO 14000 which ensures that policies and management systems have been implemented and maintained.

Companies' keenness to adopt environmental policies (in much the same way in the 1990s they adopted ISO9001) is illustrated by the responses for the next question – 'Does your company have a formal environmental policy as part of a Corporate and Social Responsibility (CSR) strategy?' Just under two thirds – 64% - said that they did. This certainly suggests that companies are eager to be seen in a positive light by both their employees and the outside world.

Source: Transport Intelligence
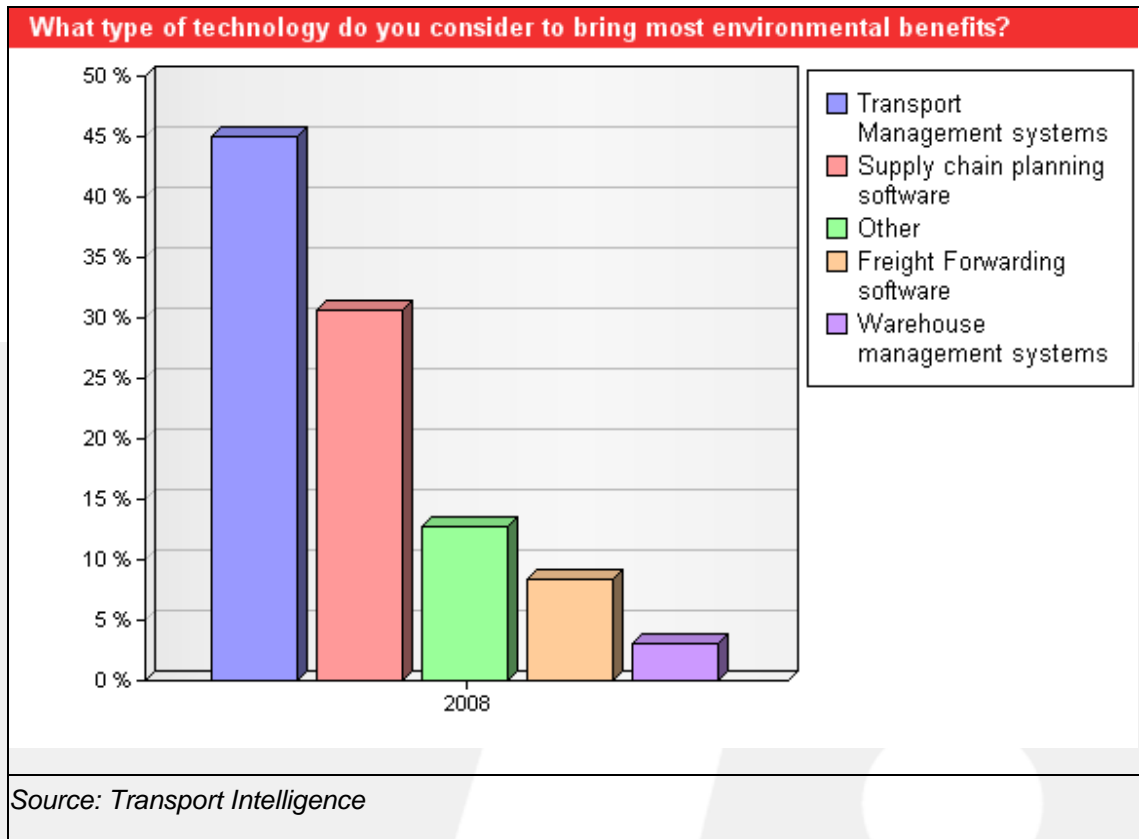
2.0 Technology – playing a vital role

Technology was considered an important tool in reducing carbon footprints by 79% of respondents. The term 'technology' was found to be extremely wide ranging, covering software applications to improvement in mechanical, chemical and electrical engineering.

Do you consider technology an important tool in mitigating environmental impact? (2008)

Yes
78.8%

No
6.6%

No Opinion
14.6%

Source: Transport Intelligence

For example, many respondents pointed to the improvements in engine efficiency and 'smarter' fuels. Within the warehouse sector, improvements in pervious concrete were mentioned, which prevents run off. Others indicated that e-shipping documents had considerably reduced unnecessary use of paper.

One less obvious benefit brought by technology is the ability it gives companies to 'measure and manage.' One respondent commented, "One of the main challenges is to understand the current level of impact on environment. Technology, in this respect enables businesses to baseline their current picture in order to start to drive year on year improvements." Another logistics executive put it more bluntly: "Technology will be essential to enforce and control."
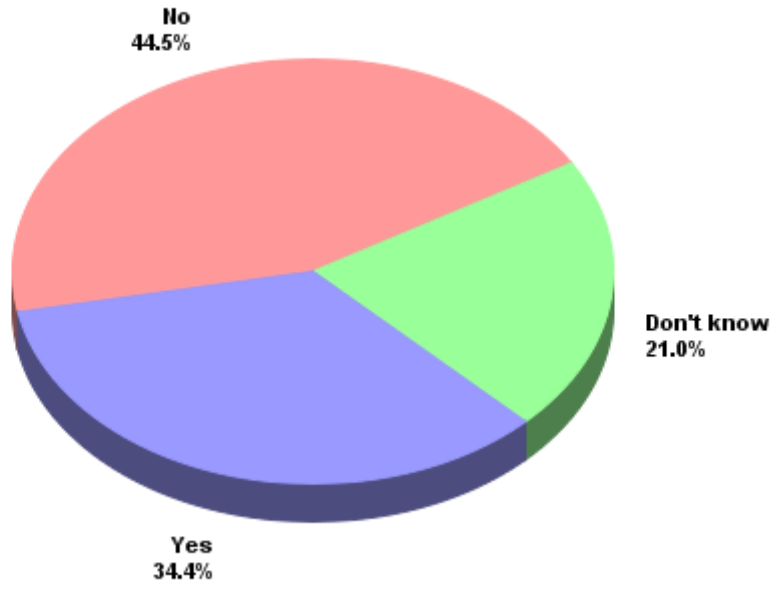
Referring specifically to software applications, when asked which type brought the most benefits, 45% indicated Transport Management Systems, whilst 31% stated Supply Chain Planning software. Unsurprisingly Warehouse Management Systems were perceived to have few green benefits, despite the efficiencies they create within the warehouse environment.

What type of technology do you consider to bring most environmental benefits?

Source: Transport Intelligence

Technology also gives companies the ability to calculate their carbon footprint. As one respondent put it, "Our technology gives us the opportunity to calculate what the emission is per shipment specifically per trade lane and also on a customer level. Knowing this gives us the opportunity to discuss improvement levels with our global customers."

When asked whether they measured their carbon footprint just over a third said 'Yes' whilst 45% said 'No' with the remainder unsure. Of those who did measure their carbon footprint, two thirds said that they managed the process in-house, sometimes using their own software, whilst the remainder looked to outside consultants and software houses. Many said that this initiative was only just in development.
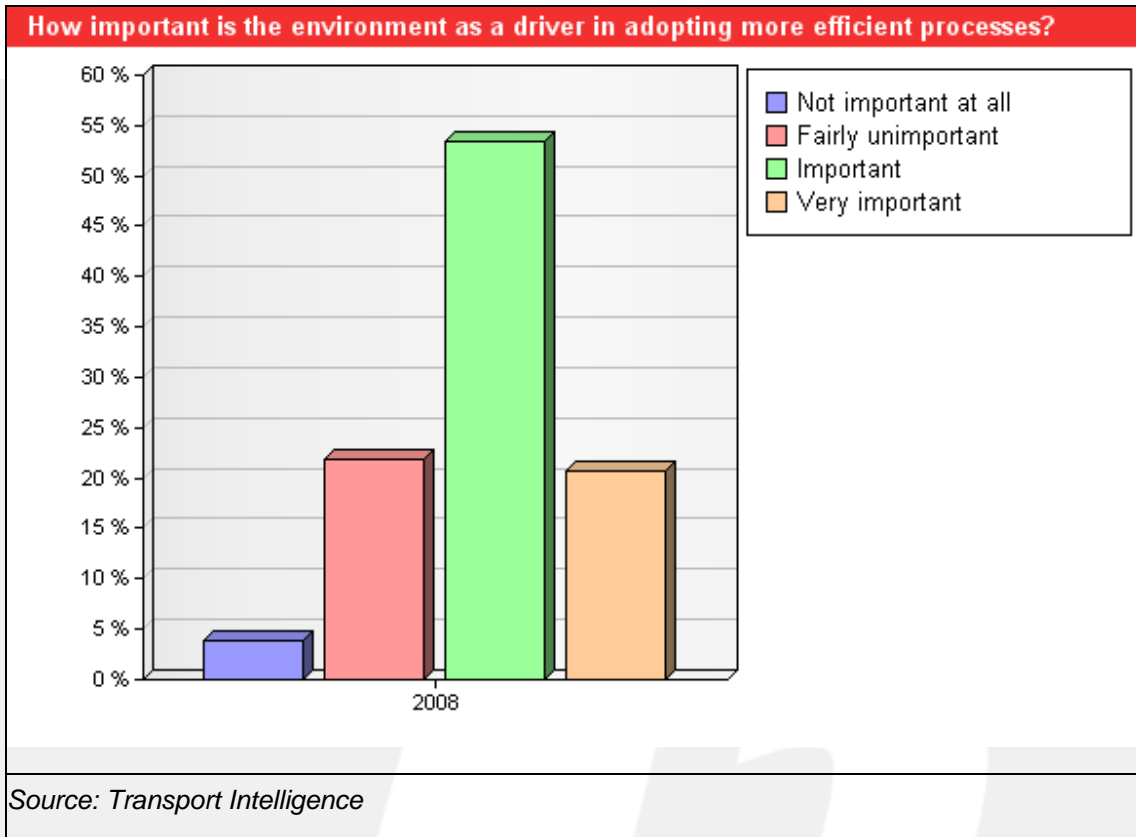
Do you measure your carbon footprint? (2008)

No
44.5%

Don't know
21.0%

Yes
34.4%

Source: Transport Intelligene

3.0   The environment as a driver for change

When asked about how important the environment was as a driver in adopting more efficient processes within their company, there was slightly less unanimity than previously demonstrated in the survey. Just about a quarter of respondents admitted that it was either 'fairly unimportant' or 'not important at all'.

How important is the environment as a driver in adopting more efficient processes?

Source: Transport Intelligence

Indeed when asked about whether their company had spent money on an environmental initiative that had no direct commercial benefit, the majority – 55% –said no.

Perhaps this last response is most revealing. In a climate in which it is essential for logistics users and providers to achieve efficiencies in order to reduce spiralling input costs, it is easy to dress these measures up as driven by environmental concerns. Cheap transport has been responsible for the defining trend of the last decade – globalisation – and it is only now that fuel prices have risen to record highs that companies are starting to question their supply chain strategies. Whether companies would have been quite so concerned about their carbon emissions without the high price tag that goes with them is a moot point. The answer is likely to be that green logistics policies would have been adopted but not applied with the same rigour.
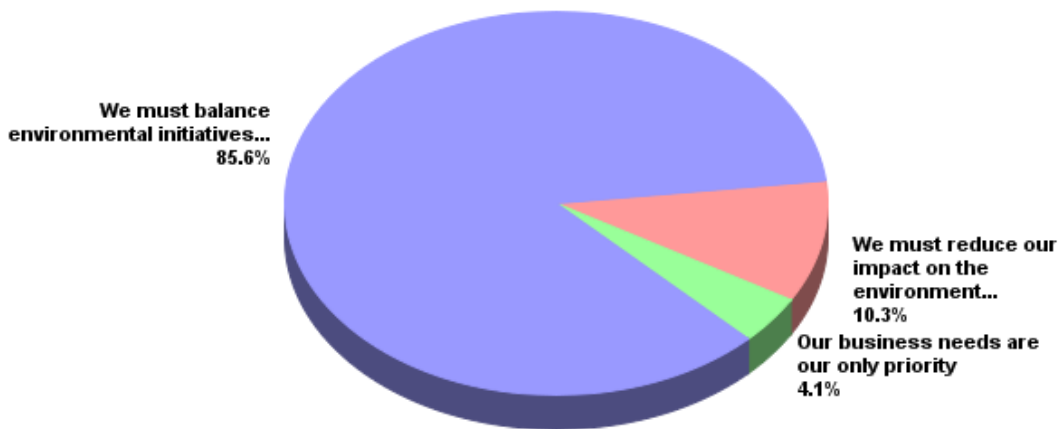
Has your company spent money on an environmental initiative...? (2008)

No
55.3%

Yes
44.7%

Source: Transport Intelligence

This pragmatism was shown even more clearly when respondents were asked to choose one of three statements which most closely described their personal views on green issues. The vast majority aligned themselves with the statement "We must balance environmental initiatives and costs with business needs." Just 10% agreed with the statement, "We must reduce our impact on the environment at all costs, even if my company is less competitive."

Which of the following statements most closely describes your personal views on 'green' issues?
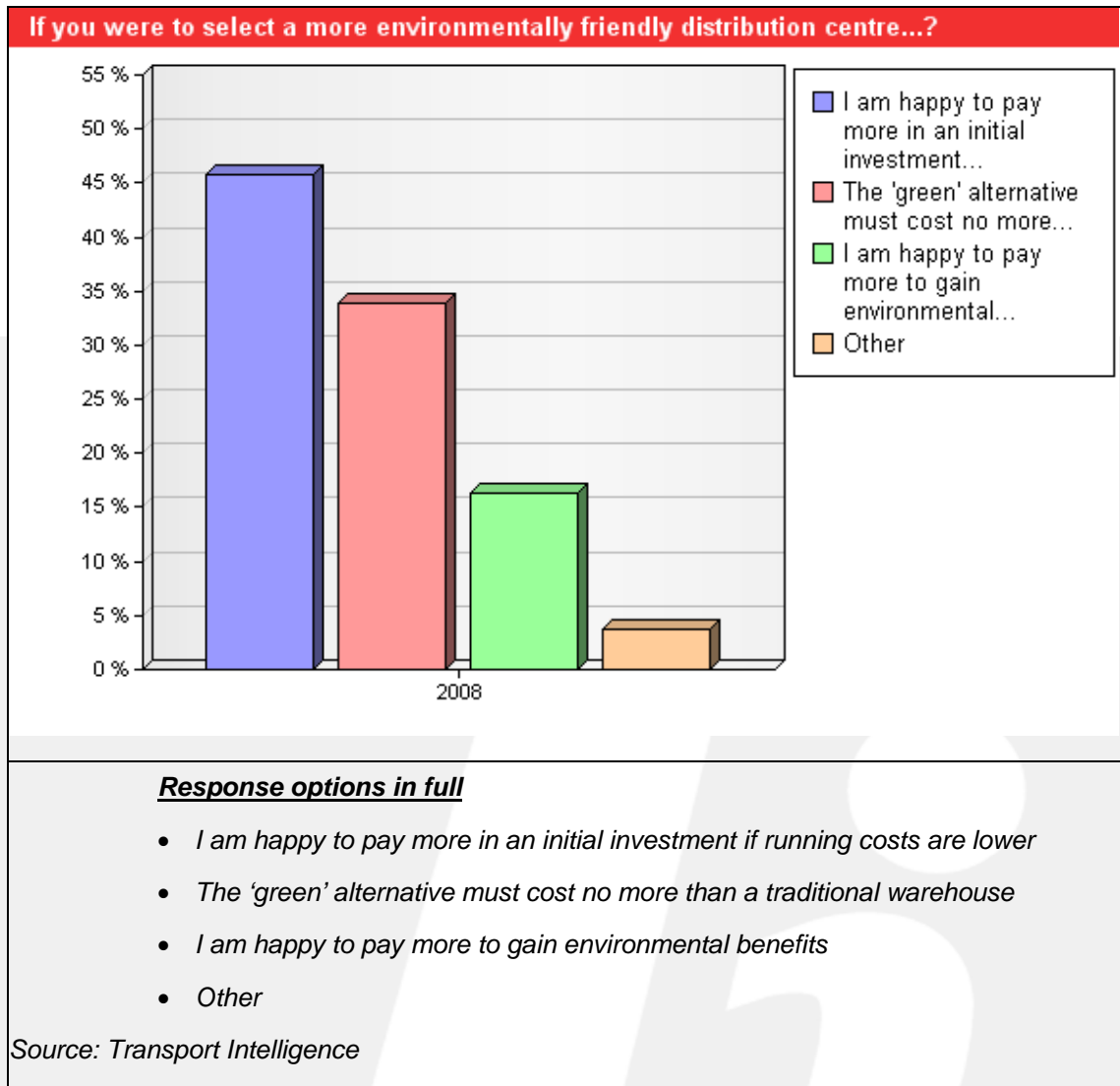
We must balance
environmental initiatives...
85.6%

We must reduce our
impact on the
environment...
10.3%

Our business needs are
our only priority
4.1%

Response options in full

- *We must balance environmental initiatives and costs with business needs.*

- *We must reduce our impact on the environment at all costs, even if my company is less competitive*

- *Our business needs are our only priority*

Source: Transport Intelligence

Likewise, when asked about their views on environmentally-friendly warehousing, most respondents adopted a balanced view. 46% indicated that they would be happy to pay more up-front in an initial investment if running costs were lower. However a sizeable minority (34%) insisted that the 'green' alternative must cost no more than a traditional warehouse. Only 16% said that they would be happy to pay more to gain environmental benefits.

If you were to select a more environmentally friendly distribution centre...?

Legend:
- I am happy to pay more in an initial investment...
- The 'green' alternative must cost no more...
- I am happy to pay more to gain environmental...
- Other

Response options in full

- *I am happy to pay more in an initial investment if running costs are lower*
- *The 'green' alternative must cost no more than a traditional warehouse*
- *I am happy to pay more to gain environmental benefits*
- *Other*

Source: Transport Intelligence

Survey respondents were then probed about whether their companies' environmental enthusiasm would change in the coming years, given the chances of an economic slowdown. The overwhelming sentiment seems to be no, but according to two thirds of respondents this is largely due to the 'win-win' of implementing green initiatives that bring operational efficiencies and also cut costs. The number who said that they would continue to pay more for an environmentally friendly alternative (17%) was balanced by the proportion who said that they would base their sourcing decisions on cost alone.

In light of an economic slowdown, will you invest in environmentally-friendly services?

Response options in full

- *Yes, we will continue to pay more for an environmentally friendly alternative.*

- *No, cost cutting will mean we will look for the lowest cost services or infrastructure.*

- *Investment in our environmental initiatives will bring operational efficiencies and lower costs.*

- *Other*
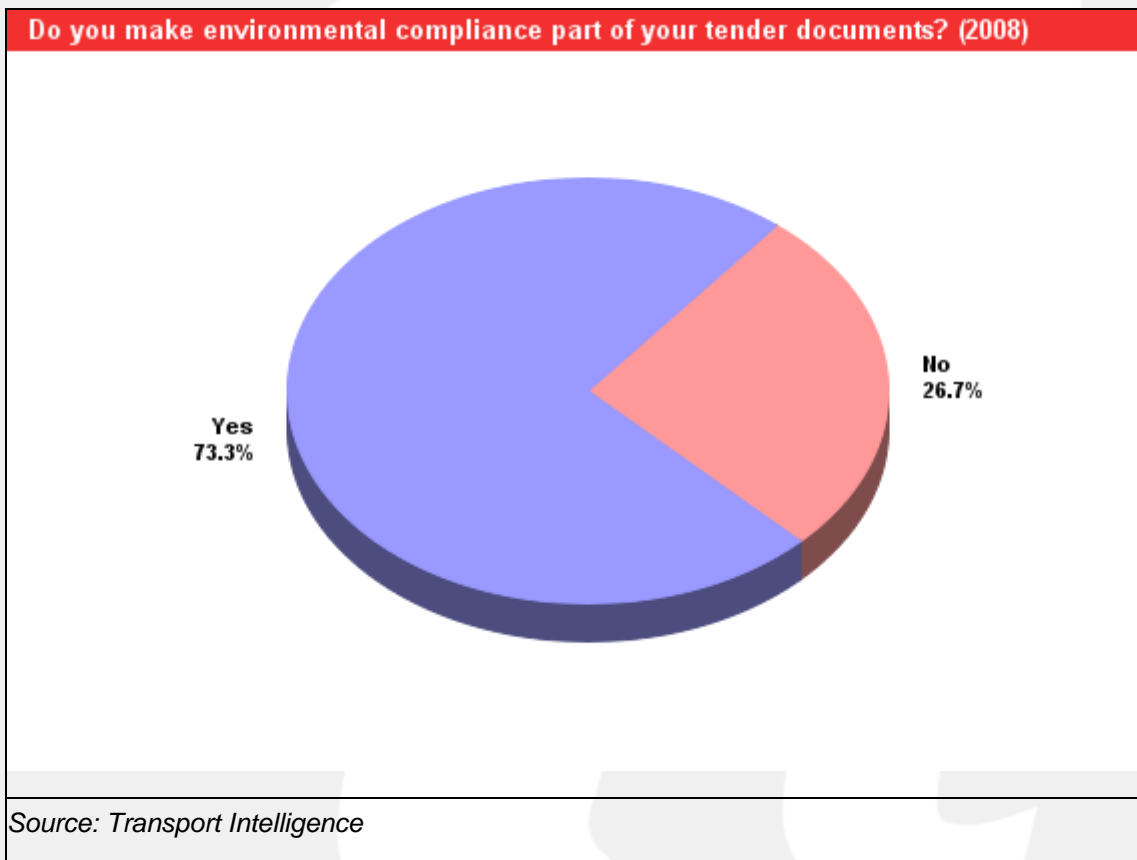
Source: Transport Intelligence

When asked in which specific areas they were undertaking green initiatives, the highest proportion (33%) identified transportation. This included driver training, hybrid engines and better management of empty running. Equally important, with about a quarter of responses each, were more efficient planning through IT tools and increased administrative efficiencies. Perhaps surprisingly warehousing was identified by only 15% of respondents as an area on which they were focusing.

If your company is undertaking an environmental initiative, in what area does it focus?

Response options in full

- *Warehousing e.g. recycled rain water, solar panels etc*

- *Transport e.g. driver training, hybrid engines, better management of empty running, etc*

- *More efficient planning through IT tools*

- *Administration efficiencies*
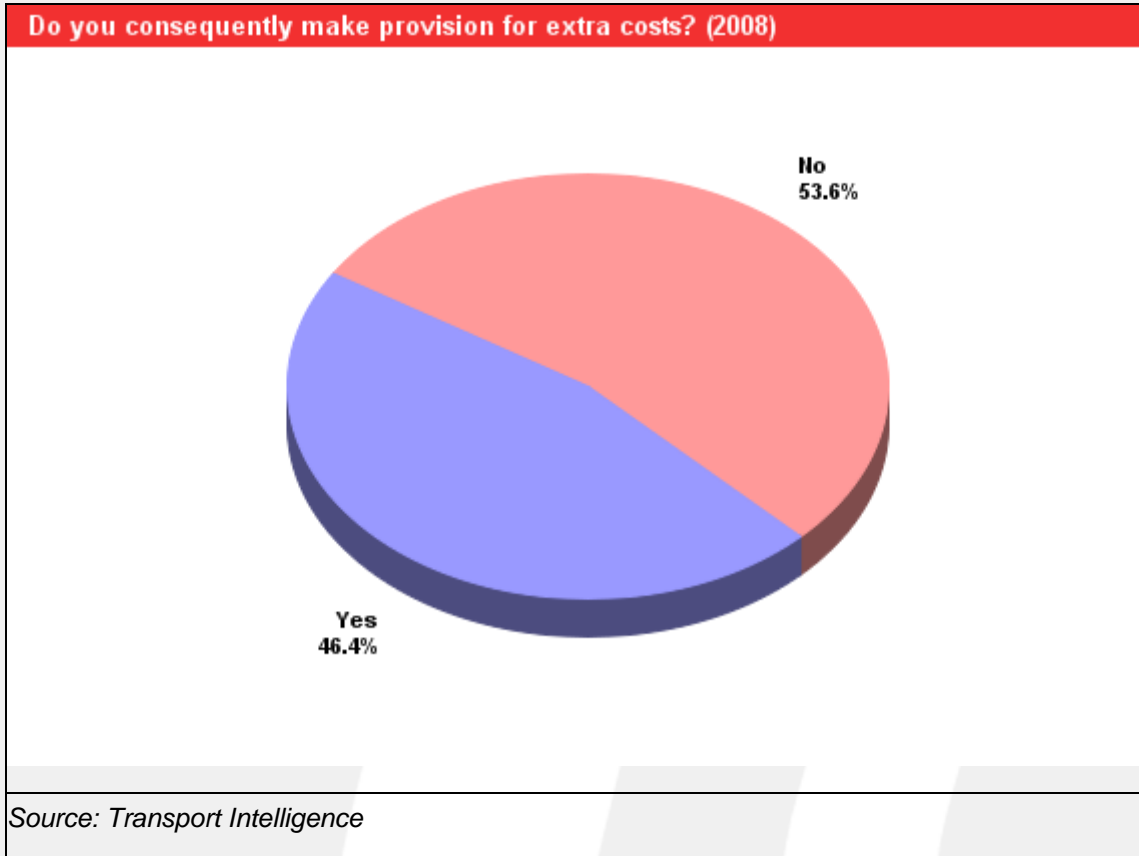
Source: Transport Intelligence

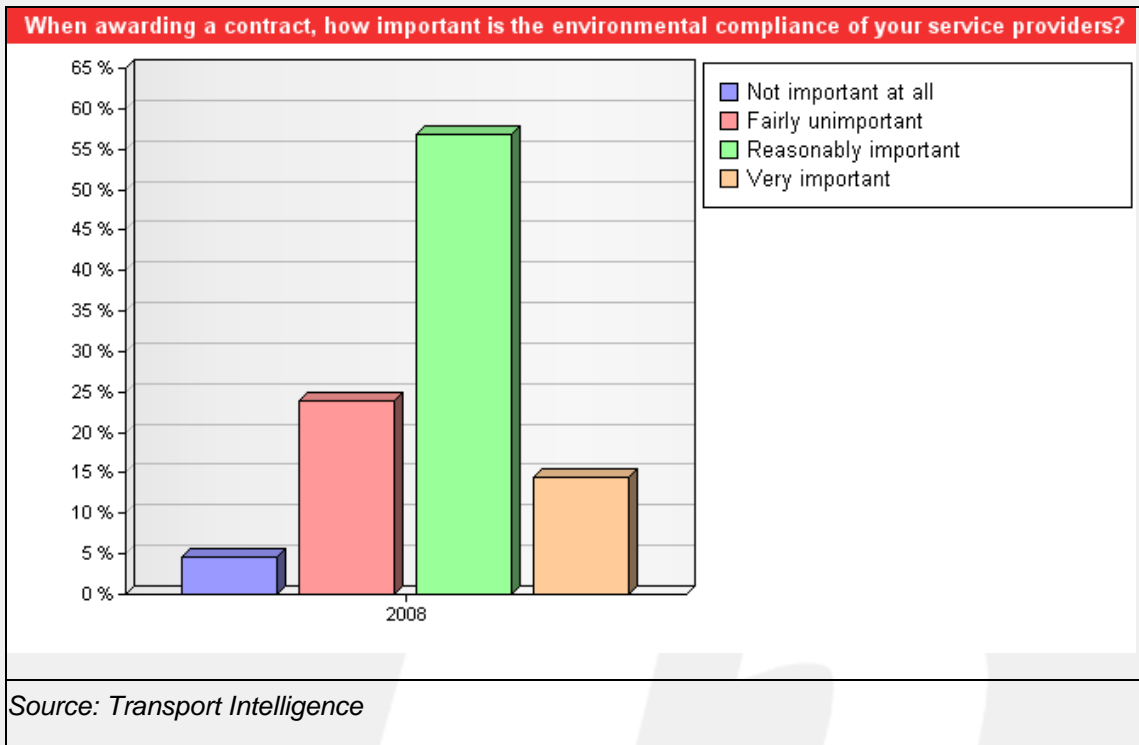# 4.0   Contracts driving environmental compliance

One of the major reasons that suppliers of logistics services have to take green issues seriously is the growing trend for contracts to contain provision for environmental compliance. Three quarters of respondents who awarded contracts said that their tender documents contained sections on environmental competence.

Do you make environmental compliance part of your tender documents? (2008)

Yes
73.3%

No
26.7%

Source: Transport Intelligence

However most of them (54%) failed to make provision for the extra costs that could be involved. This will no doubt be a source of annoyance for many logistics companies who will see the environmental measures they are forced to adopt as another cost burden which is being pushed down on them by their clients.

Do you consequently make provision for extra costs? (2008)

No
53.6%

Yes
46.4%

Source: Transport Intelligence

However it seems that there is little that logistics companies can do to avoid investing in green initiatives. 70% of those companies awarding contracts said that environmental compliance was either 'reasonably important' or 'very important'.

Source: Transport Intelligence

5.0   Conclusion

It seems that most respondents take a very pragmatic view to environmental issues recognising that green and business issues must be balanced. This pragmatism is helped by the cost savings brought about for implementing environmental initiatives. The focus for most companies it seems is on the transportation element of their operations, largely due to rising oil prices. To this end, transport management and load planning systems are important tools but companies are also focusing on the basics, such as driver training. Overall it can be said that logistics suppliers and their clients recognise the importance of the environment to the long term development of their companies. The main issue which could lead to friction between clients and their logistics companies is who will ultimately pay for green initiatives.

Contact Transport Intelligence

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