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UNLOCK THE TRUE VALUE OF YOUR SUPPLY CHAIN:
BUSINESS SUCCESS THROUGH SUSTAINABLE SUPPLY CHAIN MANAGEMENT

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CURRENT STATE AND DRIVING TRENDS WITHIN SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Embedded sustainability as a new business mindset
Is embedded sustainability a sunk cost? Is it a distraction from core business?
The answer to both questions is "absolutely not" – sustainable management is a necessary part of a sound management approach. Various leading companies around the world know that embedding sustainability into their core business drives value creation and business success (see Figure 1); in fact, these are the same businesses that are outperforming their competitors and markets.

FIGURE 1: OVERVIEW SUSTAINABILITY

- According to an analysis of more than 200 studies, 88 % of sources reviewed state that companies with robust sustainability practices show better operational performance, which ultimately translates into better cash flows.[1]

- Based on the results of one Accenture survey[2], 93 % of CEOs believe sustainability will be crucial to the future success of their business.

- 81 % of CEOs believe their company's reputation for sustainability is important to consumers' purchasing decisions.[2]

- 75 % of people around the world believe companies can take specific actions that increase profits and improve economic and social conditions in the community where they operate.[3]

This is turning traditional business thinking upside-down. It seems many businesses are finally overcoming outdated trade-off thinking in management; sustainability and profit are no longer contradictory, but rather complimentary, and this new perception of sustainability has far-reaching consequences for Supply Chain Management (SCM) strategy and conduct.

> "Sustainability is not something for only forward-thinking companies, but rather an approach that causes a differentiated outcome in both your bottom line and reputation."
>
> Rick Bingle, Vice President Supply Chain, REI.

Challenging the Supply Chain Management (SCM) status quo
Over the last decade, global megatrends, declining natural resources and rising social and commercial expectations have put companies' supply chains into the spotlight. For instance, according to one McKinsey study, the value at stake on sustainability issues can range from 25 % to 70 % of earnings before interest, taxes, depreciation and amortization.[4] A KPMG study showed that environmental damage

[1] University of Oxford and Arabesque (2015). From the stockholder to the stakeholder. How sustainability can drive financial outperformance.
[2] Accenture (2013). UN-Global Compact – Accenture CEO Study 2013: Sustainable business and the pace of change.
[3] Edelman Trust Barometer (2017)
[4] McKinsey (2014) Sustainability's strategic worth: McKinsey Global Survey results.

caused by 11 key industry sectors in 2010 was equivalent to 41 % of their pre-tax-profits.[5] Not surprisingly, stakeholders expect more environmental, social and economic awareness from the market place. At the same time, external regulatory pressure, as well as companies' internal drives to reduce costs, have led them to consider sustainable solutions that create new business opportunities.

Originally, SCM aimed primarily to reduce costs, improve on-shelf availability and support financial figures. Now, to remain competitive, sustainability parameters around energy usage, reduced CO_2 emissions, water consumption, better traceability and contributions to product and process innovations are capturing the attention of Supply Chain Managers, as these topics now contribute to conventional SCM's core objectives. For example, there are companies that have invested up to US$2 billion in reducing their water use and improving water quality in the communities where they operate.[6]

Understanding sustainability as an integral part of SCM has led to the emerging field of Sustainable Supply Chain Management (SSCM). SSCM makes an important and often underestimated contribution to a company's overall success. It focuses on identifying the best areas in which to take advantage of business potential and contribute to sustainable development.

What are Sustainable Supply Chain Management's (SSCM's) key components?

Depending on the industry and business model, SSCM offers multiple opportunities to integrate certain sustainability parameters. As an increasing number of companies are implementing SSCM approaches, specific functional areas of SSCM have been gaining prominence, including:

- **Sustainable logistics**, which aims to systematically decrease the environmental burden of transportation and supply chains.
- **Reverse logistics,** which focuses on business opportunities by reusing products and materials and involves all post-sale product-related activities.
- **Sustainable supplier and vendor management,** which centers on sustainable supplier selection, supplier performance measurement, benchmarking and supplier development.
- **Internal sustainable operations management,** which covers internal programs linked to company operations, including lean management, total quality environmental management, inventory management, material substitution and process modification and internal closed-loop operations.

[5] KPMG (2012). Expect the Unexpected: Building business value in a changing world.
[6] Harvard Business Review (2016). The Comprehensive Business Case for Sustainability

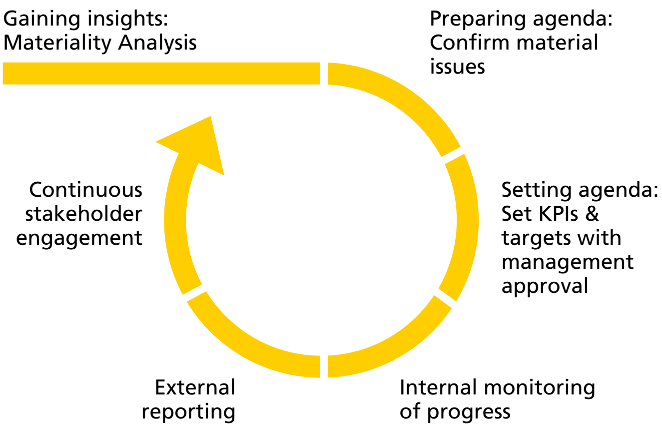
How to realize the benefits of a sustainable supply chain
In order to realize the benefits of SSCM, you must understand that the breadth of sustainability topics and their interdependencies can be quite complex. It is therefore essential to focus on a few, carefully chosen topics, then develop an approach that meets the company's needs. Figure 2 provides an example of such an approach.

It is crucial to build your SSCM upon a profound understanding of the sustainability topics most relevant to your company and stakeholders – and in order to define these relevant topics, it is necessary to conduct a "materiality analysis." Scientific studies have shown that companies that built their sustainability programs on the results of their materiality analysis are receiving greater business benefits from their sustainability programs.

As a next step, you should define certain key performance indicators (KPIs) and targets for each topic, ensuring management approval and support. This will enable you to regularly monitor and evaluate progress. Communications and continuous stakeholder engagement will close the loop, creating the foundation necessary to continuously improve the program.[7]

> "Less is more. A focused approach is key to paving the way for a Sustainable Supply Chain. Transition will only be successful if sustainability KPIs and targets as well as business KPIs go hand in hand."
>
> Kathrin Brost, Global Head of GoGreen, DHL Global Forwarding.

FIGURE 2: MANAGEMENT CYCLE OF SSCM



[7] Harvard University (2015). Corporate Sustainability: First Evidence on Materiality.

HOW TO ACHIEVE BUSINESS SUCCESS THROUGH SUSTAINABLE SUPPLY CHAIN MANAGEMENT (SSCM)

There is clearly a strong ethical dimension to sustainability, but there are great economic arguments as well. This is particularly true in the areas of sustainable logistics and reverse logistics. Here, potential business value goes beyond a desire to improve company reputation; it offers significant potential to create business value across the entire supply chain – including both direct and indirect benefits (see Figure 3).

FIGURE 3: BUSINESS BENEFITS OF SSCM

In this section you will learn how:

- To decrease transport costs and reduce carbon emissions.
- To strengthen your 'license to operate' and improve brand reputation.
- Sustainability drives process and product innovation, thereby generating additional revenue streams.

In the fields of sustainable and reverse logistics, the first business advantage – and one with a significant impact on bottom line – lies in reducing transport costs. Considering the environmental impact of your supply chain and how to optimize it can help identify what decisions must be made to help decrease transport costs and carbon emissions, as well as impact overall performance.

"A drive towards sustainability is happening now. We see evidence that taking decisions in the interest of sustainability provides a source of innovation and growth for a lot of our customers and business partners. Stronger employee engagement is another upside as sustainability leadership instills a sense of pride and inspires employees."

Angelos Orfanos, Executive Vice President Global Marketing & Sales, DHL Global Forwarding.

ADVANTAGES OF MODAL SHIFT: REDUCING EMISSIONS AND SAVING COSTS

A logistics network's design can have a significant impact on the environment. Transportation and delivery management decisions have vital energy and air emissions implications. Sustainable logistics aims to systematically decrease the environmental burden of transportation and supply chains, offering various ways to reduce costs and environmental emissions. Best practices show that better routing, truck loading, driver training and advanced technologies can improve fuel efficiency by approximately 87 %, resulting in a reduction of 15,000 metric tons of CO_2 emissions – equivalent to cost savings of nearly US$ 11 million.[8] Other examples provide evidence that reducing greenhouse gas emissions and improving water usage can lead to cost savings of more than US$ 300 million in only two years.[9]

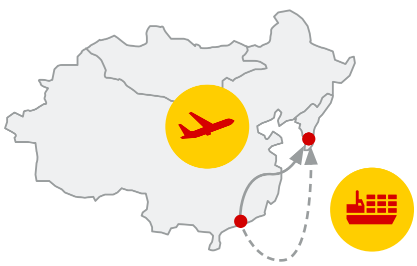
Figure 4 (an example) shows how switching transport modes from air to ocean for distribution from Hong Kong

> "Serious commitment to integrating sustainability into logistics processes and setups can translate into real, measurable business value and bottom-line impact. Sustainability performance is also an increasingly important indicator of the business' ability to create long term value which is important for investors."
>
> Niki Frank, Senior Vice President Global Business Strategy, DHL Global Forwarding.

FIGURE 4: IMPACT OF A MODAL SHIFT ON SUPPLY CHAIN COSTS AND EMISSIONS

Original Situation

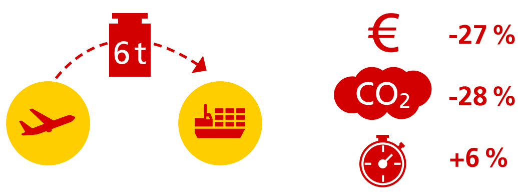
Distribution from Hong-Kong to South Korea



		€	CO_2	
	21 tons	€ 1–2 p. kilo*	33 tons	~2 days
	78 tons	€ ~200 p. TEU*	2.0 tons	~8 days
Σ	99 tons	€ ~28,000*	35 tons	~6.7 days

Optimized Solution

Modal shift for heavy AFR shipments to OFR
(~6 tons: 12 shipments at ~500 kg)



		€	CO_2	
	15 tons	€ 1–2 p. kilo*	23 tons	~2 days
	84 tons	€ ~200 p. TEU*	2.3 tons	~8 days
Σ	99 tons	€ ~20,500*	25.3 tons	~7.1 days

* Indicative rates, subject to change over time

[8] Harvard Business Review (2016). The Comprehensive Business Case for Sustainability.
[9] Harvard Business Review (2016), The Comprehensive Business Case for Sustainability.

to South Korea could simultaneously yield significant cost improvements (more than 27 %) and CO_2 reduction (more than 28 %). The prerequisite is only some flexibility in lead time, which would increase on average by 6 %.

Depending on diverse company characteristics, there are a variety of different supply chain optimization methods for achieving cost savings and emission reductions. As the example above shows, cost and emissions reductions are not contradictory, but highly complementary. The starting point lies in identifying these win-win scenarios. Figure 5 summarizes some potential optimization levers and offers key questions to help identify the most appropriate focus areas for your company.

FIGURE 5: OPTIMIZATION LEVERS

Optimization Levers	
Strategic Supply & Demand Decisions	Product/Lot/Container Management
Network Design	Carrier Selection
Mode Choise	Routing

Key Questions

- ☑ Could you move more volume to other transport modes?
- ☑ Can you slow down parts of your supply chain?
- ☑ Can you consolidate more shipments?
- ☑ Can you increase the density of your shipments?
- ☑ Can you operate with diffrent routings and lead times?

A number of companies are already making headway and provide some interesting examples of the benefits of modal shift and associated benefits.

Auchan Retail Serve And Preserve

According to Claire Degardin, International Transport Coordinator from Auchan Retail, the leading French international retail group "reconciling business requirements and sustainable business practices is not as easy task". For Auchan Retail, the main challenge is maintaining acceptable delivery times while using the greenest and most cost-efficient transport mode. The environment is at the center of policies and actions of Auchan Retail, as the effort invested in Sustainability delivers positive benefits on multiple levels.

For example, switching from road to barge transportation helped ease final mile delivery (e.g. through longer storage times at ports), simplify administrative procedures (e.g. Procédure Fluvio Maritime in France) and make a positive contribution to living conditions improvement by ensuring there are fewer trucks on roads. It also helped improve competitiveness by reducing overall logistics spend. "The environment is, therefore, an integral part of Auchan's transport policy and is at the heart of all the purchasing negotiations and decisions. It's important to us to work with logistics partners that are as committed to sustainability as we are." Claire Degardin, International Transport Coordinator from Auchan Retail.

Another example comes from one of the world's most known breweries that shifted parts of its beers exports from road to ocean freight on Mexico – US tradelane thereby reducing its CO_2 emissions by 14 %. And, in addition to saving 13,228 tons of CO_2 per year, this modal shift has resulted in reduced damage to packaging and goods as well as cost savings.

'LICENSE TO OPERATE' ADVANTAGE: STRENGTHEN 'LICENSE TO OPERATE' AND IMPROVE COMPANY REPUTATION

Integrating sustainability into your supply chain management approach can provide further positive advantages for your company, such as improving its reputation – thereby obtaining 'social permission' to conduct business from your stakeholders (also called 'license to operate').

Transparency is one of the key drivers of company's reputation, but it is also an area that may seem difficult and complex to tackle. A good starting point may lie in sourcing natural resources and raw materials, which is the beginning of every supply chain. Ensuring that materials are sourced with respect for and sensitivity to the community and environment offers more than moral benefits – it also makes good business sense, as it helps:

- Create transparency in the global supply chain.
- Strengthen company's reputation, contributing to increased corporate brand value.
- Mitigate potential risks as part of an overall risk-management approach.

Creating or improving transparency can help increase trust among demanding stakeholders, thereby leading to improved company reputation. This, in turn, can have a positive impact on multiple areas and on stakeholders including:

- Customers and consumers (consumer loyalty).
- Current and potential employees (employer branding).
- NGOs and the greater public (license to operate by society).
- Investors, who will be attracted by the inherent risk-mitigation, which improves company access to money from capital markets (financial performance).

> "Through its sustainable supply chain management, Henkel achieves more transparency in its global supply chain and helps to improve environmental and social standards. This is beneficial for the company's overall reputation and mitigates risks – which are both important when it comes to driving Henkel's growth."
>
> Ulla Hüppe, Senior Sustainability Manager, Henkel.

Companies can drive transparency by regularly reporting on the status and progress of their sustainability programs. High scores in key sustainability ratings and rankings, as well as examples and case studies shared with media, provide additional evidence and credibility.

In today's increasingly globalized world, with its complex sourcing and procurement processes, partnerships with suppliers are going to play a central role in improving transparency for your company's supply chain. Therefore, it is beneficial to not only examine your internal sustainability initiatives, but also your suppliers' and partners' practices. Selecting and collaborating with those equally committed to responsible business practices can help reduce risks for your company by providing evidence that your supply chain risks are managed systematically.

Figure 6 provides an overview of common transparency drivers and a set of key questions important to answer for sustainability reporting.

Leveraging strong license to operate delivers business benefits, such as greater customer loyalty, increased

FIGURE 6: TRANSPARENCY DRIVERS

Transparency Drivers	
Materiality Analysis	Frequent Carbon Reports
Annual Sustainability Reports	Impact Measurement
Sustainability Ratings	Case Studies
Science Based Targets	

Key Questions

- ☑ Have you identified your most material sustainability topics?
- ☑ Which topics are most relevant to your stakeholders (especially to your customers)?
- ☑ Are your targets ambitious enough?
- ☑ Do you have full transparency on your own, and subcontracted emissions and other sustainability impact?
- ☑ How do you prove to employees and customers that you are walking the talk?

employer attractiveness and in some instances, improved financial performance, suggested by supporters of the risk mitigation perspective. Other scholars, however, suggest that sustainability could lead to worse corporate financial performance, labeled the overinvestment perspective.[10]

> "Transparency is an important lever when it comes to mitigating risks. Increased transparency can be achieved by improving the traceability of palm materials and ensuring compliant practice by suppliers. This further shapes the company's reputation among stakeholders such as customers, employees, investors and NGOs, and ensures the license to operate."
>
> Ulla Hüppe, Senior Sustainability Manager, Henkel.

A number of factors, such as differing country realities,[11] affect and reward respective sustainability engagement differently.[12]

Customer Loyalty: Especially in the consumer and retail sector, sustainability performance is likely to have a positive impact on customers' purchasing decisions. The opposite also holds true, as consumers may resent a brand and boycott its products if a company is or has been involved in negative environmental or social issues. Legal compliance and government permission are no longer sufficient for business success; Studies indicate that nearly two-thirds of end-consumers across various international markets state they "have a responsibility to purchase products that are good for the environment and society" (approximately 80 % of customers in emerging markets and 40 % of customers in developed markets show this attitude). Although customers claim to be willing to pay more for sustainable products, actual consumer behavior does not yet consistently reflect these intentions. This could indicate a future shift in consumer behavior in coming years. In fact, many companies claim that the brands in their portfolios with strong sustainability features are growing at much higher rates than others.[13]

Employer Attractiveness: Strong and authentic sustainability programs help foster employee commitment and attract talent to a company. Surveys show that the majority of organizations consider a sustainability strategy to be fundamental in creating a positive employer brand that attracts top talent. For example, 62 % of millennials (people born between 1981 and 1996) prefer to work for a company that has a positive impact on society,[14] with half preferring purposeful work to a high salary and 53 % saying they would work harder if they were making a difference for others.[15]

Financial Performance: Several studies have shown clear evidence that companies with strong sustainability performance can financially outperform others. For example, certain raw materials (e. g., precious timbers, rare earths) can be subject to public debate, as they are linked to human rights abuses or major environmental issues in the supply chain. Hence, ensuring sustainable supply chains and creating transparency enables investors to know they are investing in companies committed to responsible

[10] e. g. Izzo & Magnanelli (2012). Does it pay or does firm pay? The relation between CSR performance and the cost of debt; Goss & Roberts (2011). The impact of corporate social responsibility on the cost of bank loans; Godfrey et al. (2009). The relationship between corporate social responsibility and shareholder value: An empirical test of the risk management hypothesis.
[11] Utz (2017). Over-investment or risk mitigation? Corporate social responsibility in Asia-Pacific, Europe, Japan, and the United States.
[12] Stellner et al. (2015). Corporate social responsibility and Eurozone corporate bonds: The moderating role of country sustainability.
[13] Harvard Business Review (2016). The Comprehensive Business Case for Sustainability.
[14] The Guardian (2015). Millennials want to work for employers committed to values and ethics
[15] Ernst & Young (2017). Purpose-lead brands. Ready to deliver on their value-creation promise.

business practices. This, in turn, can have a positive effect on credit ratings – and thereby access to money in financial markets.

This is especially true for companies that select topics relevant to and suitable for the organization's individual requirements, as well as stakeholders' expectations. As much as 90 % of studies on the cost of capital show that sound sustainability standards lower companies' cost of capital.[16] The latest evidence from Harvard Business School also shows that businesses that invest in material sustainability issues significantly outperform other companies in terms of risk-adjusted return.[17]

An excellent example of how applying the principles of sustainable supply chain management can contribute to enhance the company's reputation is Henkel.

[16] University of Oxford and Arabesque (2015). From the stockholder to the stakeholder. How sustainability can drive financial outperformance; Harvard Business Review (2016). The Comprehensive Business Case for Sustainability.
[17] Harvard University (2015). Corporate Sustainability: First Evidence on Materiality.

CASE STUDY: HENKEL – SUSTAINABILITY STEWARDSHIP AND PALM OIL

How sustainable supply chain management can help strengthen a company's reputation and mitigate risks by sourcing palm oil materials responsibly.

Henkel is a global chemical and consumer goods company based in Germany and active in both the consumer and industrial markets. The company's commitment to sustainability leadership is anchored in its corporate values, and it aims to create more value for customers, consumers, the communities it operates in and the company itself – while simultaneously reducing its environmental footprint.

Henkel's holistic approach to sustainability covers the entire value chain. Its sustainable sourcing policy begins with ensuring all suppliers comply with the company's sustainability standards. All suppliers are expected to recognize the supplier code (BME code) and the Safety Health Environment (SHE) annex. The company works with strategic suppliers to continuously improve sustainability standards in the value chain, such as, for example, through knowledge transfer and continuous education in process optimization, resource efficiency, environmental and social standards.

Closely connected to this is Henkel's responsibility regarding the ingredients it purchases and uses in its products. Henkel uses ingredients based on renewable raw materials to optimize its overall product footprint, while carefully assessing risks in each market or region.

One prominent example is how the company sources palm oil and palm kernel oil. Henkel reportedly strives to ensure that all the palm oil and palm kernel oil-related materials bought and used are produced through sustainable practices. This includes ensuring that none of the palm materials the company uses contribute to deforestation in primary or secondary forests with significant ecological value – including peat lands and High Carbon Stock forests.

- These concrete goals allow KPI's to be put in place to regularly monitor performance. The publicly announced palm-oil related goals for 2020 are:

- Cover 100 % of demand with Roundtable on Sustainable Palm Oil (RSPO) Mass Balance-certified oils.

- Establish full traceability for palm-related materials used in products (from the mill to the plantation).

- Increase supply of sustainable palm oil and palm kernel oil by a volume equal to Henkel's demand through collaborative projects that enable small farmers to certify their crops as sustainable, helping them to increase productivity and improve their livelihoods.

Henkel states that it places a strong focus on the rights of those working in the palm oil industry or living in communities directly impacted by its activities. Henkel enters international partnerships to support programs that provide thousands of smallholders with education on sustainable farming practices. It also works to improve the lives of workers and their families in countries such as Honduras, Indonesia, Mexico and Nigeria, while simultaneously increasing the volume of sustainable cultivated palm materials available to the market.

In 2011, Henkel and five other companies in the chemical industry established "Together for Sustainability – The Chemical Initiative for Sustainable Supply Chains" (TfS). It is based on the principles of the United Nations Global Compact and the International Council of Chemical Associations' (ICCA's) Responsible Care Initiative. TfS aims to align the increasingly complex supply chain management process with regard to sustainability and optimize dialog among worldwide business partners. At the heart of the initiative is this: "An audit for one is an audit for all." This means, assessments and audits of suppliers, conducted by external experts, are shared amongst the members of the initiative. By sharing results with partners Henkel covers a larger group of suppliers, maximizes its impact and are in a better position to drive improvements.

In June 2016, Henkel successfully completed a three-year project in Honduras that reached over 17,500 small farmers. The participants were able to increase yield by 25 % and produce 500,00 tons of palm oil and palm kernel oil. They received training on efficient and sustainable farming methods, as well as on health and safety, and were also shown how to ensure their produce complies with sustainable palm oil certification criteria such as the RSPO's. The project was launched in partnership with the international development organization "Solidaridad" and is an example of how partnerships can drive success in supporting sustainable palm oil supply chains.

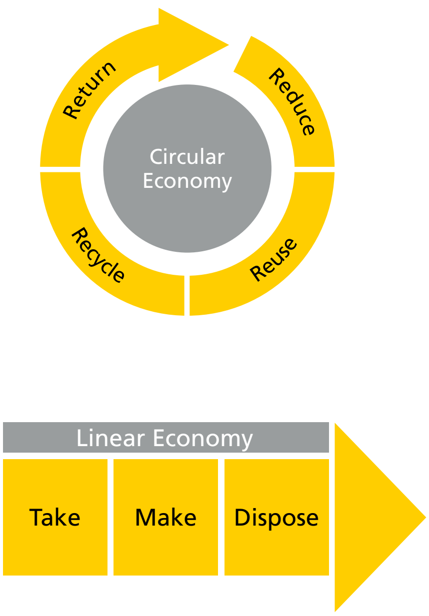
ADDITIONAL REVENUE STREAMS ADVANTAGE: SUSTAINABILITY DRIVES PROCESS AND PRODUCT INNOVATION, THEREBY GENERATING ADDITIONAL REVENUE STREAMS

Sustainable solutions can have a direct and positive impact on customer satisfaction and profit if new products and services:

- Help address new customer segments.
- Reduce production costs by using different materials.
- Can be offered using more efficient processes.

The concept of the ‘circular economy’ is an outstanding example of how companies can identify and create additional revenue streams. In times when raw materials are becoming scarce or expensive, the linear consumption model of ‘take, make, dispose’ is being increasingly replaced or accompanied by the circular model of ‘reduce, reuse, recycle, return’ (See Figure 7).

FIGURE 7: CIRCULAR VS. LINEAR ECONOMY



According to current estimates, the concept of the circular economy offers significant potential. For example:

- The change from a linear to circular economy could enable global economic growth of US$ 4.5 trillion by 2030.
- Estimates predict US$ 400–600 billion in potential revenue for automotive companies via select circular economy business models by 2030.[18]

You can find a well-known example of the circular economy in almost any office if you look at the printer and copy machine.

Today, companies can lease a copy machine instead of buying one. Companies can also buy the maintenance and replenishment service that comes with it. With this service, replacement cartridges are sent before you even know the old one is empty, and old cartridges are properly recycled and reused; Since the copier company owns and remotely supervises and maintains the equipment, they can reuse the hardware.

A look into best practices in the global print services market shows impressive potential for the circular economy. Various examples show that implementing circular models can lead to an up to 45 % reduction of CO_2 emissions in 10 – 15 years. Regarding toner cartridges alone, individual companies have managed to reuse over 23 million kg of recovered cartridge materials. Best practices show that in 2016, companies were able to achieve cartridge return rates of up to 50 %, reusing 36 %.

Packaging is another good example of an area where the shift from a linear to circular economy is being expedited by national laws and regulations (e. g., the ban on plastic bags in most European countries[19]). Conventional packaging

[18] Accenture (2015). Circular Advantage. Innovative Business Models and Technologies to Create Value in a World without Limits to Growth.
[19] European Commission (2016). EU countries have to drastically reduce consumption of lightweight plastic carrier bags.

solutions are becoming costly, and they are increasingly despised by consumers. However, when packaging is crucial for the safety or freshness of a product, companies need to use innovative design and materials to create more resource-efficient packaging. A change of packaging can have a big impact on both transport costs and carbon footprint, and must therefore be evaluated with sustainability in mind. Figure 8 summarizes potential circular economy levers and offers key questions companies should ask to better understand the circular economy's feasibility and potential.

Recreational Equipment Inc., (REI) is a perfect example of the benefits of the circular economy, as it has successfully managed to integrate sustainability into their core business. Activities such as online "garage sales" show they have already put the circular economy mindset into practice, which has benefitted their company as outlined below.

FIGURE 8: CIRCULAR ECONOMY LEVERS

Circular Economy Levers	
Avoid	Replace
Reduce	Recycle

Key Questions

- ☑ Can you reduce your packaging material or use different material?
- ☑ Can you recuperate your sold products or reuse old products or components?
- ☑ What is the real core of what you deliver to customers, and how can circular business models help to rethink how to deliver that value?
- ☑ What are technology trends that matter to your business and how can they enable the implementation of circular business models?

> "Sustainability is not something only for forward-looking companies, but rather an approach that creates a differentiated outcome in both your bottom line and reputation. Customers choose to do more business with responsible companies; additionally, our members expect disciplined business decision-making, like a 5-year ROI in energy net neutral with 20-years of free energy in our new Phoenix, AZ distribution center,"
>
> Rick Bingle, Vice President, Supply Chain, REI

Companies often question whether they can use a more sustainable operational model or adopt alternative methods for their own business operations. But these examples provided show how companies are taking innovative steps toward transforming their businesses through greener transportation and product reuse. without compromising their bottom line – in fact, while benefiting financially. These examples are meant to encourage organizations to adapt these or similar initiatives to their own needs.

With this in mind, SSCM's starting point is to identify what business opportunities your company can implement in a most efficient way. As companies adopt a SSCM approach, it is of outmost importance that its direct and indirect business advantages should always be a discussion topic, one included in every boardroom agenda.

CASE STUDY: RECREATIONAL EQUIPMENT INC.

Recreational Equipment Inc., (REI) is a famous U.S. retailer that sells outdoor gear and apparel. Since its foundation in 1938, sustainability has always been an integral part of REI's business model. Through responsible business and supply chain practices, REI is constantly striving to improve its direct and indirect environmental footprint.

Sustainability as a main business driver for REI. REI has been investing into the development of innovative sustainability solutions. These include, for example, approaches for using recycled materials, reducing weight of packaging, developing sustainable packaging material or realizing REI´s zero waste programs. Furthermore, the company helps to build the nation's trail network and protect public lands. For REI, sustainability is a key driver of the company's business success:

- REI's earnings climbed 8.2 % in 2016 on a 5.5 % revenue gain.
- Sales rose to US$ 2.56 billion, up from US$ 2.42 billion.
- At US$ 35.4 million a year ago, net income for the co-op reached US$ 38.3 million this year.

REI's annual report shows that economic progress has gone hand-in-hand with its sustainability measures and investments. For example:

- REI gives nearly 70 % of its profits back to the outdoor community.
- REI established partnerships with 66 of the largest outdoor brands to advance product sustainability.
- Investments of US$ 9.3 million in more than 300 nonprofit partners benefited more than 1,000 outdoor spaces across the country.
- REI built the most sustainable distribution center in the U.S., the first in the U.S. to achieve LEED Platinum and Net Zero Energy.
- REI continues to operate on 100 % renewable energy at all stores, distribution centers and headquarters. Since 2008, REI's sales have grown by 78 %, whereas demand for energy from the grid has grown by only 4 %.

Creating win-win-win situations by cleaning, repairing and reselling used gear

A leading example of REI's approach to sustainable management, the company established an open return policy over the last few decades. It allows customers to bring back products they were not satisfied with, then sells these products at semi-annual garage sales – a practice that has proven extremely popular among outdoor enthusiasts.

Based on this experience with reusing products, REI decided to launch an online "garage sale" with its Used Gear section. The company offers customers the opportunity to trade in used gear for credit toward buying new products. REI then cleans and repairs the equipment and resells it online at a discount. As the returned products are limited in quantities and sizes, customers can get discounts of up to 20–25 % off normal retail prices. So far, the company has resold more than 1 million used products.

The effect of this program leads to a win-win-win situation. REI helps customers save money, while simultaneously reducing waste and creating additional revenue streams for the company.

SUMMARY

This white paper was prepared to highlight how business success and sustainability are not contradictory, but instead mutually beneficial. Sustainable Supply Chain Management (SSCM) can help drive positive business change by helping companies save costs, strengthen 'license to operate' and generate additional revenue streams. The use cases from Auchan Retail, Henkel and REI demonstrate how sustainability must be viewed as an investment – one that leads to a multitude of considerable returns (ROI).

'The upgrade to Sustainable Supply Chain Management is a no regret move. By selecting few most impactful action areas companies can not only reduce their environmental footprint, but also leverage significant business benefits. The key is to start and to start smart' says Kathrin Brost, Global Head of GoGreen, DHL Global Forwarding.

Although there are good tools and best practices available for integrating sustainability into your business, there is no silver bullet that will let you realize the benefits of SSCM overnight. Nor can the Sustainability department do it alone; The topic of sustainability should be on the agenda for every leader and employee within a company. A collaborative approach to sustainability, working in partnership with suppliers and logistics partners we well, can help clarify the right changes and support your company's SSCM efforts.

It is time to take a leap together and unlock the true value of your Supply Chain and create a sustainable future, for all businesses and society.

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René Schmidpeter is Director of the Center for Advanced Sustainability (CASM) and Managing Director of M3TRIX GmbH. René Schmidpeter holds the Dr. Jürgen Meyer Foundation Chair „International Business Ethics and CSR" at the Cologne Business School (CBS).

His research and teaching focuses particularly on the topics of "CSR as an Innovative Management Approach", "CSR in Business Administration" and "International Perspectives of Sustainable Management". He is the editor of the Springer Gabler book series "Corporate Social Responsibility" and their international publication series "CSR, Sustainability, Ethics and Governance" as well as the International Journal of CSR.

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He published the books "CSR and Business Models" and "CSR in North Rhine-Westphalia.

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