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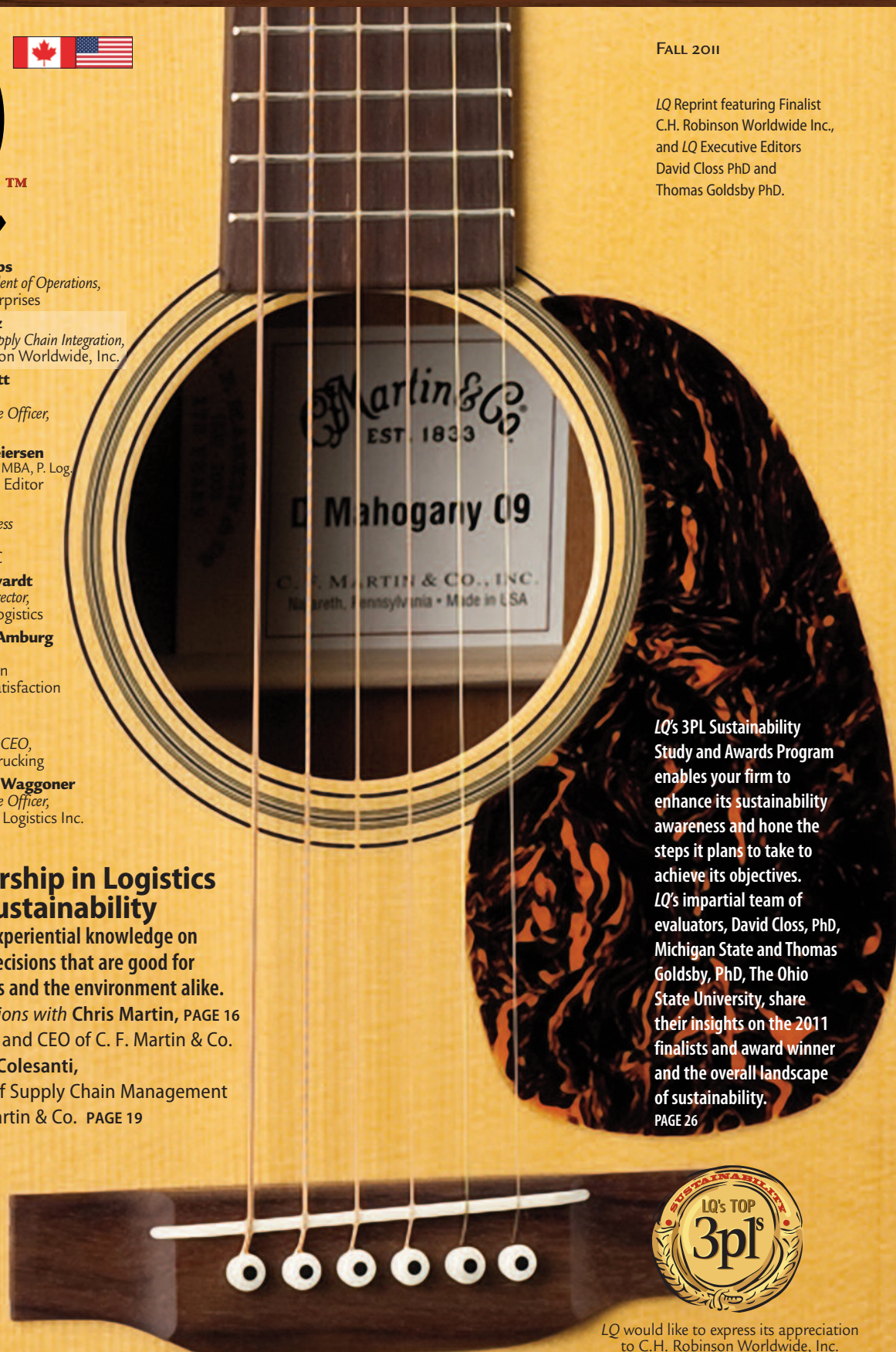
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Leadership in Logistics and Sustainability

Sharing experiential knowledge on making decisions that are good for companies and the environment alike.

Conversations with Chris Martin, PAGE 16
Chairman and CEO of C. F. Martin & Co.
and Nick Colesanti,

Director of Supply Chain Management
at C. F. Martin & Co. PAGE 19



LQ Reprint featuring Finalist
C.H. Robinson Worldwide Inc.,
and LQ Executive Editors
David Closs PhD and
Thomas Goldsby PhD.

LQ's 3PL Sustainability Study and Awards Program enables your firm to enhance its sustainability awareness and hone the steps it plans to take to achieve its objectives. LQ's impartial team of evaluators, David Closs, PhD, Michigan State and Thomas Goldsby, PhD, The Ohio State University, share their insights on the 2011 finalists and award winner and the overall landscape of sustainability. PAGE 26



LQ would like to express its appreciation to C.H. Robinson Worldwide, Inc. for its support of this 3PL Study and Awards Program.



The cover photograph is of C. F. Martin & Co.'s first full-size 100% Forest Stewardship Council (FSC) certified guitar, (a D Mahogany 2009 Martin Guitar model), one of the first in the industry. FSC is an international certification and labelling system for paper and wood products that come from responsibly managed and verified recycled sources.

LQ's 3PL Sustainability Study and Awards Program 2011: *Advancing the State of the Art in Sustainable Supply Chains*



*This year LQ launched its inaugural 3PL Sustainability Study and Awards Program, which resulted in celebrating the achievements of four leading 3PLs for their innovative practices with their customers in three areas: Societal, Environmental, Economic. This year at CSCMP's Annual Conference in Philadelphia, on October 3rd, **Thomas Goldsby, PhD** and **David Closs PhD** shared their observations on LQ's study and awards program, and forecasted what's ahead for LQ's 2012 study.*

LEADING LOGISTICS SERVICE PROVIDERS and select customers convened on July 14, 2011 for the first-ever *Logistics Quarterly (LQ)* Sustainability Study and Awards Program. The mission of this new awards program is to advance the state of the art in supply chain sustainability, with particular emphasis placed on the logistics service provider industry. Third-party providers generate value for clients routinely through process and service innovations. The *LQ* awards program seeks to spotlight those organizations that are leading the way in sustainability achievement, creating value not only for the firms themselves but operating in a fashion that lives up to the mantra of sustainability: meeting the needs of the present without compromising the ability of future generations to meet their own needs. This year's finalists and their key customers exemplify this honorable pursuit. The four finalists (with co-presenting customers listed alongside) were: C.H. Robinson Worldwide (Nature's Path Foods Inc.), GENCO ATC (Kimberly Clark), IMPERIAL Logistics (Woolworth's), and Purolator (Echo Global Logistics). Purolator was recognized as the recipient of this first-ever award (see related story on page 33).

This article synthesizes the key themes and takeaways from this first-ever competition. These observations are intended to provide a glimpse of the current state of sustainability among leading logistics providers, and to offer guidance for future developments.

The Triple Bottom Line

The *LQ* Sustainability Study and Awards Program applies the triple-bottom-line perspective, with due consideration directed to performance across economic, environmental, and societal dimensions. This perspective, which originated with John Elkington some 17 years ago, is widely recognized as the hallmark of sustainability, seeking balance among the three dimensions such that the societal and environmental implications of actions are explicitly considered in making business decisions. It is not expected that firms sacrifice financial success or constrain growth in pursuit of sustainability. In fact, it is believed that performance in environmental and societal dimensions help to ensure long-term growth prospects, permitting the firm to enter new markets, enjoy greater success in existing markets, and avoid detrimental relations with customers, suppliers, governments, and other stakeholders. The finalists in this year's awards program demonstrated the ability to translate strategies and actions supporting sustainability into financial and market successes.

While many equate sustainability with environmental or "green" initiatives, the triple bottom line incorporates a broader, more holistic viewpoint. Entrants in the awards program were asked to report performance in each of these three dimensions. The finalists were selected, in large part, given their ability to

demonstrate achievement that favorably impacted customers (hence, the customer involvement in the program) and other stakeholders, the environment, and the service provider's bottom line.

Measuring Successes

In order to assess achievement across each of the three dimensions, firms must devise an appropriate measurement system to assess performance and progress. While there are many metrics for conventional aspects of business performance (think: cost, productivity, service outcomes, and customer satisfaction), finding appropriate measures for environmental and societal performance remains tricky, even elusive. Further, validating the measures and understanding how the metrics relate to one another remain challenging for most firms. Defining appropriate metrics is critical, however, as they succinctly express the priorities of the organization. While “doing well by doing good” is attractive, philosophically, it is difficult to track progress and maintain momentum in the absence of good metrics. The awards finalists stood out for their innovations in measurement, demonstrating an ability to capture distinct aspects of performance across the triple bottom line dimensions. In the end, these metrics enabled the companies and their supply chain partners to make more informed decisions.

Collaborating on Sustainability Innovations

An important distinction of the *LQ* awards program is its focus on collaboration in the supply chain. Other awards commonly recognize the achievement of singular firms acting in isolation. As noted above, a prerequisite for the *LQ* competition is client participation in the entries.

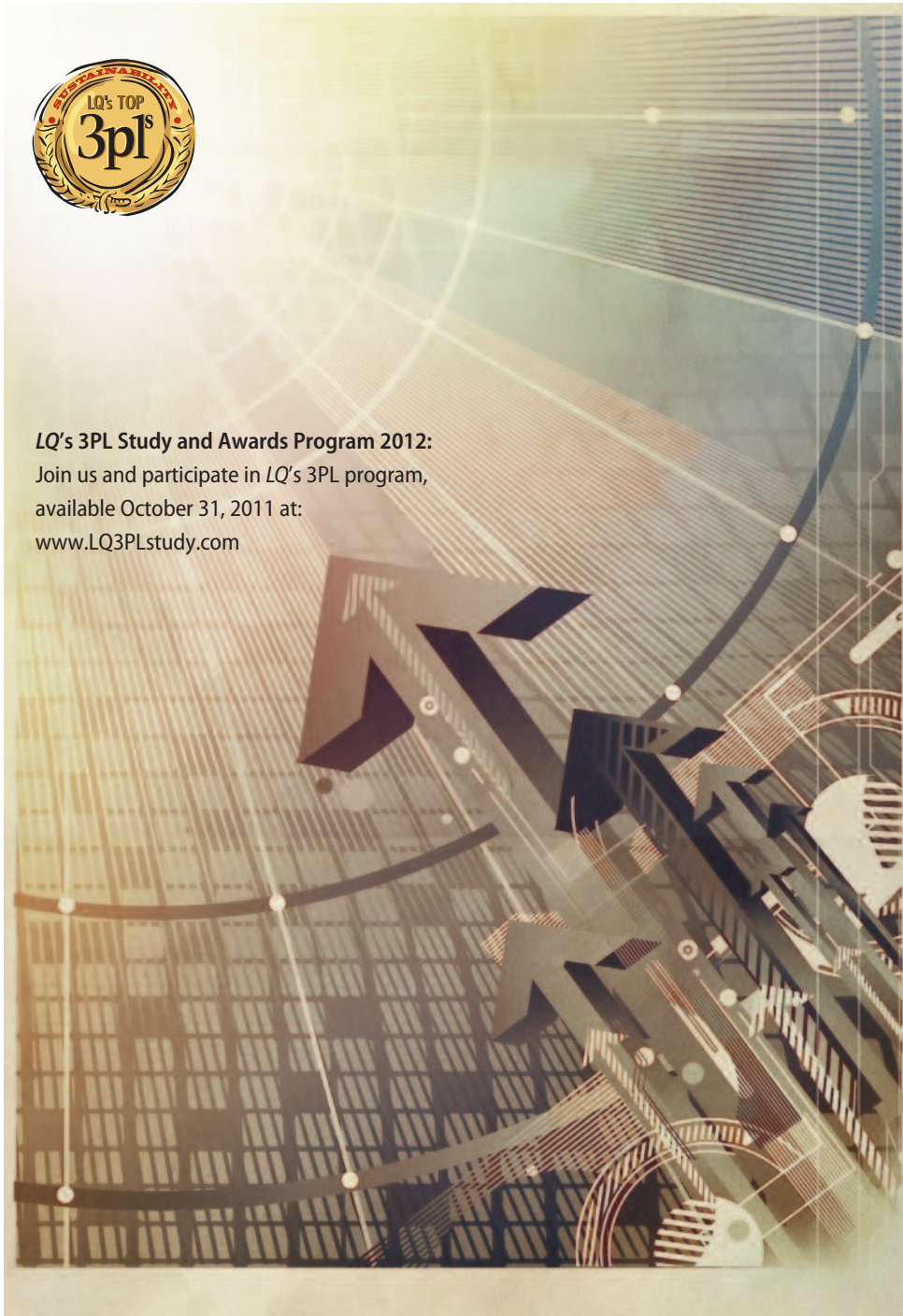
Even more rewarding was witnessing how the progressive capabilities of the 3PLs to measure performance in terms considering fuel efficiency, carbon emissions, employee satisfaction, diversity, and community development was transferred effectively to other mem-

bers of the supply chain. Rather than merely obliging customers, leading 3PLs are creating innovations in sustainability and incorporating these innovations into the value propositions they deliver to the market-



LQ's 3PL Study and Awards Program 2012:

Join us and participate in *LQ's* 3PL program, available October 31, 2011 at: www.LQ3PLstudy.com



place. Finalists demonstrated excellent case studies marked by collaborative thought and practice. 3PLs can be looked to to bring forward ideas for sustainability and value creation that often elude trading partners, and are effective in implementing innovations given their role as independent intermediaries in the supply chain.

Learning and Sharing

The fundamental purpose of the *LQ Sustainability Study and Awards Program* is to advance the practice of sustainability among logistics service providers who are leading the way in the sustainability movement and to extend their influence in the supply chain. In order to accelerate advances, we must be willing to share best practices and lessons learned in the nascent stage of this movement. All of the entrants in the awards program

LQ would like to express its appreciation to the members of its July 14th 2011 3PL Study and Awards Evaluation Committee; David Closs, PhD, Michigan State & LQ Executive Editor; Thomas Goldsby, PhD, Ohio State & LQ Executive Editor; Nicholas Seiersen, B.Sc., MBA, P. Log., LQ Executive Editor; Colin Yankee, Director, Target Canada.

demonstrated great openness and a willingness to share experiences. Despite some firms using sustainability as a basis for competition, they were willing to share the thinking, actions, and achievements associated with their sustainability efforts. This is a rare phenomenon in hypercompetitive markets, like that found in the logistics service

industry. For a maiden venture, we were delighted with the propensity of the finalists to share poignant details of their journey — its successes but also the challenges. Such is the spirit of the *LQ* program, supporting rapid advancement of the state of the art.

Sustainability Practices

Building on the dimensions of economic, environmental and societal, the following discussion focuses on the best practices demonstrated by the leaders.

The economic practice dimensions focused on four initiatives. The *first* is to make sure that the values of the client match with those of the 3PL. This insures that both sides have a common perspective regarding the relative importance of the various elements of the economic dimensions. The *second* is to redesign routing, loading, and unloading processes to remove waste. The finalists reported thorough analyses of these processes to remove redundancy and unnecessary activities. The *third* is the optimization of load and mode size through the use of more specific data. This specifically includes more precise matching of load sizes with the constraints such as vehicle and right-of-way limits and increased use of rail multi-modal for long haul moves. The *fourth* is the reduction or synchronization of reverse logistics activities through collaboration with other firms that serve back-

haul routes. It is clear that firms are looking for more collaborative opportunities with external firms.

The environmental practice dimension was demonstrated through four initiatives. The *first* is intelligent cooling of vehicles, facilities, and equipment through the use of environmental lighting, H2 energy sources, solar power, and nitrogen powered transportation refrigeration. The *second* is the increased inclusion of environmental qualification requirements for suppliers. The *third* is a focus on reduced water consumption for product cleansing, packaging, and equipment cleansing. The *fourth* is an increased use of specific environmental metrics such as empty miles, cube utilization, and energy utilization to monitor success.

The societal practice dimension was demonstrated through three initiatives. The *first* is an investment of a small percentage of net profits in customer social responsibility activities. This demonstrated that the firm supported its sustainability image with its own resources. The *second* is a proactive promotion of diversity initiatives for hiring, contracting, and promotion. The *third* is the promotion of mentoring and volunteer initiatives to enhance leadership development and return to their local communities.

Conclusion

The finalists in the *LQ Sustainability Study and Awards Program* demonstrate sustainability leadership through the specific economic, environmental, and ethical initiatives that the 3PLs instituted with their clients and through their willingness to share their experience and lessons across the industry. A common theme across the applications and the presentations is the willingness to share the measures, methods, lessons, and results of their sustainability efforts. We hope that next year's Sustainability Study and Awards Program will continue to extend and refine these lessons.

We are pleased to support the inaugural LQ 3PL Sustainability Study. For C.H. Robinson Worldwide, sustainability is not a single initiative, but an overall approach to  *business that continually adds value, improves efficiencies, and invests in the long-term success of our customers, contract carriers, growers, employees and communities. As a leader in our industry, we believe it's important to help drive innovations that reduce the freight logistics industry's impact on the environment. We salute LQ for its commitment to highlighting the significant contributions our industry is making, and we are proud to help underwrite such an important effort.*

Best Sustainability Practices in Supply Chain Management

Nature's Path Foods and C.H. Robinson Worldwide

This article is an abridged and edited version of C.H. Robinson Worldwide's July 14, 2011 finalist presentation as part of LQ's 2011 3PL Sustainability Study and Awards Program at the Toronto Board of Trade's Country Club.



By Steve Raetz

"Always leave the earth better than you found it." These wise words flavor everything they do at Nature's Path. The family-run organic breakfast food company has built a business on their core values that encompass environmental sustainability, social responsibility, financial viability, and a commitment to quality organic foods. Their 2011 report on sustainability clearly breaks down how they work to leave the earth better than they found it in five key categories.

How does North America's largest organic cereal manufacturer live up to its environmental commitment and meet growing network and transportation demands?

Nature's Path has delivered on its core values for over 25 years, aided by a longstanding strategic relationship with C.H. Robinson Worldwide, Inc. "We have been working with C.H. Robinson on our journey toward reducing carbon emissions and improving sustainability of our supply chain. They have helped us be more efficient by reducing transportation miles and optimizing the way we load the trucks. Our biggest effort is our increase in intermodal shipping. Since 2009, we increased the number of our intermodal loads by 64 percent. All of this means that our consumers can be confident that the product they buy has the smallest possible footprint."

Planning a network and a transportation strategy for a growing company

As Nature's Path grows, it needs to redesign and expand its supply chain to reach new customers in a broader geographic market.

Nature's Path is based in the Vancouver, B.C. area and has grown its business across Canada and the United States. This expansion created client geography with a heavy U.S. presence; 75 percent of its finished goods are shipped to the United States. In addition, although the main manufacturing facility is located in Blaine, Wash., the distribution center (DC) was located in Vancouver, BC. Having goods that crossed the U.S. border from manufacturing to the DC in Canada and back for delivery to U.S. retailers resulted in significant customs challenges and costs.

To address these issues, Nature's Path and C.H. Robinson embarked on a multi-year collaborative consulting and transportation management relationship designed to better serve the growing client base, lower costs, and manage transportation-related emissions. Two phases of optimization began that would balance the immediate distribution needs and support growth with retailers in the central and eastern United States.

C.H. Robinson conducted a network modeling exercise and recommended that the DC be moved to Seattle, Wash. This

removed much of the cross-border activity, improving the speed of the supply chain and lowering customs charges by 60 percent.

Nature's Path saw the greatest benefits from transportation opportunities in Seattle versus Vancouver. The company increased intermodal loads by 64 percent — a primary driver to reducing transportation-related emissions, with the ratio of lbs. CO2 versus weight reduced by 16 percent.

The Seattle DC also provided access to more truckload carriers and more Smartway®-certified carriers. This larger, more competitive carrier base brought truckload transportation rates down and yielded an impressive Smartway®-certified carrier usage statistic of 48 percent. In addition, the location allows Nature's Path to leverage C.H. Robinson's consolidation center to complement LTL service needs and lower costs.

Fast forward a few years to the second phase of the project: supporting a growing need for a manufacturing facility and DC in the Midwest. C.H. Robinson consulted with Nature's Path to determine the location of these facilities and to discern where SKUs should be produced and housed to best serve clients. By moving manufacturing closer to the client's DC and supporting Customer Pick-up (CPU), which increases the efficient use of those clients' private/dedicated fleets, Nature's Path lowered transportation-related emissions even further.

Through collaboration, Nature's Path and C.H. Robinson have managed transportation-related emissions

Nature's Path freight volumes have increased apace with its growth. But through its strategic collaboration with C.H. Robinson, transportation-related emissions are growing at a 40 percent slower clip than its upward-trending freight volumes. Strategies that supported this accomplishment, improved supply chain performance, and lowered costs included:

- Network optimization
- Load optimization and consolidation (scenario modeling and real time execution)
- Transportation modal optimization (scenario modeling and real time execution)
- Improved business processes
- Use of Smartway®-certified carriers
- Nature's Path sees these results through C.H. Robinson reports on operational efficiencies and transportation-related emissions.

Both companies will continue to review Nature's Path's supply chain needs as it grows and evolves and set plans for further enhancements.

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Ronnie Davis

Establishing the vision and leadership for Collaborative Outsourcing®

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Our Collaborative Outsourcing® model was designed to help you overcome today's business pressures and keep you ahead of your competitors. When you apply these new outsource strategies to your business, you'll maintain control over your freight network while experiencing unmatched benefits—immediate savings, minimal upfront investment, and sustained ROI. And we're ready to replicate our best practices in your supply chain.



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