The legacy of lockdown on supply chain sustainability

SCALA
www.scalagroup.co.uk

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Setting the scene and assessing the new Abnormal

The past year and a half has had a seismic impact on businesses and their supply networks. COVID-19 turned the world upside down, with the organisational impact arguably felt nowhere more keenly than in businesses' supply chains.

Major disruptions to business as usual, such as Brexit and the enforced changes to consumer shopping habits instigated by COVID-19, have had a huge impact on the environment, with businesses needing to make decisions that prioritise business critical continuity, survival and service over sustainability.

Indeed, looking more closely at the intra-sector impact of COVID-19, in particular, reveals some interesting findings.

While the grocery industry largely saw an uptake in sales through both stores and e-comm channels, non-grocery businesses, such as those in the Homeware and Appliances sectors, largely migrated to online sales as physical "Bricks & Mortar" retail dipped significantly during months of enforced lockdown measures.

Indeed, while 70% of our grocery respondents say that their bricks-and-mortar sales have increased; 66% of non-grocery respondents report that sales across physical channels have decreased in favour of eCommerce, with 89% of these businesses having seen a "significant increase" in online sales.

Looking to the future, not a single company we surveyed believe that eCommerce activity will fall below pre-COVID-19 levels, and the majority of businesses (67% of grocery and 89% of non-grocery) think it will increase further.

Compared with during COVID-19 – when levels of eCommerce activity were naturally inflated – 36% of companies believe that eCommerce will now remain at the levels hit during the pandemic.

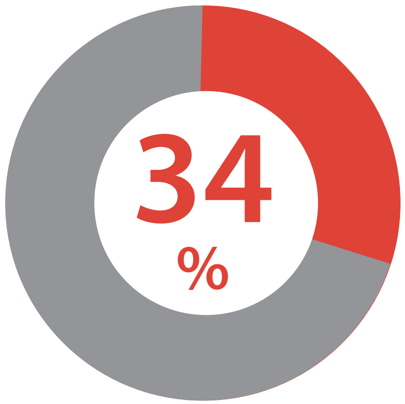
Notably, half of grocery businesses think that it will increase even further, indicating that further changes to businesses' carbon footprint will likely be a key consideration moving forward.

With higher levels of eCommerce comes corresponding increases in other supporting areas of the business – many of which will have an additional, sometimes-significant environmental impact.

Specifically, 34% of companies report having seen an upsurge in usage of warehouse space – exacerbating the already-serious nationwide space shortage - 65% report an increase in the requirements for warehouse staffing and 50% of companies say they have seen a rise in packaging costs.

Perhaps most strikingly, 67% have seen an increase in transport requirements - with the majority of these respondents coming from the non-grocery industry which, as above, has seen the most prominent eCommerce increases.

Overall, it is highly likely that the carbon footprint of businesses across the grocery and FMCG industries has increased significantly over the past 18 months. But are businesses even aware of how much this is and its impact on the environment?



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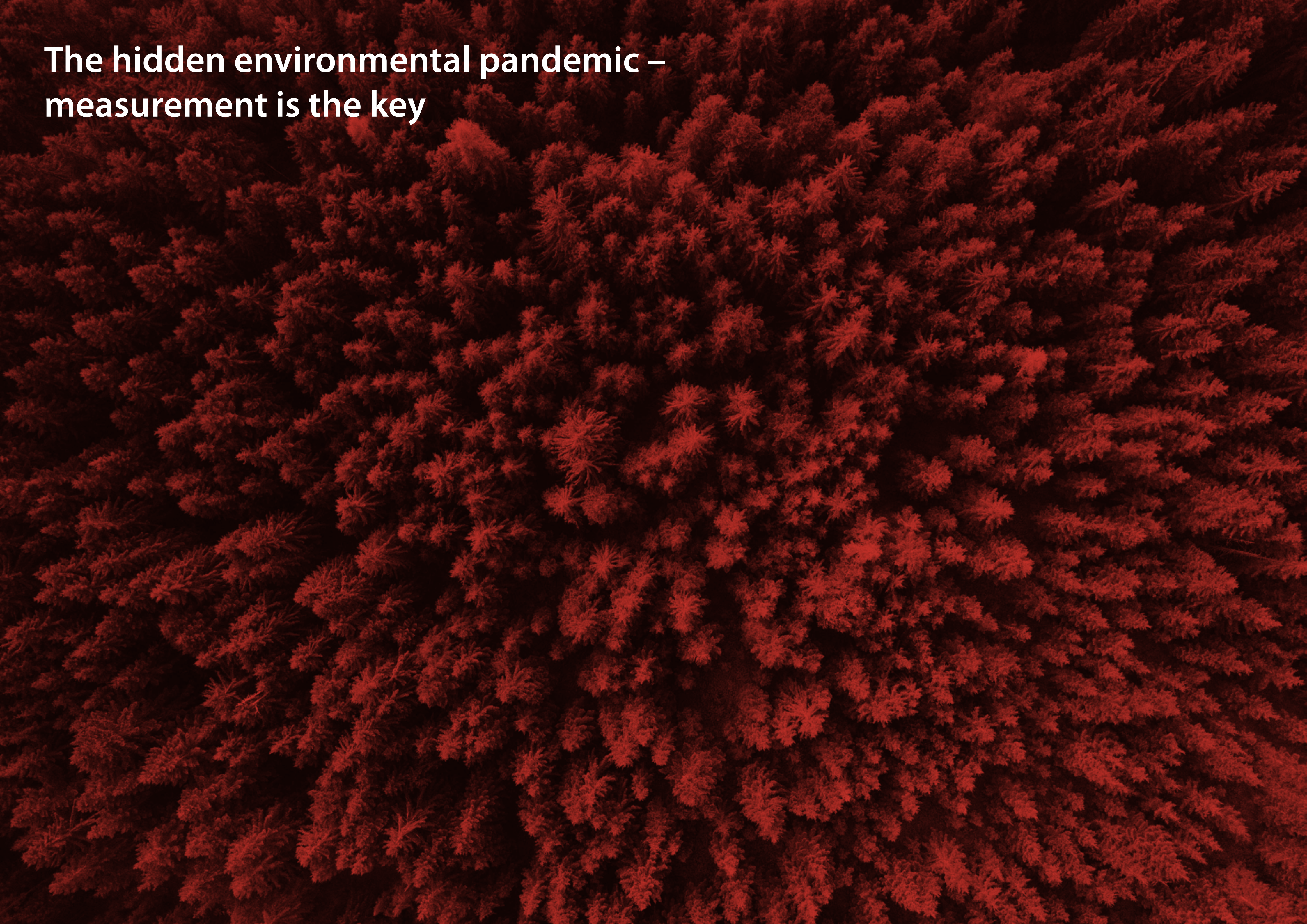
The hidden environmental pandemic – measurement is the key



Clearly the events of the past year, including the increased volume of vehicles on the road servicing the boom in eCommerce as detailed above, will have had a significant environmental impact.

Considering that up to 90% of a business's carbon footprint can be generated through its supply chain, it is critical that businesses take greater responsibility for the full scope of their emissions profile – and the first step of this is assessing just how great that profile is.

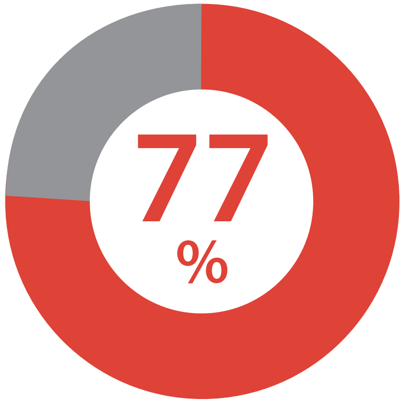
But are businesses even aware of the full extent of the potential damage caused by their operations?

Concerningly, our research suggests they are not, and all-too-many businesses may – knowingly or otherwise – be falling behind the curve.

Less than one in five of the businesses we surveyed (18%) have accurate measures in place around how the challenges of the past year have affected their environmental impact.

Looking further into the data also does not make for optimistic reading.

While 50% have only "approximate" supply chain measures in place, almost a third of businesses (32%) have no measures at all, meaning that thousands of businesses potentially have no idea of the extent of their carbon footprint.



77% of businesses have plans in place to measure their environmental impact

The first step towards addressing your carbon footprint is to have an accurate measure of how significant the supply chain is and, while many companies currently do not have these measures in place, it appears that businesses do recognise the need for quantified measurement, making for slightly more optimistic reading.

Moving forwards, 77% have plans in place to measure their environmental impact, 18% want to measure it, but have no plans in place, and 5% are unsure.

Given the current uncertainty surrounding how the continuing fallout of Brexit and COVID-19 will impact consumer buying patterns, manufacturing and supply moving forwards, it is clear that organisations having a full picture of their carbon footprint will be critical to achieving both internal sustainability goals and legally-binding climate obligations moving forwards.

While more and more major businesses have progressively woken up to the importance of measuring emissions generated through their supply networks over the past year, more must be done.

As it stands, all-too-many businesses may be sleepwalking into financial and reputational damage over their carbon footprint over the coming years, and a greater awareness of businesses' impact on the environment – crucially, encompassing the entire supply chain – is drastically needed if the appropriate action is to be taken.

Future-gazing – more must be done

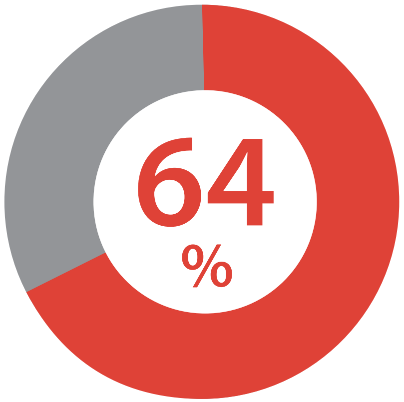
Despite more and more environmental warnings by the day, many businesses still do not intend to take significant action to reduce their own carbon footprint.

Nearly two-thirds (64%) of the businesses we surveyed report that they currently have no plans in place to take any action to reduce the impact of their eCommerce operations.

Looking more widely, 32% of businesses have taken no action to reduce the environmental impact of their supply chain operations more generally and, worryingly, more than a quarter of businesses (27%) have no future plans to reduce the environmental impact of their supply chain operations.

This is why accurate measurement is so crucial. Without a clear picture of just how serious the situation could become – and, for some, may already be – businesses have no tangible impetus for taking the action so necessary to drive real change.

But, given truly lasting change can take years, if not decades, to take effect, what action can businesses begin putting into place, both now and in the months ahead, to facilitate a cleaner, greener future?



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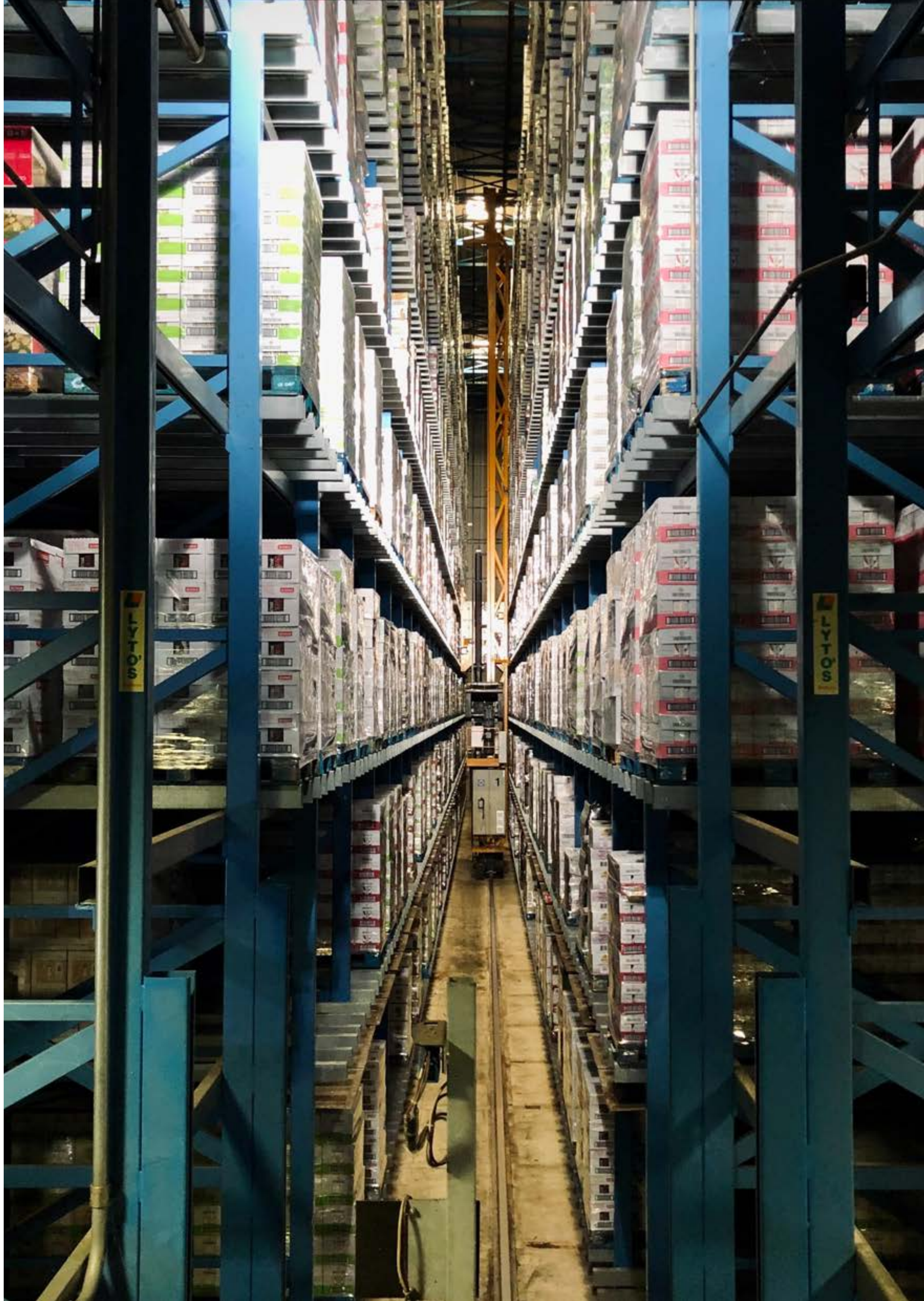


SCALA's consultants weighed in:

John Perry
Managing Director
at SCALA

"The problem companies have when it comes to sustainability is getting started - we can't keep saying we're setting targets for decades away when we need action now.

"As our research shows, the vast majority of companies have good intentions, with over a third of companies SCALA are working with having already taken positive actions, such as reducing waste packaging, increasing vehicle fills and improving vehicle efficiencies – which has also often reduced costs.

"In terms of how companies get started, a multi-faceted approach is advisable. Businesses should:

1. Map their Supply Chain – While this sounds complicated, we would advise keeping it simple to begin with, starting with auditing where the company spends money. Identify who are the suppliers and service providers, and work from there.

2. Measure their Emissions – There is now the software and expertise available to scientifically measure emissions across businesses' entire carbon footprint, empowering companies to understand where the main areas of emissions are. According to our research, just 18% of businesses are currently measuring properly, indicating major room for improvement.

3. Focus on the main areas – Rather than trying to spread resources too thin by "boiling the ocean", examine the areas in which tangible improvements can be made."

SCALA's consultants weighed in:

Rob Wright,
Executive Director
at SCALA

"Encouragingly, a large proportion (68%) of companies have taken steps to reduce emissions, offering inspiration for the rest of the industry to both learn from and build upon.

Some examples of improvements companies have taken include:

1. Reconfiguring product packaging to increase the number of sales items per pallet and therefore reduce the number of pallets to be stored, handled and delivered to the customers. This has created benefits and savings all round, including further down the chain for retailers, who have had fewer pallets to handle for the same sales value.
2. Changing product packaging to reduce the quantities used, which in turn also increases the options for recycling.
3. Introducing longer trailers, increasing pallets per vehicle from 26 to 30. Businesses are therefore able to move more pallets withfewer vehicles, resulting in a reduction in journeys made and vehicle mileage overall.
4. Introducing double-deck trailers, (although there are more limitations to their use) which further increase pallets per vehicle to reduce transport emissions.
5. Optimising supply chain networks from supplier to manufacturing to warehousing to customer. While this will require a significant amount of strategic planning to effectively carry out, substantial long-term benefits can be derived in terms of both cost and environmental sustainability.
6. Manufacturers and retailers collaborating together to reduce vehicle journeys by looking at factors such as order frequency, order size and backhauling opportunities."

Looking to the future, it is highly likely that greener vehicles will come to the fore.

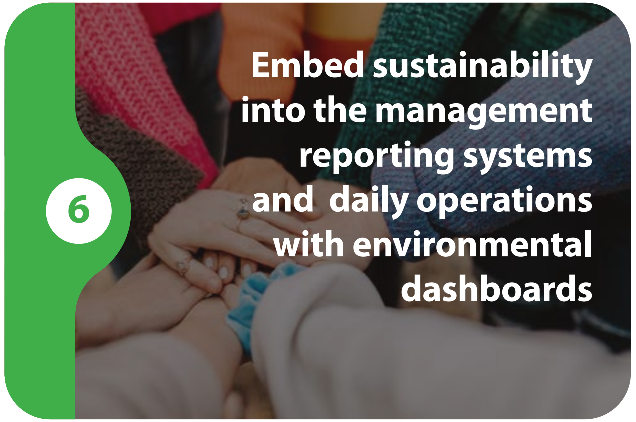
While more local vehicles will be all-electric, for the larger, long distance road transport, time will tell whether the fuel of choice will be a hydrogen-based option, or electric -possibly supported by some form of "induction" system.

While most businesses without doubt have the right intentions and would like to make a change for the better, this positive intent cannot evolve into real, long-lasting action without businesses working to create a clearer picture of their entire emissions footprint – not merely those they are legally-obligated to report on.

The tools and expertise are available and are evolving all the time.

Now is the time to make use of them if businesses, and the supply networks that serve them, are to play their much-needed role in reducing our collective carbon footprint, to the benefit of the business itself, its stakeholders and society as a whole.

How SCALA Can Help



Establish the Corporate Sustainability Mission and Policy

CONTACT US

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