

Technology can help make logistics industry more environmentally friendly

Companies passing the buck on green supply chain costs

Following is a survey by Transport Intelligence, a provider of research and analysis on the logistics industry, sponsored by Kewill, a provider of global trade and logistics software, on the greening of logistics operations

New research suggests that most companies seeking to make their logistics operations more environmentally friendly want someone else to cover the costs. Despite many companies' avowed commitment to greening their logistics operations, it seems that most expect their sub-contractors to pick up the bill. That is one of the findings of a survey by Transport Intelligence, which examined how companies were reacting to environmental concerns.

The survey found that three-quarters of respondents who awarded logistics contracts included sections on environmental compliance in their tender documents. However, most (54 percent) failed to make provision for the extra costs that could be involved. That will no doubt be a source of annoyance for many logistics companies that will see the environmental measures they are forced to adopt as another cost burden pushed on to them by their clients.

However, it seems there is little that logistics companies can do to avoid investing in green initiatives. In the survey, 70 percent of companies awarding contracts said that environmental compliance was either reasonably important or very important. Survey respondents were also probed about whether their companies' environmental enthusiasm would change in the coming years, given the chances of an economic slowdown. The overwhelming sentiment seemed to be no - but according to two-thirds of respondents, that is largely due to the win-win of implementing green initiatives which bring operational efficiencies and also cut costs.

The number who said they would continue to pay more for an environmentally-friendly alternative (17 percent) was balanced by the proportion who said they would base their sourcing decisions on cost alone.

Technology was considered an important tool in reducing carbon footprints by 79 percent of respondents. One respondent said: "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."

When asked about which specific areas they were undertaking green initiatives in, the highest proportion (33 percent) identified transportation. That included driver training, hybrid engines and better management of empty running. 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.

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 percent of respondents as an area on which they were focusing.

Commenting on the findings, John Manners-Bell, Transport Intelligence's chief executive officer, said: "The survey results will not surprise the more cynical in the industry who believe that the cost of these types of initiatives always gets passed down the line. However, it seems that green logistics is not a passing fad.

"The business case for implementing environmental initiatives cannot be doubted due to the cost savings they bring, especially when they offset the rising cost of oil." Evan Puzey, chief marketing officer at Kewill, added: "The survey reinforces the fact that technology can play an important role in helping make logistics more environmentally friendly, particularly in the area of carbon footprints - where 79 percent of respondents cited technology as an important tool for reducing carbon footprints."