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July 2019: Sustainability in the supply chain - is eco sexy?

To describe sustainability in the supply chain as an innovation or a current topic would somehow be misplaced in view of the large number of publications and years of discussion. And yet those responsible for supply and value chains have often seen sustainability as a requirement or even a challenge and not as an opportunity for an entire company to strategically realign itself.

The classic strategic conflict of objectives, presented as a magic triangle of costs, quality and time, could experience a reorientation. In this construct, a simultaneous maximum of the three characteristics can never be achieved. Those who want to reduce their costs must do so at the expense of quality or speed. However, the weighting of the three corners can be adapted to the corporate strategy and the processes and organization can be adjusted accordingly. What could be possible sustainability mechanisms that make a reassessment necessary?

The first trigger may be the customer's changed quality awareness due to sustainability. Social and ecological responsibility, Global Carbon Footprint, but also manufacturing processes and certificates (e.g. Bio, Trade Fair, Social/ Recycled Plastics) are perceived by the customer as added value and his willingness to bear additional costs increases.

As a further external influence, the issue of carbon taxation or emissions trading could also shake the balance in near future and give costs a higher weighting. For the same quality and with the same time requirement, suddenly increased costs are due which are difficult to pass on to the customer.

Due to today's digital possibilities, short-term availability has become a critical decision-making and comparison criterion for customers. Here, sustainability can offer an alternative to classical Working capital focusing warehousing - regional reference, optimized and shortened regional supply chains taking into account the CO² balance are then even a lasting positive influence on the factor time / speed.

However, the question remains as to how these changes can be an opportunity for a strategic reorientation. To put it simply, the first consequence of online trading and digital processes was price transparency and comparability - who doesn't remember the slogan „stinginess is awesome“? This wave then hit through all the players involved in the value chain. Of course, the end consumer also compares as well as the processor, the retailer, the manufacturer, the packaging manufacturer, the mechanical engineer, the raw material trader and the raw material producer. Comparability for all!

If a company remains trapped in this cost pressure, sustainability is also given a value here - even if in the worst case a negative value due to future tax challenges. If the focus is shifted to the supposedly sustainable niche product, this opens up opportunities for a significantly improved margin for all parties involved. According to current studies, end customers are prepared to pay more than twice as much for the end product just to wash their sustainability conscience clean with certificates and proofs - even if you can't perceive any qualitative difference in the product - „Eco is sexy“!

Of course, the credibility of the focus on sustainable products remains important. In the sense of sustainable branding, you should make all the investments and efforts towards sustainability public. However, it should not be neglected to change the culture of the company in management, processes and organization towards sustainability. But authentic sustainable products must also be fully thought through right down to the packaging.

In order to really anchor sustainability in the supply and value chain, more than just requirements must be fulfilled. Anchoring sustainability in the corporate culture, analyzing the sustainability value for the customer, creating transparency in the complete supply chain till the supplier of raw materials and aligning management /decision processes are only four of the many facets of realizing the value of sustainability in the long term.

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