

Consumers Demand a More Sustainable Supply Chain



Overview

Over the last decade, the global supply chain has expanded, innovated and transformed into an efficient ecosystem that businesses and consumers rely on every day. **Projections** predict that by 2025, shipments of U.S. goods will grow another 23.5% and show no signs of stopping. Yesterday's and tomorrow's projections continue to shine a spotlight on a major issue that continues to grow within the industry and among the general public: Sustainability.

Requiring an extraordinary amount of movement and energy, freight transportation is a large contributor to air pollution. According to the **Environmental Protection Agency** (EPA), the transportation sector is responsible for half (50%) of nitrogen oxides (NOx), 30% of volatile organic compounds (VOCs) and 20% of particulate matter (PM). Reducing emissions and adopting smart technology to limit carbon footprints has been top of mind not only for transportation companies, but for stakeholders, key partners and consumers.

Even amid the global pandemic caused by COVID-19, more and more customers factor in sustainable practices from companies before purchasing. In fact, **one-third of U.S. adults** say they spend more time thinking about climate change now than they did before the coronavirus pandemic. In 2020, the U.S. sustained **285 weather and climate disasters** where the overall damage costs per event exceeded \$1 billion. As shutdowns spread across the country and a never-ending newsfeed took over, the public witnessed a record-breaking number of tropical cyclones, like Hurricane Laura, and western wildfires that burned more than 10.2 million acres. This sparked many people to take climate change more seriously and demand sustainable efforts from the companies they support.

Shippers understand the need for eco-friendly practices and sustainable action. Their awareness and willingness to change has largely been driven by a combination of government regulations and internal conviction. As more people want to support brands that reflect their values, shippers feel the pressure to increase their sustainability initiatives to remain competitive.

Although challenges continue to rise, the industry is prepared to tackle this monumental task. In this white paper, we will reveal the latest data amongst shippers regarding their sustainability goals, management, strategies and more.

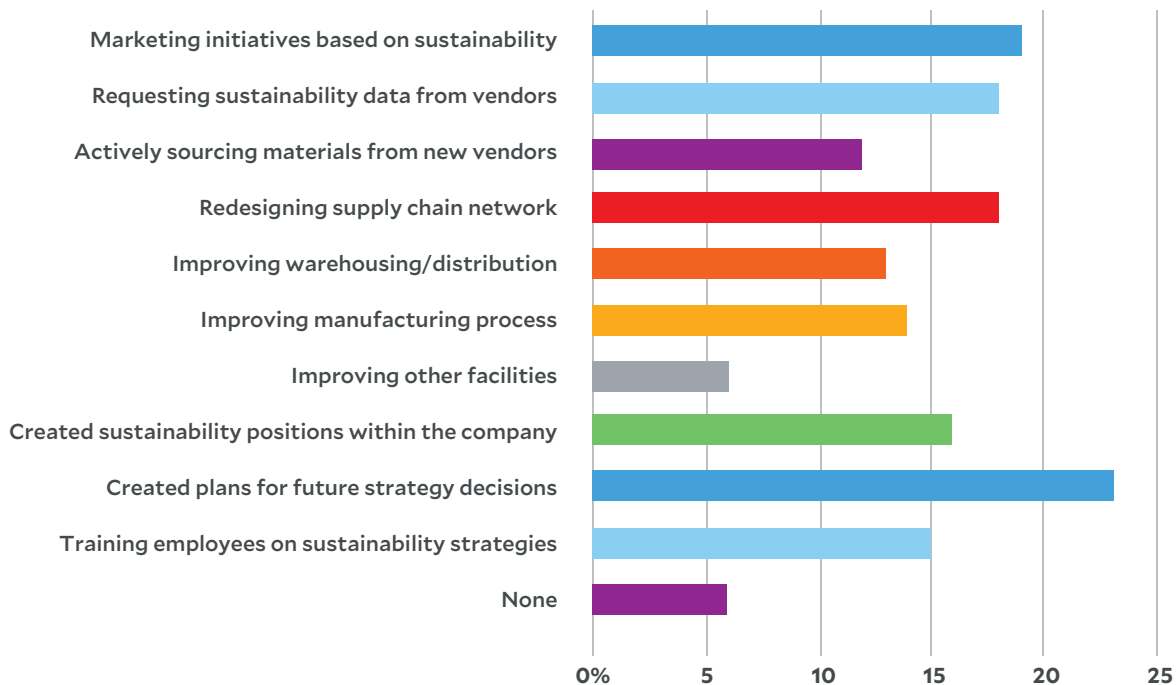


Shippers Embracing Sustainable Strategies

Redwood Logistics, one of the fastest-growing supply chain and logistics companies in North America, teamed up with FreightWaves to discover what steps shippers are already taking to clean up their supply chains and what their plans are for the future. FreightWaves surveyed shippers across a wide array of sectors – from consumer packaged goods and retail to chemicals and automotive. This diversity allows for a wide range of responses and provides a more comprehensive look at the state of the industry.

Survey respondents reported a wide range of different annual transportation costs. The majority of respondents (62%) reported annual transportation and shipping spend between \$1 million and \$20 million, while 15% reported spending between \$21 million and \$50 million and 9% reported spending over \$500 million. The remaining respondents fell somewhere in the middle.

How are your company's sustainability goals driving management decisions and corporate strategy?



It was immediately clear that the majority of shippers keep their sustainability goals in mind when making management decisions and planning corporate strategy. The steps each company reported taking varied widely, with most companies embracing multiple tactics to become more sustainable.

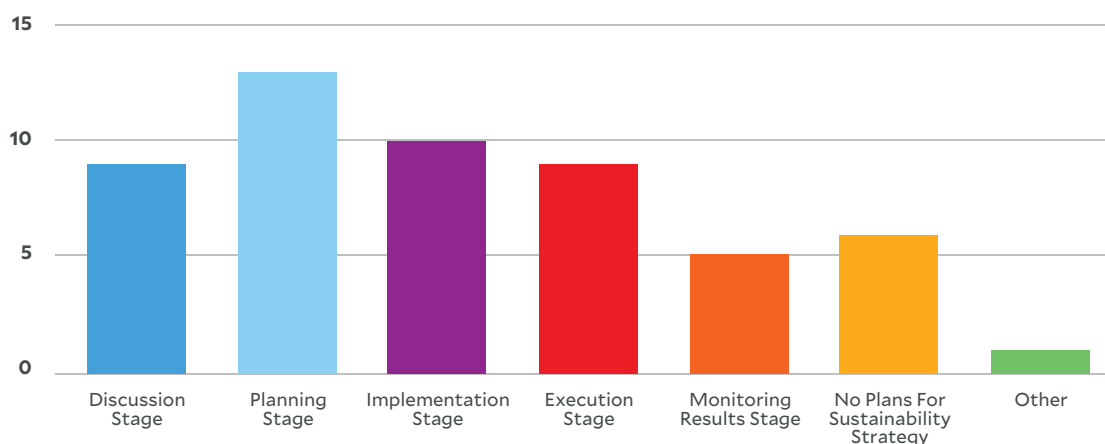
The most common moves shippers reported making include:

- **Creating plans for future strategy decisions (43%)**
- **Marketing initiatives based on sustainability (36%)**
- **Requesting sustainability data from vendors (34%)**
- **Redesigning supply chain network (34%)**

The two most popular choices – creating plans for future strategy decisions and marketing initiatives based on sustainability – align with the current trajectory of sustainability initiatives throughout the wider market. Consumers have recently doubled down on their environmental demands, and shippers are still creating roadmaps to respond. At the same time, focusing on marketing initiatives is an intuitive choice because it lets customers and potential customers know that the companies hear them and are taking their requests seriously.

Gathering relevant data from vendors is another logical step. Having a plethora of data to pull from assists in future strategy planning, and is also a prerequisite to purchasing offsets. Making data-informed decisions on virtually every topic is becoming increasingly popular throughout the industry. This step – coupled with redesigning supply chain networks – illustrates the increased expectations shippers have for their technology vendors, brokers and carrier partners.

What stage is your company at in implementing a sustainable strategy?



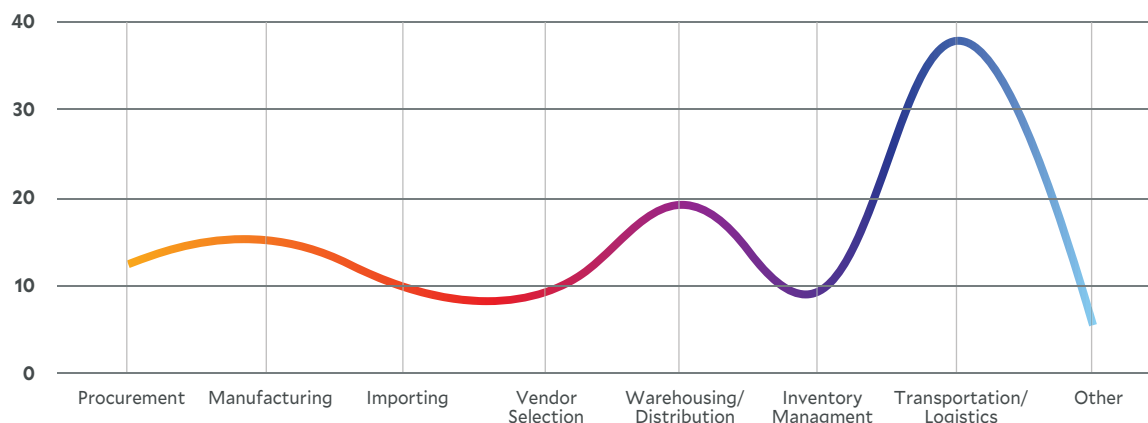
Many shippers are still in the early stages of implementing their sustainability strategies, with 25% in the planning stage and 17% in the discussion stage. Plenty of shippers, however, have already started taking steps toward a more sustainable future. About 19% have started implementing their sustainability strategies and another 17% are in the execution stage. A smaller percentage – about 9% – of respondents are leading the pack, reporting that they have reached the results monitoring stage.

While the majority of shippers are making moves toward a cleaner supply chain, it should be noted that a significant minority (11%) of survey respondents reported that they do not currently have any plans to implement any type of sustainability strategy. It is not uncommon for a relatively small percentage of the industry to resist initiatives. Often, this resistance is due to a combination of financial constraints and prioritizing other initiatives. It is possible that a portion of this group will be able to pursue sustainability more aggressively as more eco-focused tools hit the market, driving down the price point. Others may become more interested as their customers and industry partners become more vocal about the issue. Still, waiting to consider environmental factors could lead to these shippers falling behind their peers in the coming months and years.

A Spotlight on Transportation Strategy

Shippers have the opportunity to implement sustainability throughout nearly every part of their business, starting with cleaning up their transportation strategy. According to the [American Trucking Associations](#) (ATA), trucks move roughly 72.5% of the nation's freight by weight.

What area of your company's supply chain are you most focused on making more sustainable?



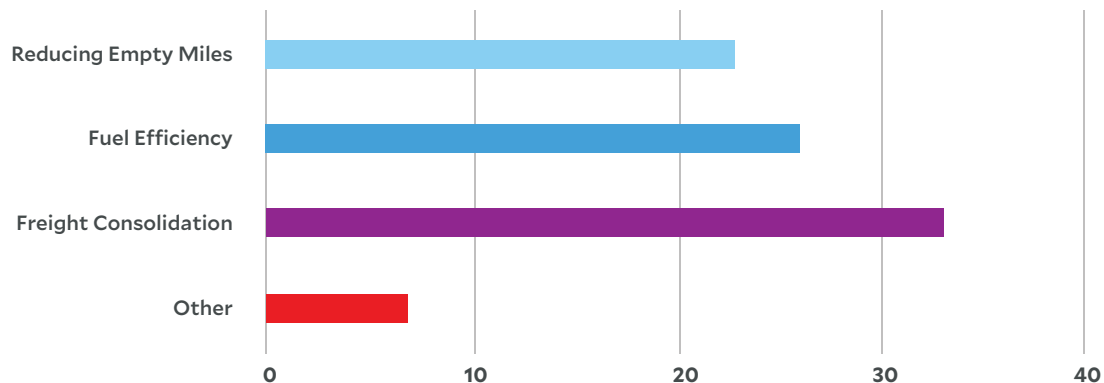
Survey respondents expressed interest in sustainable strategies targeting everything from procurement (25%) to inventory management (17%). Unsurprisingly, transportation drew the most attention. About 72% of shippers said they were most focused on making the transportation and logistics segment of their supply chains more sustainable.

There are several low barrier ways shippers can begin to clean up this area of business. The simplest way – and arguably one of the most impactful – is to make sure they are partnering with third-party logistics providers (3PLs) and carriers who also value sustainability.

Partnering with companies that prioritize eco-friendly practices, like Redwood, who have made sustainability an intrinsic part of their culture and embraced cleaner capacity options like shared truckload, is an ideal solution. When shippers make and maintain these partnerships, they not only near-effortlessly clean up their own act, they also help companies with existing sustainability commitments continue to scale those initiatives, increasing their likelihood of success.

Earlier this year, Redwood introduced the [Redwood Sustainability Curve](#). This initiative exists specifically to assist shippers in reducing their carbon footprints. Through this program, shippers can develop a customized, achievable roadmap to a more environmentally friendly supply chain.

What are some carbon reduction initiatives your company could or has requested from your transportation providers?



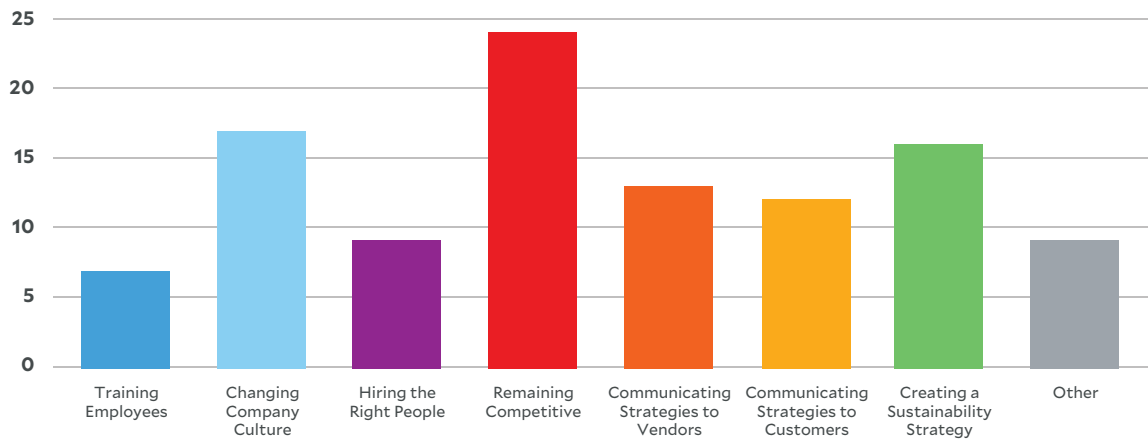
Shippers frequently have conversations with their transportation providers about reducing their carbon footprints. Survey respondents noted that these conversations tend to revolve around freight consolidation (62%), fuel efficiency (49%) and reducing empty miles (43%).

All three of these initiatives offer great ways to reduce carbon emissions; they are also effective ways to save money. This overlap illustrates the fact that sustainability and profitability are not at odds with one another. In addition to improving financial performance by strengthening consumer sentiment, employing sustainable transportation practices can help shippers positively impact their bottom lines.

Culture and Communication Challenges

Sustainable strategies have a lot to offer shippers, and the barriers to entry are getting lower as combating climate change becomes a top concern. That said, shippers choosing to make substantial changes to the way their businesses operate may face challenges along the way.

What are the most challenging aspects of implementing a carbon reduction strategy for your company?

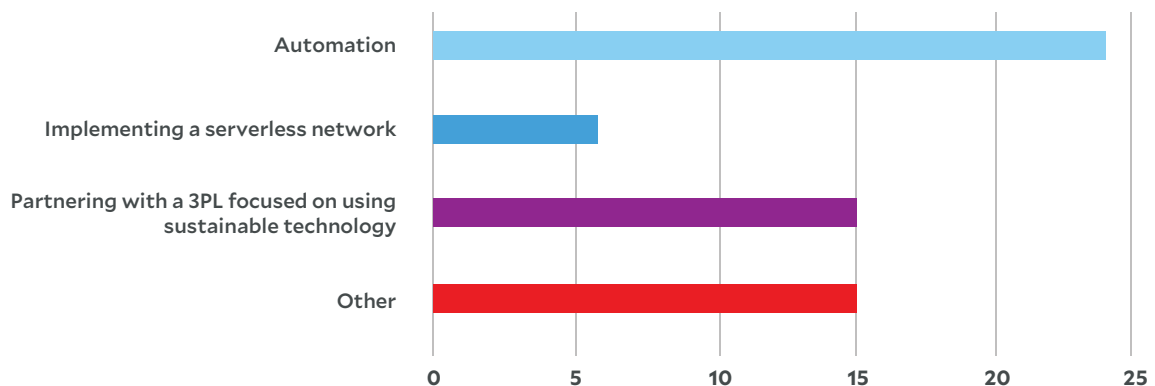


Survey respondents identified several challenging aspects of implementing carbon reduction strategies. The most popular concerns included remaining competitive (45%) and changing company culture (32%).

Shifting to a more environmentally focused mindset requires change from all areas of a business, starting with the top. Creating and scaling widespread sustainability initiatives can be cost and labor intensive and require partners to agree to abide by new guidelines. The same can be said for employees. If sustainability is not already complementary to a company's established culture, implementation among team members can often be overcome through transparent leadership, open communication and training sessions.

Early adopters may temporarily have a difficult time maintaining former allies. However, they will have a leg up over their peers as demands continue to grow from end consumers. They will also be more prepared to adapt to any new government regulations.

In what ways is your company utilizing technology to reach its sustainability goals?



While shippers may face relational challenges when it comes to implementing sustainable practices, technological solutions exist to help them conquer the majority of logistical hurdles. Survey respondents reported using several cutting-edge technologies to help them reach their sustainability goals, including automation (45%) and eco-conscious 3PL partnerships (28%).

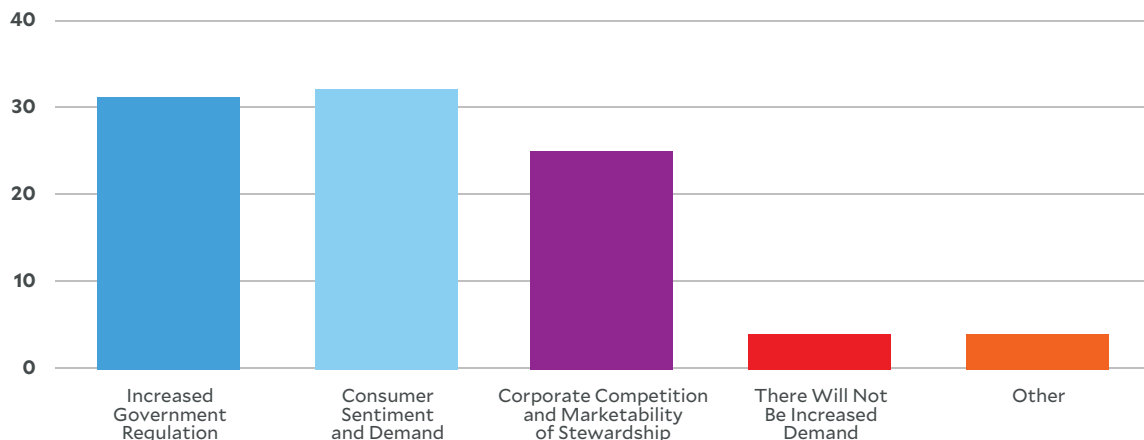
Automation provides another example of a solution that helps save both money and the planet. The rise of automation is due to its ability to improve efficiency, increase profitability and recover wasted time. The fact that it can also be used to help clean up supply chains simply makes the solution more attractive.

Motivated by Consumer Sentiment

One of the strongest motivating factors behind the push for supply chain sustainability is consumer sentiment. Most lasting supply chain initiatives are driven, in some way, by improving the end consumer's experience. In many ways, sustainability is no different.

According to research conducted by Forrester, **more and more consumers** are seeking out information about a companies' values, manufacturing processes and supply chain practices. Among the consumers who take the time to look into this information, 68% increase their efforts to support brands that reduce environmental impact. A **recent survey** also revealed 61% of purchasers are willing to wait longer for the delivery of their purchases if they know it's better for the environment.

Over the next five years, what factor(s) do you foresee playing the largest role in creating demand for investments in environmental sustainability?



About 60% of survey respondents said they foresee consumer sentiment being the driving force behind their environmental investments over the next five years. This response narrowly beat out increased government regulations, which was mentioned by 58% of respondents. Additionally, 47% of respondents said corporate competition was a motivating factor, making it clear that shippers understand the growing importance of sustainability within the industry.

In an industry that has historically been reactive to government regulations and environmental issues, the fact that consumer demand is garnering even more attention from shippers is proof of the end consumer's power to shape supply chains.

Conclusion

Consumers demand cleaner supply chain practices from their go-to brands, and shippers are answering that call. Almost 90% of surveyed shippers plan to implement sustainable strategies or have already done so, with the majority of these strategies centering around cleaning up their transportation and logistics practices.

Over the next few years, shippers are expected to embrace only those partners who mirror their new values and offer them the tools they need to impress end consumers. Technology providers, brokers and carriers should take note of this and begin adjusting their own operations accordingly. A proactive approach will help these companies maintain relationships and preserve business.

Ready to take the next step in creating a sustainable supply chain? Redwood, named one of the 75 Green Supply Chain Partners by Inbound Logistics, and the Top Green Provider of 2021 by Food Logistics, can help. Redwood's Green Initiative empowers shippers to meet their emission goals and offer carbon offset and carbon accounting to better understand carbon impact. Learn more by visiting redwoodlogistics.com.

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