



**Driving Operational
Cost Reductions
While Going "GREEN"**

INTRODUCTION

Leaders of many small, medium and large enterprises are faced with the daily challenges of managing growth, adjusting to increased levels of competition and dealing with the rising cost of operations. While exciting, this set of market dynamics can bring with it a series of opportunities and challenges.

As changes to the marketplace have increased the awareness and focus on sustainability and “green” initiatives, companies are re-thinking how they operate their own business, how they approach the supply chains in which they work every day and how they manage the impact projects might have on local communities and the environment. There’s been a notable increase in the number of enterprises that are beginning to incorporate conservation and sustainability goals into their strategic agendas. And quite frankly, many of your customers are starting to demand you show how you are attempting to lessen your carbon footprint or become more eco-friendly.

Times are changing... in fact, in some instances, a lack of appreciation for these issues may result in a lost business opportunity. This in turn has resulted in many organizations looking to their supply chain executives to help identify, refine, and then execute, the green initiatives that will drive the desired results.



STRATEGY FOR GOING GREEN

When determining how best to “green” your supply chain, Spinnaker recommends you build a plan or foundation from which to build upon. First identify the areas in which you can more easily and cost-effectively implement your green supply chain goals. By working with others to improve their supply chains, Spinnaker has identified some areas you should consider first when implementing a green strategy:

- **ENERGY CONSERVATION:** Spinnaker advises clients to consider retrofitting lighting fixtures in warehouses so that you use less energy, installing motion detector sensors, and instituting preventative maintenance programs for operating equipment and building infrastructure (e.g. - HVAC systems, etc) to keep them running efficiently... thereby consuming less energy, requiring fewer emergency maintenance visits, etc. – not only reducing the carbon footprint, but also saving money. In addition, we suggest that clients’ set annual targets for reduction of energy consumption and conduct annual audits to ensure progress is being made and the onsite people are really ‘walking the walk’ not just ‘talking the talk’.
- **CLEAN EQUIPMENT:** When considering material handling requirements and alternatives, you may want to consider utilizing electric fork-trucks that avoid greenhouse gas emissions and also reduce noise within warehouse and distribution operations. You may be surprised that you’ll get the same power and efficiency as traditional warehouse equipment and some clients have uncovered additional opportunities to streamline their material handling procedures.
- **RECYCLING PROGRAMS:** It seems logical to recycle. You probably do this in your home life but recycling items in your supply chain can add dollars to the bottom-line. Some examples of the practical recycling programs to consider include:
 - **Consumables:** Proactively place bins throughout various areas of your facilities to make it easy for your staff to recycle versus throw items away.
 - **Pallets:** Establish a pallet recycling program that repairs old / broken pallets so they are suitable for reuse. Not only will you help control your warehouse costs, you’ll reap additional benefits such as reduced risk of safety incidents, lower operating costs, and avoided waste.
 - **Cardboard:** Make it easy to locate cardboard recycling stations and partner with a local provider to have the items picked-up and processed each month.
 - **Other Supplies:** Leverage a relationship with an office products supplier that offers recycled materials. You’d be surprised at how economical recycled items like toner cartridges can be.
 - **Equipment:** Re-manufacturing or re-furbishing equipment is not only environmentally friendly but it can be lucrative. Consider partnering with companies who have fully developed programs so you can continue to focus on running your supply chain.

- **PAPER - GO GREEN OR GO DIGITAL:** Promises of a paperless office haven't completely emerged yet. For those who still have a need to print materials (e.g. invoices, product documentation, etc.) – locate an eco-friendly printer in your area. Several providers offer soy based dyes and recycled paper, which means you'll kill less trees in your quest to market and deliver your product, service or business.
- **INVENTORY OPTIMIZATION:** Look for ways to reduce the number of times you replenish inventory during a fixed period. Cutting deliveries to regional locations or stores from five times a week to three can add up to significant savings in mileage and in green house gas emissions. Leverage technology to improve the accuracy of inventory levels, integrate real-time inventory visibility in the warehouse, and limit wasteful inventory obsolescence. Align inbound and outbound shipments to reduce carbon emissions with less fuel and speed cash-to-cash cycles.
- **WAREHOUSING AND DISTRIBUTION:** Conduct regular facility inspections to identify opportunities to upgrade the building envelope (i.e., roofing, doors and windows) or to repair leaky water pipes and irrigation systems. Establish regional distribution centers to serve customers based on demand and consider enhanced driver training courses that improve driving skills and performance, teach drivers simple techniques to reduce fuel consumption and also the reduce risk of costly safety incidents.
- **SUSTAINABILITY SECTIONS ADDED TO SUPPLIER SCORECARDS AND RF(X):** Use regular discussions with members of your supply base to cover "green" topics and discuss the steps they are taking to promote sustainable and environmentally favorable behaviors. In addition, sourcing teams should ask suppliers to describe how they will support your corporate responsibility goals, environmental initiatives, and help you to operate your supply chain more efficiently.



IT'S NOT EASY BEING GREEN – BUT IT'S REWARDING.

While many companies agree that it's "not always easy being green", it's important to understand that some efforts have an immediate impact and others will require time for the changes to take effect. For those considering similar programs, it's probably better to expect a long winding road versus a "short-cut" to the desired destination point.

Spinnaker has helped clients green their supply chains and reap tangible results:

- Improved facility layout & material flow to increase storage density and shorten the time to put-away /retrieve products, saving more than 10,000 sq ft of warehouse space/energy and hundreds of labor hours per year.
- Reduced paper usage through modifications to product packaging and order execution procedures
- Streamlined pick/pack/ship processes that have resulted in picking efficiencies thereby reducing operator drive-time which in turns requires less energy, saves labor and improves order-to-ship cycledtimes.
- Reducing inventory costs thus needing less inventory space and energy, Spinnaker helped a client eliminate \$9M in materials inventory backlog while maintaining an inventory accuracy rate of 99%, which freed up valuable warehouse floor space.
- Reduced solid waste by 50% or more at several client sites through recycling programs.

- Cut energy consumption by 1/3 in warehouse & distribution facilities.
- Identified more than \$7million of capital cost reductions through innovative solutions that reduced inventory levels, took advantage of consigned inventory models, and improved vendor management.
- Improved data accuracy through rigorous cycle counting and inventory classification which increased order fill rates and enabled better inventory distribution – ultimately reducing obsolete goods and turning aging assets into cash through scrapping efforts.
- Helped customers leverage enabling technology to eliminate paper-based procurement approvals and the subsequent cost & burden associated with document retention.



Spinnaker not only advises clients on how to operate more eco-friendly and efficient supply chains, we have undertaken a number of green initiatives ourselves, including:

- Implementing green building practices like water efficient toilets which are expected to cut previous year's water consumption by more than 50%, saving our operation more than 15,000 gallons each year and reducing the load on the city's water treatment plants.
- Estimates indicate that our recycling efforts have diverted more than 1 ton of white paper and over 7,000 plastic containers from landfills each year.
- Conversion from Mercury Vapor to Florescent lighting, coupled with the installation of motion sensors is projected to trim approximately 220,000 kWh from the utility bill each year, improve the quality of lighting and extend the life of the assets themselves.
- We are currently engaged with a number of solar energy providers to install renewable energy solutions on warehouse and distribution facilities.

At Spinnaker, we firmly believe that with the right people, technology tools, underlying initiative and stakeholder buy-in; most organizations can take practical steps to make positive strides towards attaining sustainability goals that can make a real difference across the supply chain. We were even recognized as a green supply chain leader by earning a 2008 Green Supply Chain Award given out by *Supply & Demand Chain Executive* magazine. This award recognizes small, midsize and large companies that are taking steps to realize green goals.

CONTACT US

Spinnaker is a global leader in supply chain consulting, execution, and support. We deliver Supply Chain Excellence with world-class people, processes, technology and operational know-how. Over the years, Spinnaker has worked with all kinds of clients ranging from 'Start-ups' to Small & Medium sized Businesses (SMB) to 'Fortune 100' enterprises. We have executed supply chain improvement programs across many different industry groups so our team members not only possess deep supply chain domain expertise, but also the cross-industry experience that allows us to leverage lessons learned and provide supply chain execution services that deliver tangible business results.

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