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## **[Case Study] A Look at Wal-Mart's Sustainable Supply Chain**

In 2005, Wal-Mart set an impressive three-part goal to reform their supply chain. They wanted to be powered 100 percent by renewable energy; create zero waste in their supply chain; and sell more sustainable products to customers. These goals would require a lot of change to their supply chain management. One decade later, Wal-Mart is a leader in sustainable supply chain management.

### **Wal-Mart Carefully Selects Their Suppliers Based on Sustainability**



Image via [Flickr](#) by JeepersMedia

To improve sustainability, Wal-Mart now scrutinizes the sustainable value and environmental performance of all of their suppliers. It's one of the major deciding factors Wal-Mart uses when discerning where their products come from. [Wal-Mart also works with their suppliers to improve sustainability](#). It takes a lot of time and effort, but it adds value to the company and their customers. For instance, Wal-Mart supports their supplier factories in China with more renewable energy. Eventually, the factories will be able to support these sustainable measures themselves.

Professor [David Hyatt](#) said, "That's really what it is — a strategy. The strategy is to embed sustainability within the core business supporting the company's vision for a more sustainable Wal-Mart. Numerous initiatives are part of this strategy that led to international recognition of Wal-Mart's sustainability leadership."

## Wal-Mart's Approach to Sustainability



Image via [Flickr](#) by Walmart Corporate

It's been ten years since Wal-Mart set their lofty supply chain sustainability goals. The giant retailer has done a lot to make sure their goals are achieved. Here's a list of some important actions Wal-Mart has taken to ensure supply chain sustainability.

- They now use more environmentally friendly shipping methods, such as hybrid trucks.
- They no longer haul plastic waste to landfills. They pelletize the plastic and sell it to suppliers.
- They provide input on legislation to help policy makers with decisions, such as with the Supply Star Act of 2010.
- They require suppliers to disclose their animal treatment plans.
- They reduce energy use and implement renewable energy sources.
- They lobby for better worker treatment in supplier factories.
- They require suppliers to reduce pesticide use in agricultural goods and reduce antibiotics and growth hormones in meat and dairy goods.

## Impact and Advantage to Wal-Mart's Sustainability Goals



Image via [Flickr](#) by Walmart Corporate

Consumers want to know where their products are coming from, and Wal-Mart includes this desire in the vision for their company. Sustainability has become one of the most important components of their operations. Wal-Mart is delivering on their promise for sustainability and customers are happy.

CEO of Wal-Mart Stores [Mike Duke](#) said, "Our goal is not to create our own index, but to spur the development of a common database that can be used globally, a standard for all of us in the future to rely on. Customers want and will expect retailers to have greater transparency in the future. This is going to accelerate. We might as well get used to it."

Since Wal-Mart went green, their reputation in communities has improved dramatically. People used to think that Wal-Mart was a giant retailer that only cared about making money. Then, as Wal-Mart started implementing changes to their supply chain, people started to realize the value that this added to their communities and the environment. Wal-Mart's sustainability strategy has also had a sweeping effect, causing other retailers to follow suit and benefit communities around the world with more sustainable supply chain practices.

## Low Oil Prices: How Long Will They Stay?

Nobody likes to make predictions about the price of oil because it is such a volatile market. Oil prices are affected by the climate, politics, and other industries. As a matter of fact, the price of a barrel of oil can easily double in only a few months depending on what's happening in the world. But, people still can't help but wonder how long the low oil prices will stick around. There has been very little movement in the price of a barrel of oil in six months.

### Why Oil Prices Plummeted



Image via [Flickr](#) by ianmunroe

[Gasoline prices peaked in 2008](#) right before the U.S. economy crashed. The national average was \$4.17 per gallon and some areas of the country saw prices over \$6.00. Talk about high oil and gas costs were all over the news, especially in the supply chain world. The U.S. was not the only place around the world with a high demand for gasoline; China was also using a lot of oil. Then, in early 2009, the U.S. oil industry started to take off because of fracking technology. Ohio, North Dakota, and other states started producing more oil than places like Saudi Arabia. This created a price war that has since driven down the cost of oil significantly. We went from over \$100 per barrel to under \$50 very quickly.

## Supply vs. Demand for Oil



Image via [Flickr](#) by Michael Elleray

On the other side of things, demand for oil has never caught up with production. [Low oil prices are expected to stay](#) until they do. Economist first thought that China and other developing countries would pick up the extra demand for oil, but their manufacturing industries have been suffering lately. Additionally, many countries are looking to use more renewable sources of energy and decrease their dependence on oil.

## Expert Predictions on Oil Prices



Image via [Flickr](#) by Neubie

The [Energy Information Administration](#) (EIA) believes that gasoline prices in the U.S. will remain stable with the typical seasonal fluctuations. A representative from the EIA said, "EIA expects U.S. regular gasoline retail prices, which averaged \$3.36 per gal in 2014, to average \$2.43 in 2015 and \$2.63 in 2016. The average household is expected to spend \$675 less for gasoline in 2015 compared with last year because of lower prices."

Even though it will be sometime before oil prices go back up drastically, you can still expect that they will go up at some point. The overall [general trend in oil is an upward curve](#). It's just hard to predict what conditions will happen in the world to affect the supply and demand of this widely

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used commodity. For instance, oil prices went up temporarily when there were problems at the West Coast ports. Wars are also major predictors of oil prices.

Economists are optimistic that low oil prices will be around for a while. Prices will eventually go up, but consumers will enjoy the low prices through the summer and beyond, which will keep shipping costs stable for businesses.

## [Case Study] Denmark: The Future Is Wind Power

The world is starting to realize that relying on fossil fuels is not a good long-term strategy. Denmark realized this concept 30 years ago and is now leading the way in renewable energy with their wind turbine farms. They hope other countries will follow suit and change the way that power production is approached around the world.

### Denmark's Renewable Energy Roots



Image via [Flickr](#) by DeaPeaJay

Denmark started to invest in wind power in the 1970s. This was triggered because of the high oil prices Denmark was facing after members of the [Organization of Petroleum Exporting Countries decided to no longer ship oil to Europe](#). At that point, Denmark decided to create their own oil gas and oil reserves and invest in renewable energy to protect themselves in the future.

Denmark has had wind turbines in their country for over 30 years now. They were pioneers in the industry and currently generate [39.1 percent of their electricity](#) from wind power. By 2020, Denmark wants to get that number up to 50 percent. There are only 6 million people in Denmark, but it's still a remarkable feat to have such a high percentage of their power come from renewable sources.

### Denmark Is Taking Wind Power to the World



Image via [Flickr](#) by FaceMePLS

There are 13 wind farms and more than 300 wind energy companies in Denmark. It's a major industry that supplies 25,000 people with jobs in engineering, manufacturing, and maintenance. Wind power has become an important part of Denmark's economy and they are even making a business out of it. For instance, Denmark is leading up wind power projects in other parts of Europe, as well as North America and Asia. Additionally, Denmark closely monitors their power grid and exports energy to Sweden, Norway, and Germany when the wind turbines are working at their best.

When countries are interested in renewable energy, they turn to the Danes because of the [proven success of wind power in Denmark](#). Scientists and engineers in Denmark have found ways to drive the price of wind power down, too. They realize that price is a key component in pushing wind power around the world because as long as fossil fuel is cheaper, wind power doesn't stand a chance.

### **Impact and Advantage of Wind Power in Denmark**



Image via [Flickr](#) by CGPGrey

Since 1990, Denmark has improved its renewable energy production by 40 percent. This was in part to the enormous [subsidies offered to startup companies in Denmark](#) who were interested in developing wind turbine farms. Subsidies are much lower now, but they fueled growth in the renewable energy sector. If growth continues at this rate, Denmark will stay on track to produce 50 percent of their energy from wind power. Someday, Denmark wants to be powered completely by renewable energy that is generated in the country.

Not all countries can turn to wind turbine farms as the answer to their renewable energy needs because some geographies do not support it. However, there are other options to solving the fossil fuel crisis. For instance, Norway has huge potential for hydroelectricity. Solar electricity is also a good option for most countries. Denmark is leading the way, and many countries around the world are realizing the importance of renewable energy, too.

## How Leading Companies Manage the Delicate Cold Chain

Perishables cause a headache for supply chains because of the need for refrigeration. However, consumers want fresh foods and companies must learn how to deliver with a cold chain to stay competitive. Let's take a look at the delicate balance companies must achieve between costs, regulations, and speed.

### Maintaining Constant Cold Temperatures



Image via [Flickr](#) by Invernesstrucker

The biggest challenge companies face when implementing a cold chain is constant temperature control. It's easy to buy refrigerated trucks, but it's not easy keeping food cold when unloading to stores or transferring to different trucks along the supply chain. The [Food Safety Modernization Act](#) requires all fresh food products to remain in refrigerated units under 40 degrees, and that temperature must be maintained along the entire supply chain.

New innovations in trucks are making it easier for companies to maintain the necessary temperatures. For instance, refrigerated trucks that use fuel cells don't require as much fuel to keep temperatures constant. There are still initial setup costs for buying trucks or acquiring logistics services, but the cost of managing a cold chain is going down. Improvements are expected in the future.

## Keeping Costs Down



Image via [Flickr](#) by pictures of money

Fresh food deteriorates rapidly, meaning that timely delivery is critical. However, expedited transportation is very costly, especially when implemented on a large scale. Even minor delays can cause thousands of dollars in spoiled food. Therefore, companies must figure out how to deliver refrigerated goods quickly without driving their costs up too high.

In general, consumers are willing to pay more money for fresh food, but companies should still look for ways to keep cold chain costs down to make more profit and transfer savings to customers. Cold chain costs add up quickly when you consider the cost of refrigerated delivery units and the need for fast delivery. Plus, additional training is required for employees that handle perishables.

## Tracking and Reporting

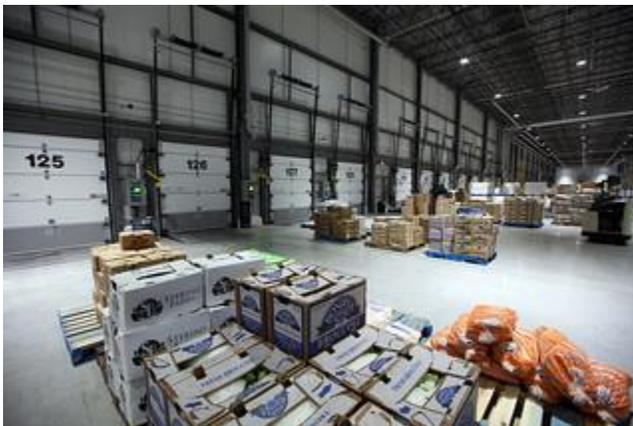


Image via [Flickr](#) by Walmart Corp

Another challenge of the cold chain is tracking and reporting. Companies must prove that they have maintained constant temperatures and handled food appropriately with the proper documentation. Recent food illness outbreaks are causing consumers to demand more knowledge

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about where their food came from and how it was handled along the supply chain. The [Food and Drug Administration](#) (FDA) requires a minimal amount of documentation to prove safety.

Tracking and reporting goes beyond temperature logs. Companies must also track how long it takes to unload food, how long they were on the road, and who handled the food along the way. Industry leaders like [Sysco](#) have learned firsthand that it's important to create best-in-class processes for tracking and reporting all of this information or face fines. It's a necessary and very important component of the cold chain.

If you're interested in adding a cold chain division to your supply chain, consider these factors on how to delicately manage refrigerated units. Your cold chain can be very profitable if you set it up the right way from the beginning.

## Adidas Cuts Ties with Asia to Promote Better Working Conditions

Adidas is a leader in retail footwear and clothing. Customers love their sporty look, comfortable fit, and innovative designs. To achieve these results, Adidas has sought out the best suppliers around the world. Many of those suppliers were formerly in Asia, but in 2014, Adidas decided to take their business elsewhere to improve their supply chain and promote better working conditions.

### Adidas Changed Their Supply Chain



Image via [Flickr](#) by David Schiersner

For years, Adidas has been losing ground to competitor Nike. That's why Adidas decided to take a closer look at their supply chain to see if there were ways to cut costs and speed up production. One major shift they decided to make was to [cut ties with Asia](#) and bring a chunk of their production back to the U.S. This move would help Adidas manufacture their products faster.

With production in the U.S., Adidas would no longer have four to six week delays when shipping materials from their suppliers to their factories. Additionally, managing the logistics of shipping goods within the U.S. is cheaper and easier than managing international logistics. Adidas made several changes to their supply chain to streamline their production and shipping.

## Adidas Finds Poor Worker Conditions



Image via [Flickr](#) by Yahoo Inc

While Adidas was looking for ways to improve their supply chain, they realized that many of their suppliers did not treat their workers very well. This led Adidas on a mission to promote better working conditions and demand better from their suppliers. After assessing several factories in 2014, Adidas terminated contracts with 13 suppliers in Asia because of non-compliance issues related to worker treatment.

In their [2015 annual sustainability report](#), Adidas CEO Herbert Hainer said, "In 2014, we significantly revised our Code of Conduct, the foundation of the Adidas Group Fair Play Framework, for our employees. We further extended our Innovative SMS worker hotline system, now reaching more than 160,000 workers in our global supply chain. And together with these actions we strengthened our complaint systems for stakeholders to keep our unconditional commitments in protecting Human Rights in our global business operations."

## Impact and Advantage of Supply Chain Changes at Adidas



Image via [Flickr](#) by warrenski

Consumers care about quality workmanship, but they are starting to also care about the code of conduct and ethics of the businesses where they buy products. Poor working conditions around the world are no longer acceptable to consumers. Adidas hopes that the changes to their supply chain will improve their brand loyalty and drive sales.

[Reuters](#) reports that, "Adidas said it expects sales to grow by almost half to above \$24 billion by 2020 and net income to rise around 15 percent per year on average, which Hainier conceded would not translate into a double-digit operating margin."

Adidas issued several warnings to their suppliers in Asia about non-compliance issues before making changes. Suppliers were even given several months to make the necessary changes to improve worker conditions. In the end, Adidas decided that shifting production back to the U.S. would be better for profits, brand loyalty, and worker conditions overall. Adidas has already hit sales targets after making supply chain changes.

## **Related Procurement Events**

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- 14-18 September 2015–London, United Kingdom
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- 26 - 30 October 2015 – Singapore
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### **Certified Global Logistics Manager**

- 31 August - 3 September 2015– Hong Kong
- 23-26 November 2015- Singapore
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- 28 Oct - 30 Oct, 2015 - Hong Kong
- 2 Nov - 4 Nov, 2015 - Singapore
- 8 Nov - 10 Nov, 2015 -Dubai, United Arab Emirates

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