Sustainable Procurement: Time to measure value creation!

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EcoVadis Benefits: change from Current Situation...

For Buyers
- High costs
- No reliable data
- No internal adoption

For Suppliers
- Audit / Questionnaire fatigue
- No personalized feedback
- No focus on improvements
... to EcoVadis **comprehensive** model

For Buyers

- Reliable indicator
- Actionable scorecards
- Leverage on suppliers

For Suppliers

- Identify improvement areas
- Competition benchmark
- Reduce admin. burden
#1 Suppliers **Sustainability Monitoring** platform

**Buyers**
- 100 Customers
- 900 bn€ spend

**Suppliers**
- 20,000+ per year
- 70% SME’s
- 150 Categories
- 102 Countries
Sustainable Procurement: Time to measure value creation!
Sustainable Procurement now solidly entrenched in Procurement priorities

In your organization, what is the importance-level of implementing Sustainable Procurement practices?
“Compliance” Tools are becoming standard

What tools have you already implemented to support your Sustainable Procurement initiative?

- Total Cost Models including sustainability criteria
- Supplier Code of Conduct
- Supplier self assessment tools
- Category/Country Risk evaluation models
- Specific Supplier Audit Program
- Buyer guidelines on best practices per commodity
- Supplier Sustainability databases provided by 3rd parties

Basic “CSR Compliance” tools are becoming the “norm”
But more advanced tools (i.e. TCO) are still poorly widespread
... With a heavier weight given to CSR criteria

What is the weight of Sustainability criteria in supplier/product evaluation?

- CSR need to be taken into account but each buyer defines the weight they assign
- We have set a minimum weight for CSR criteria*
- 0% - not taken into account

*On average, the standard minimum weight is set at 10%
Key Performance Indicators: a wider adoption

What metrics are you using to measure the implementation of Sustainable Procurement practices?

- % of suppliers evaluated/audited
- Results of supplier assessments (i.e. CSR performance)
- % of suppliers signing SP charter or contract clause
- % of buyers trained
- % of spend with 'sustainable' suppliers
- CO2 emissions
- No formal metric is used
- Others

Progressive transition from “Process” to “Results” KPI’s
Internal challenges remain the most problematic

What are the main challenges faced in implementing your Sustainable Procurement policy?

- Lack of support from the top management: 50% Critical, 34% Important
- Contradictory objectives assigned to purchasing managers: 43% Critical, 39% Important
- Lack of information on supplier CSR practices: 11% Critical, 60% Important
- Lack of metrics to measure and monitor progress: 15% Critical, 56% Important
- Resistance from suppliers: 18% Critical, 51% Important
- Lack of budget for internal or external support: 22% Critical, 42% Important
- Lack of internal expertise on Sustainability topics: 13% Critical, 44% Important
- Unclear ownership of this process: 12% Critical, 35% Important
What you measure is what you get...

How do you quantify benefits?  
- in % of respondents -

- Some benefits measured: 55%
- Some case studies: 30%
- Overall dashboard: 16%
- Overall Financial impact: 7%
Impact goes through three value drivers

1. Cost reduction
2. Risk minimization
3. Revenue increase

Sources: EcoVadis, Insead, PWC (2010)
Cost reduction: mostly targeted and measured

Main drivers:
- Energy
- Specifications
- Consumption
- Taxes

Key takeaways:
- TCO approach
- Co-creation with suppliers
2013 “Green Box”
- 18% Cardboard
- 4000 t of packaging
- 10% CO2 reduction
Impact Project
(M&S, Tesco, Sainsbury’s,..)

Workers wages : +12%
Turnover : -65%
Absenteesim : -30%
Factory Efficiency : +30%
Risk minimization: need to be more systematic

Main drivers:
- Brand image
- Volatility
- Disruptions
- Compliance

Key takeaways:
- Strong impact on financial value (ex. WalMart)
- Mapping of value chain is a "must"
  - Current and potential impacts
  - Priorities and mitigation actions
Rana Plaza – 04/2013
1129 p killed
Sept 3, 2013
Fire in Hynix China Factory

Sept 6, 2013
DDRAM price jumps 25%

Sept 15, 2013
10M PC’s
11M Smartphones impacted
Revenue growth: controversial but impactful!

Main drivers:
- Price premium
- Recycling
- Innovation

Key takeaways:
- Most controversial impact
- Customers not ready to pay full premium...
- ...but they value sustainability features
- Sustainable competitive advantage
2012 : eco-product innovation competition with suppliers
2013 : 20% of eco-products sold – 2.1bn£ sales
2010 : Target 50% in 2020
New Paint Booth System
- 60% Energy Costs
- 50% CO2
Impact goes through three value drivers

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Value Creation: Stages of excellence

**Qualitative & partial**
- **Spotlight**
- **Lighthouse**

**Qualitative & systematic**
- **Roll out**
- **Triple bottom line**

**Quantitative & partial**
- 1. **Spotlight**
- 2. **Lighthouse**

**Quantitative & systematic**
- 3. **Roll out**
- 4. **Triple bottom line**
Beyond *constraint* make it an *opportunity* for your suppliers

**Collaborate** with competitors to drive *systemic* change

Set up *ambitious* LT goals requiring *breakthrough* in technologies/processes
Thank you!

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