

responsible procurement

How Grand & Toy is restructuring internal supply chain operations and reconfiguring customer relationships to make the shift from goods supplier to sustainability partner

By Ken Mark



While other companies talk about sustainability, Grand & Toy is doing something about it. More importantly, it is relying on innovative transportation and logistics practices to drive its green business initiatives.

In simple terms, the venerable office supplies firm plans to restructure its relationship with customers. According to Patricia Moser, Grand & Toy's Toronto-based vice-president of supply chain, "We don't want to be just a supplier of products. We want to become a true partner to our customers that can help them achieve their sustainability and other business goals.

"We see sustainability as a great marketing opportunity."

Such a novel approach is a part of the growing trend among retailers and other firms as they try to reach out to consumers and clients who are now shopping with their values, not just their wallets.

The icebreaker for Grand & Toy's approach was its 2009 introduction of 48-hour delivery to replace the existing industry standard of overnight deliveries. When initially introduced in British Columbia, about 50% of firms opted in. Later, when it was rolled out nationally, the percentage was larger. In fact, in 2010, 76.5% of its customers chose the option, an increase of just more than one-third from earlier figures.

Over the same time period, as a result of the change and other internal efficiencies, Grand & Toy eliminated a total of 30 delivery trucks from its various fleets – 18 trucks from its own and 12 from

external, dedicated contracted fleets.

At the same time, like many other progressive retailers and suppliers, it is also rapidly expanding its inventory of green products and services under its sustainable/ethical sourcing program. This burgeoning phenomenon has been dubbed "responsible procurement."

According to Scott MacDougall, Ottawa-based president of TerraChoice, a division of Underwriters Laboratories (UL), the beginnings of the sustainable products movement arose from the fringes of the economy by early environmental supporters. "It then surfaced among very large firms such as Walmart and Home Depot," he says. "That happened because very large firms have greater control over their supply chain partners."

He also notes that smaller players are now getting involved. Sustainability is focused on reducing energy usage, greenhouse gas (GHG) emissions and carbon footprints. But corporate social responsibility (CSR) statements typically also include other ethical issues including human rights, labour conditions and fair trade.

"Suppliers are adopting new sustainability commitments to differentiate themselves from the competition and move away from commodity-type goods and services which are more price sensitive," he says.

To make the shift from goods supplier to sustainability partner, Grand & Toy had to restructure its own internal operations as well as reconfigure its relationships with customers. On the product

sourcing side, it had to revise RFPs for its suppliers to find out more about their sustainability policies and practices. “We wanted to be sure that it was more than ‘vapour ware,’” says Moser. “We start our due diligence by asking for their sustainability CSR statements, looking at relevant records, reports and statistics that show the results and trends in their practices.

“We pay close attention to their power and fuel usage, how they are eliminating waste and how they are working with their own suppliers to reduce GHG emissions, power usage and their carbon footprint.

“For multi-national firms, we ask, ‘Is the sustainability CSR a global statement or a Canadian policy?’ We often find that they are separate and the Canadian activity is not a priority. And where practical, we make site visits.”

In addition, Grand & Toy maintains a continuing dialogue on various projects with its US parent, OfficeMax. Sometimes it serves as a laboratory for some initiatives or it may propose others on its own.

Gaining traction with customers remains a challenge. “We need to disprove the notion that sustainability costs money,” says Moser. “Our counterargument is that it makes more business sense.”

To backup that claim, Moser’s team asks customers about their future business plans and what goals they want to achieve while meeting their business needs. In response, the team then sits down with their counterparts to discuss the next steps. Much of the resulting discussion is based on Grand & Toy’s past business reports – at least six months of procurement records on what the customers bought, how often they ordered, prices they paid, etc.

After developing a basic scorecard, the team offers insights into the customer’s total spend and suggests ways to reduce the number of deliveries. As well, the team shifts into full consulting mode to share ideas about introducing change management to the organization. That’s crucial because new ordering processes and delivery schedules are often highly disruptive. To ensure employee buy-in as quickly as possible, the team helps customers communicate, through lunch and learn sessions and the like, the importance of the changes to the organization and their relevance to improving employees’ everyday routines.

Instead of adopting a one-size-fits-all approach, Grand & Toy tailors its solutions to meet an individual firm’s specific needs. Excerpts from the McMaster University case study clearly lay out the depth and breadth of Grand & Toy’s proposals, not to mention summarizing the project’s successes.

The university stated its overall objectives as needing to:

- streamline office supplies procurement, reduce cardboard usage and deliveries to and on campus to realize monetary savings;
- promote sustainable procurement practices and the purchase of environmentally preferable office supplies to reduce its carbon footprint.

The benefits of Grand & Toy’s implementation included:

- reducing delivery frequency from five per week to one;
- decreasing the number of on-campus stops from three locations to two;
- lowering annual weekly on-campus deliveries from 780 stops at three locations to 104 stops at two locations;
- making the campus more pedestrian-friendly, reducing noise and lowering GHG emissions through less truck traffic;
- eliminating 20,000 cardboard boxes or 44% from landfill by introducing reusable plastic containers and tote bags; and
- Reducing McMaster-specific deliveries’ GHG emissions by 62%.

Reusable fabric tote bags became the poster child for the project. They replaced cardboard boxes for packaging orders. Both sides worked together to develop the idea and design them. Each tote bag is cinched tight with a drawstring and then sealed with a label indicating the customer’s exact location on campus. Filled bags are placed in large secure, reusable containers and delivered to McMaster’s central receiving depot.

University personnel deliver the tote bags to identified customers, who return the tote bags to the central depot through the internal mail system. Grand & Toy picks them up to be reused for the following week’s orders. The two partners also collaborated on designing the dollies that transport the empty plastic containers used to move the tote bags.

Since incoming deliveries are labelled and pre-sorted by building and floor in the plastic reusable containers, they are now faster, easier and more efficient. Despite the tote bags’ huge success, Grand & Toy has no immediate plans to roll out the program to other customers.

But there’s more to come at McMaster. To reduce paper, postage and associated costs while increasing ordering speed and efficiency, the university plans to adopt Grand & Toy’s e-invoicing solution. It will enable the Purchasing Resources department to view, manage and download all invoices through the grandandtoy.com portal. In addition, McMaster will also identify more sustainable product choices to further reduce costs and minimize its environmental impact even more.

According to TerraChoice’s MacDougall: “This evolving dynamic between customers and supplier creates a virtuous business and sustainability circle that feeds on itself. As retailers and corporate customers request more sustainable products and services from suppliers, market demand increases as more selection become available. That, in turn, further boosts the appetite for more sustainable products.

“For suppliers, the ROI (return on investment) comes from additional or protected market share. That results from increasing their share of customers’ wallets and moving up the value chain to sell higher-value, higher-margin green products and services.”

That’s exactly Grand & Toy’s game plan. “Our message to sales reps is that sustainability is a competitive marketing strategy,” says Patricia Moser. “We need to develop a long-term relationship with customers based on a true partnership because simply selling them more stuff is not an engine for future growth.

“We must take time to analyze their total spend and help them rationalize their suppliers list and expand our share of that budget by providing them with a wider range of products and services. We are not just about office products, but also offer many other products and services such as facilities supplies for lunchrooms and washrooms, office interiors including furniture and technology, computer peripherals and accessories.

“We want to move toward long-term, single-sourcing arrangements which resonate more with the needs of senior-level procurement executives. To do that, we must establish trust and credibility by helping customers achieve their sustainability goals.”

MacDougall confirms that is a winning strategy. “Early adopters come out ahead as they ride the wave of ever-increasing consumer demand for green products,” he says. CT&L



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