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Selection and Use of Energy Efficient Opportunities vs. Customer Purchasing Behavior: a case study on Argentinean Supply Chains using Dynamic Alignment models.

Presenter: *Alejandra Efrón & Brian Dwyer*

Event:BECC2013

Location: Sacramento

Date: 20/11/2013

Comments from logistics decision makers from multinational companies

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"We pay by ton transported, so anything that increases tare weight is taken away.

Therefore, our transport suppliers ***strip off*** *their vehicles of cab extenders, trailer skirts, etc. They buy good, powerful prime movers because of the road, but the best brands bring all this extra weight which has to be taken off "*

"Our transport suppliers buy the cheapest truck, and we **pay for all the aerodynamics** fitting because we checked and they reduce fuel consumption, which ultimately impacts on the negotiation"

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"It is very difficult to convince the board to invest in sustainable logistics actions unless there is a fine to the lack of them"

"We have a few customers who want everything that is new and relates to safety; no matter how much it costs, they want it. However, most customers just want the cheapest we can do, and for them aerodynamics are a 'fashionable cost' they are not willing to pay"

"We negotiate the price with our transport suppliers, and it is not my business how they make ends meet. But yeah, probably I should get more involved because negotiations are becoming more troglodyte by the day"

"Negotiations with the transport companies were taking too much or my time. So, I decided to get involved and show them how to reduce their costs. Today, fuel consumption has decreased in 20%, and there was a 30% increase in the useful life of tires. Besides, accidents decreased in 70%, which is a good impact on the community and drivers' behaviours changed"

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No shortage of information…

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SmartWay
The Smart Way to Save Fuel, Money, and the Environment

CIVITAS

TRANSPORTE LIMPIO

TravelSmart
better ways to go

Developing SKILLS
Equipment & SYSTEMS
Saving FUEL
Multi MODAL
Performance MANAGEMENT
FreightBestPractice:Navigator

Transporte Limpio

...and ideas

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How, why and who chooses which opportunities are appropriate for an organization?

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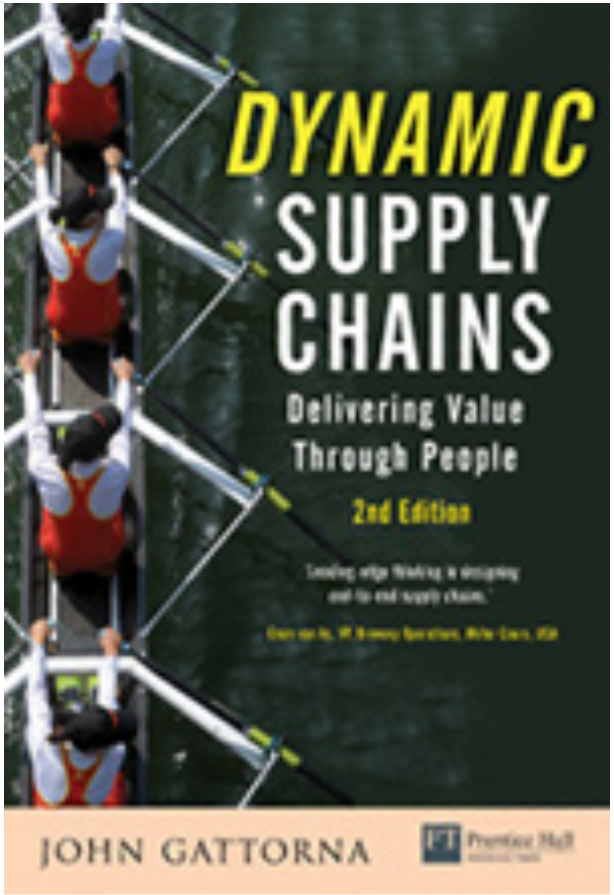
Sustainable Supply Chains Dynamically Aligned

- Understanding what may work for you and your market is key

- We propose a lens through which measures can be viewed to help decide and implement what is appropriate



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Dynamic Alignment Framework

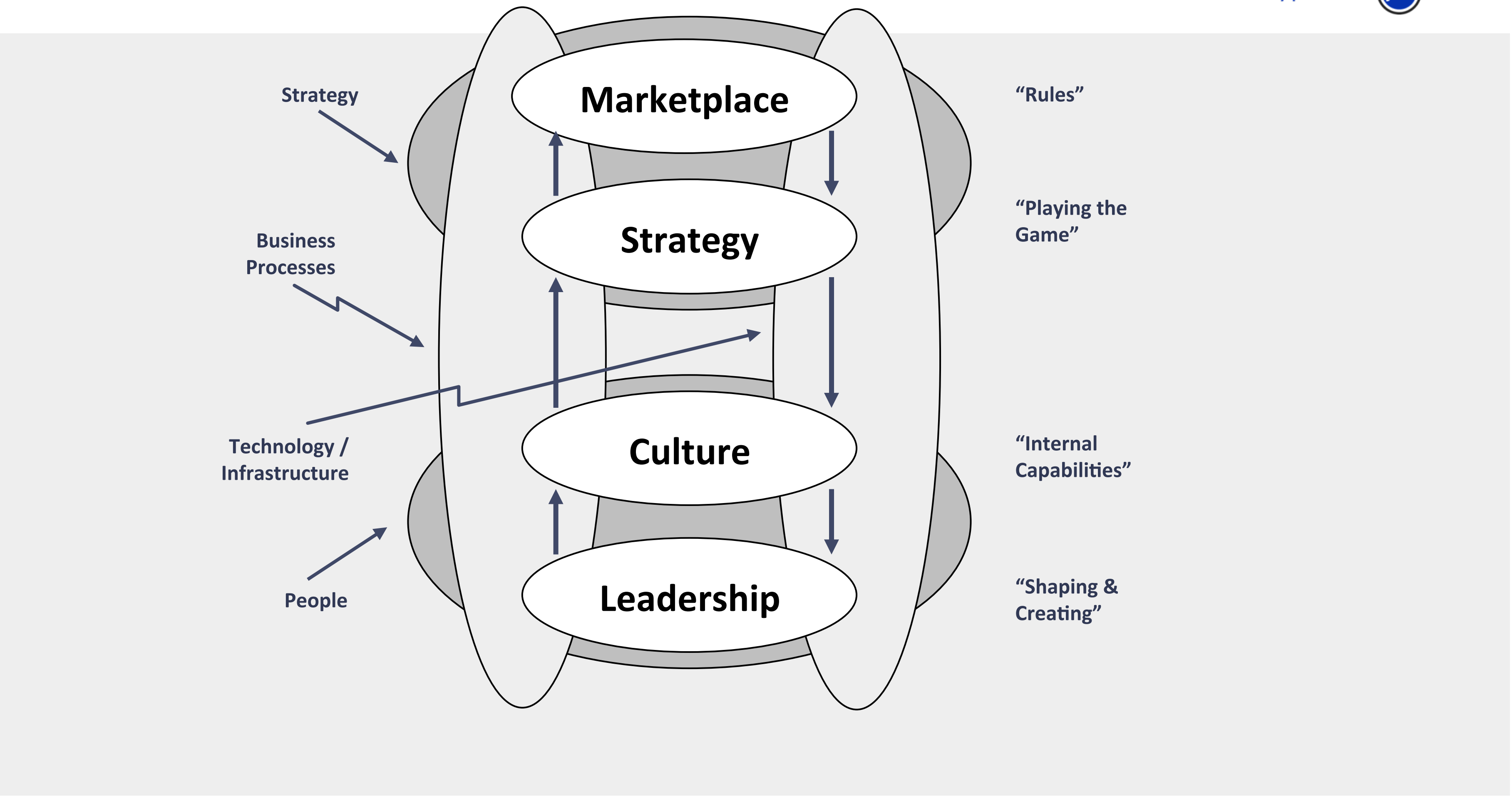

Figure 1.2: Elements of the *'dynamic alignment'* framework, Gattorna (2003-2006)

P-A-D-I Logics

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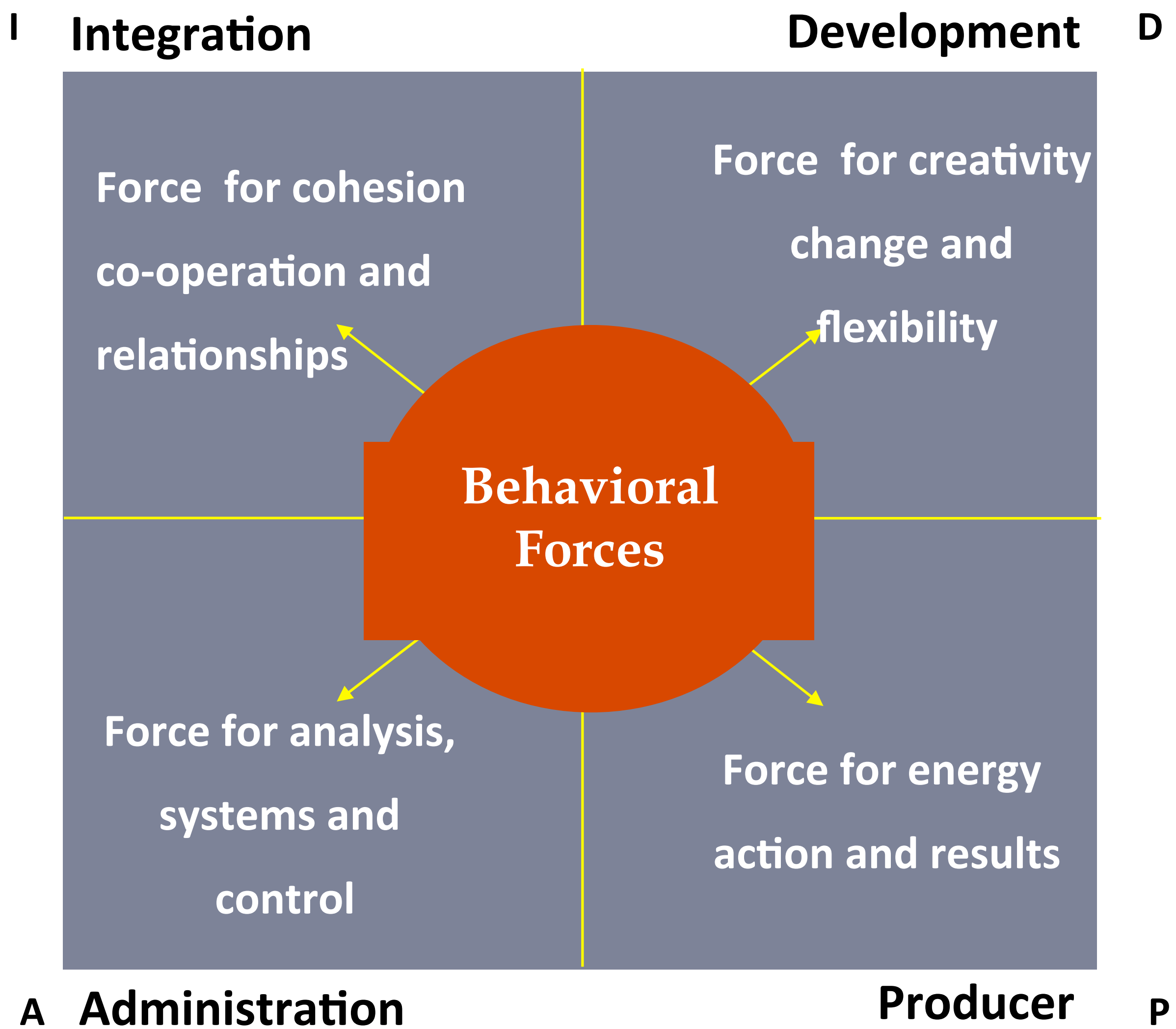

General characteristics of the four dominant behavioral forces or logics, Gattorna 2006

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Primary Customer Service Logics

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(I)

UNDERSTAND ME

Customer Service = Empathy, Understanding, Relationship

(D)

SURPRISE ME

Customer Service = Innovative, Creative response to unique needs

BE CONSISTENT

Customer Service = Reliability, Predictability, Consistency

(A)

RESPOND

Customer Service = Responsiveness in a commercial way

(P)

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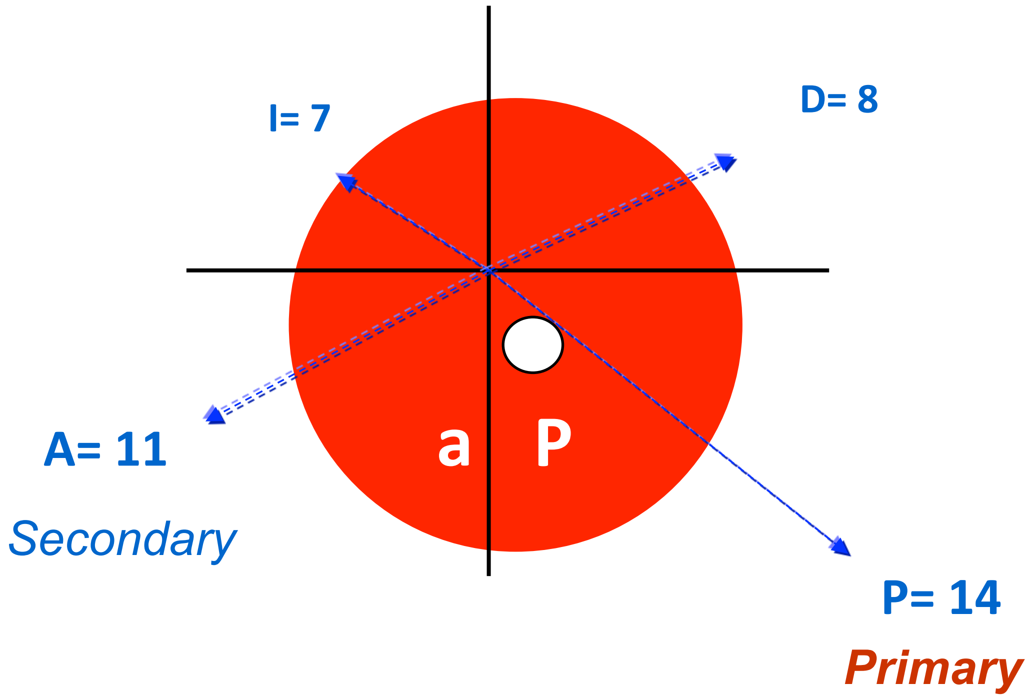
Dominant Behaviours

ILLUSTRATIVE



Typical spread of attributes that define customers' buying behaviors; in this case 'P' is the dominant logic and 'a' is the secondary logic, making a composite 'Pa'

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The Empirical Study

- First Step: Rapid Alignment Diagnostic (of the 4 elements)

- Second Step: Based level of maturity of the energy efficiency actions we categorized them as:

Efficient (A)	**Appropriate for lean, efficient types of buying behaviour, where the focus is on economies of scale, synergies and lowering the costs.**
Collaborative (Ia)	The benefits of these actions are known and usually proven, however their successful implementation would require the collaboration of both service provider and client.
Innovative (Dp/PD)	These actions are for those who require innovative solutions to improve responsiveness. Customers/suppliers with this type of behaviour are willing to engage in new practices even willing to pay a premium to be able to demonstrate they are at the leading edge.

Results

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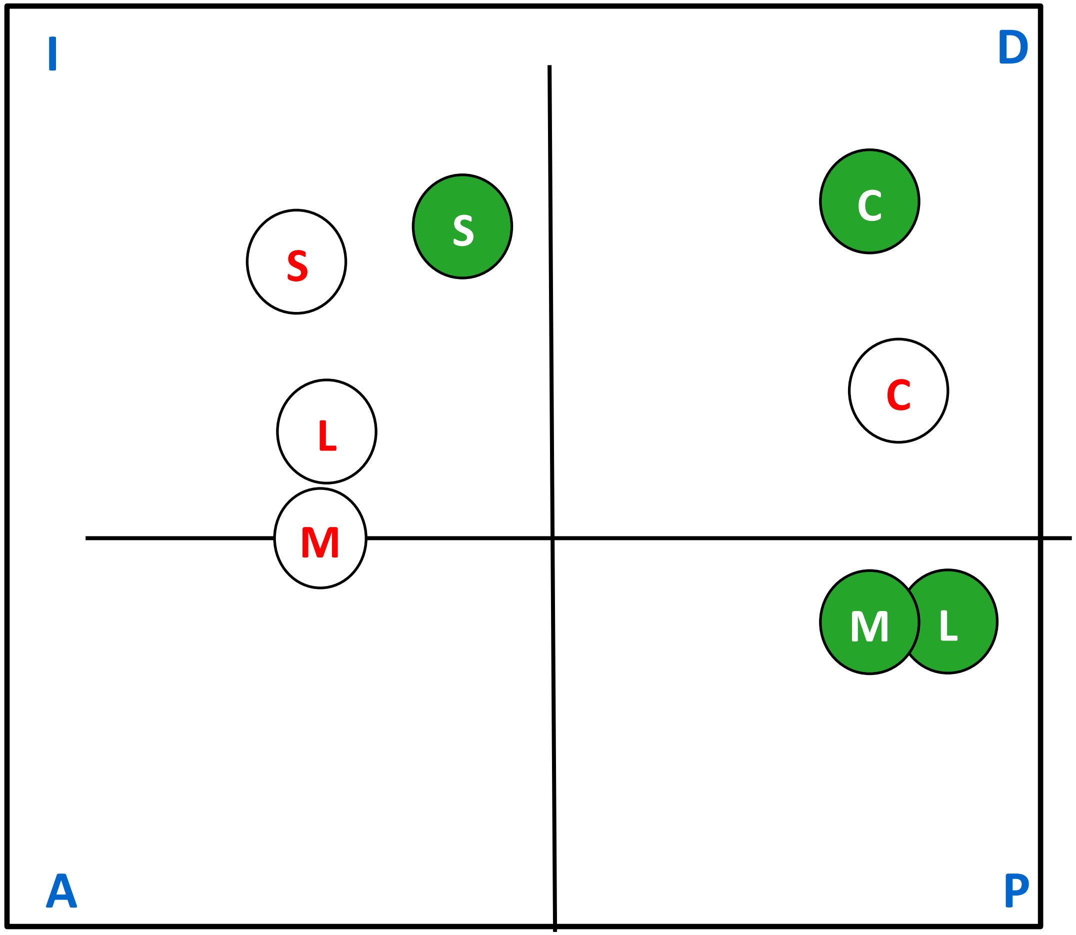

- L1 is logistics supplier for F1
- L1's leadership was recently changed (and seems to align with what they perceive F1 wants).
- L1's posture explains F1's apparent contradiction in opportunity selection

F1> S

L1> S

	Collaborative (Ia)			Efficient (A)			Innovative (Dp)		
	Yes	*Aware but do not*	*Not Aware*	*Yes*	*Aware but do not*	*Not Aware*	*Yes*	*Aware but do not*	*Not Aware*
L1	2	4	2	8	-	-	4	1	1
F1	2	5	1	2	-	6	2	4	7

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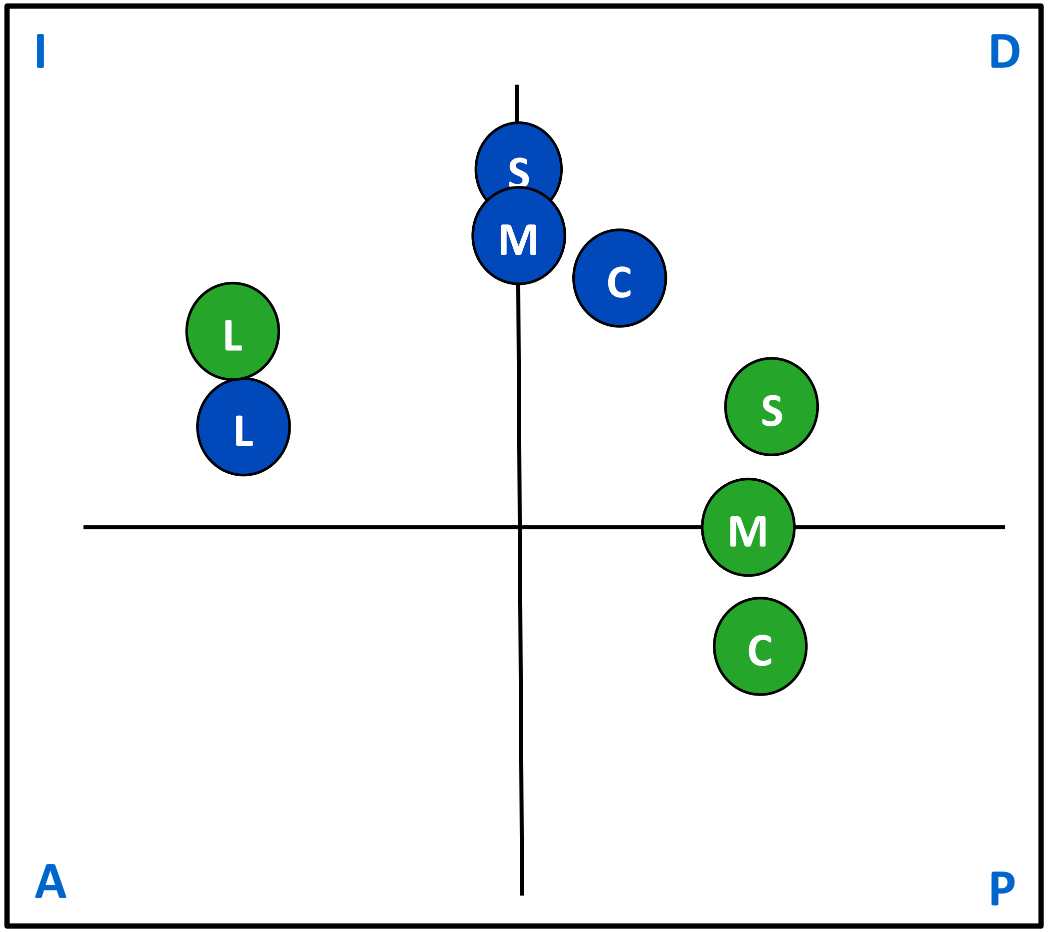

- Both respondents' leadership lead by consensus and procedures, which is slow.
- The Dairy's market forgives this pace, while C1's demands responsiveness.
- C1's culture is aligned with its market and the ones to select the EE opportunities.

C1> S

Dairy> S

	Collaborative (Ia)			**Efficient (A)**			**Innovative (Dp)**		
	Yes	*Aware but do not*	*Not Aware*	*Yes*	*Aware but do not*	*Not Aware*	*Yes*	*Aware but do not*	*Not Aware*
Dairy	3	2	4	3	4	5	5	-	7
C1	6	3	-	7	1	-	3	3	3

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Conclusions and Further Research

- This study is an initial first step in assessing the potential of Dynamic Alignment to develop and manage policies to enhance the adoption of efficiency actions.
- For example regulators may wish to develop a comprehensive understanding of market behaviors and how any policies deployed may compliment or clash with existing market imperatives.
- Internal to a large organization there may be a greater focus on establishing whether market imperatives and organizational strategies and goals are being reflected in the day to day operations.

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If you remember nothing else…

- *The Dynamic Alignment framework can aid understanding of why organizations select, or not, energy efficiency opportunities.*
- *Such understanding can help you develop responses to present the most appropriate projects for an organization or industry sector*

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