

Table 4: Practical examples of companies that decreased their total delivered cost

Practice	Percentage of Companies Adopting Best Practices
Analysis of total logistics cost	84%
Allocation of dedicated human resources	79%
Establishment of secondary supply sources	79%
Use of air transportation	76%
Training of suppliers from low-cost countries	70%
Adding supplementary inventory	21%

Source: Industry Canada (2007)

First, the companies that succeed are the ones that know their costs. This may seem obvious, but many companies decide to outsource to low-cost countries solely on the basis of anticipated savings in labour costs. A good analysis of the total delivered cost can sometimes reveal surprises to companies that have underestimated factors such as increases in the cost of transportation, warehousing and poor quality, to name but a few.

Allocating dedicated resources to global sourcing and sending company staff to work onsite in a low-cost country are ways of ensuring the success of the operation, as doing so will mean, for example, that foreign suppliers are better trained. Despite these measures, there will be unexpected and emergency situations. In such cases, successful companies do not hesitate to use air transport and secondary supply sources in less risky countries. Although the company incurs additional costs, it avoids having to keep too much inventory on hand, which successful companies are reluctant to do. However, it is interesting to note that setting up supplementary inventory is a widespread practice in 85% of the companies whose total cost increased after they outsourced to low-cost countries.

4.4 Green logistics

There is increasing concern over environmental and sustainable development issues in our society. The transportation sector alone generated some 27% of greenhouse gas emissions (GGEs) in Canada in 2007 (Transport Canada, 2009). Logistics can therefore foster sustainable development through the design of supply chains that reduce transportation needs. We might also add that it is also advantageous for companies to create an environmentally friendly "green" image. This pressure can sometimes come in the form of a requirement to obtain environmental certification, such as the ISO 14,000 standard, to comply with the