Nestlé Canada Inc.
North York, Ontario

Company Profile

Nestlé S.A. was founded in 1866 in Switzerland as an infant nutrition company. Today Nestlé is the world’s leading nutrition, health and wellness company with the mission of “Good Food, Good Life”; providing consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories. Nestlé Canada Inc. is a wholly-owned subsidiary of Nestlé S.A., employing approximately 3,600 people in 21 manufacturing, sales and distribution sites across the country, with the home office located in North York, Ontario. As one of the country’s leading food and beverage companies, Nestlé Canada’s annual sales were approximately $2.3 billion in 2012. Nestlé Canada’s key divisions are some of the country’s best-known brands in chocolate and confectionary, coffee and beverage, ice cream and frozen desserts, meals, and nutrition, as well as Nestlé Waters and Nestlé Purina PetCare which are managed separately. In 2013, it was named one of Canada’s 10 Most Admired Corporate Cultures, recognition of the best-in-class culture that has helped Nestlé enhance performance and sustain competitive advantage.

Nestlé’s Supply Chain

Nestlé Canada’s supply chain includes two distribution centers for all retail and professional food (excluding Nestlé Waters and Nestlé Purina PetCare) categories, located in Southern Ontario close to both the Canadian Pacific and Canadian National intermodal yards. Ice cream and frozen desserts are warehoused separately in five third party cold storage warehouses across Canada. National Transportation Operations manages all retail product movements from these sites. Nestlé purchases for-hire transport from preferred transportation carriers across Canada for its domestic retail transport and utilizes contract carriers for its direct store delivery ice cream distribution network. Product to Western Canada is shipped on intermodal in 53 foot containers and typically shipped direct on truck to customers in Central and Eastern Canada. The use of rail is encouraged to all destinations.
Nestlé’s DSD Network Operations is for ice cream and frozen dessert products and shipments are direct from warehouse to customer location, whether to a Wal-Mart or mom-and-pop grocery store. These are primarily LTL deliveries in refrigerated trucks where drivers are assigned a designated route on delivery days to hand-deliver the customers’ ordered product. Nestlé’s route planners ensure the right product is delivered to the right place, in the right amount, and at the right time, as well as optimize route plans to increase efficiency and reduced carbon emissions.

**Sustainability at Nestlé**

Creating Shared Value (CSV) is the basic way in which the whole Nestlé organization does business. CSV recognizes that in order to create long-term value for shareholders, Nestlé has to create value for society. CSV starts with complying with Business Principles which involves compliance with national laws and relevant conventions, as well as Nestlé’s own regulations, which often go beyond legal obligations. Beyond that, how Nestlé does business is based on sustainability - ensuring that its activities preserve the environment for future generations. In line with the Brundtland Commission’s definition, sustainable development to Nestlé means “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. At Nestlé, environmentally sustainable supply chains focus on multiple facets of the end to end process, not just the carbon footprint. For example, Nestlé has focused on the reduction of water consumption in its factories across the globe. Nestlé Canada reduced the amount of waste water generated per tonne of finished product by over 30% in the past 5 years as well as reducing the level of carbon per tonne of finished product by 19% in the same time period. These were accomplished through the laser focus of Nestlé people who are members of the community and truly care and want to make a difference.

_Nestlé’s corporate wide efforts Nestlé earning the distinction of being the leading food products company in the 2013 Dow Jones Sustainability Index. This index is based on the companies’ economic, environmental and social performance, including areas such as corporate governance, climate strategy, supply chain standards and labour practices. The company also_
achieved the maximum score in the CDP ‘Climate Disclosure Leadership Index’ and the CDP ‘Climate Performance Leadership Index’. Initiatives around the world include switching from long-distance road transportation to rail, short-sea shipping in Europe, opting for wind power to supply energy to its factories in Mexico, and installing wood-fired boilers at factories in France.

**Sustainable Logistics**

Delivering the products in highest quality and on time from the factory to customer is a vital part of Nestlé’s business. To continuously enhance efficiency and environmental performance in distribution, Nestlé Canada has taken both strategic and tactical approaches. Optimization of distribution networks can reduce air emission, noise and road congestion and choosing better transportation modes, such as rail over road can have significantly positive benefits. Nestlé designed an intermodal distribution network for product movement to Western Canadian customers with 99% of shipments to the West now going by rail. Nestlé gives preference to motor carriers providing service to central and eastern Canada who utilize intermodal as part of their offering. Nestlé’s shipment scheduling is critical to the optimal trailer loading of trailers for fuel-efficient intermodal rail transportation. But use of rail is not always feasible for short and medium distance transportation movements, therefore it has been important for Nestlé to optimize truck efficiency. For line haul, the goal is cube utilization while route and vehicle efficiency is the goal for DSD. Nestlé Canada has implemented many productivity and waste reduction initiatives that have reduced CO₂ emissions including:

- Nestlé collaborates with other shippers to co-load and consolidate freight in TL shipments to maximize loading to low density markets in both Western Canada and Maritimes.
- In selecting carriers, Nestlé considers the ability of carriers to consolidate freight, as well as co-load with other shippers.
- In selecting carriers, Nestlé considers the potential cube utilization. For example, carriers which utilized logistics trailers, trailers with bars enabling multi level stacking of pallets, are better able to maximize its trailer cube utilization. Initially used on intermodal movements, Nestlé’s plans to introduce these trailers for shorter haul truck movements to maximize trailer efficiency in a “flow” world.
- Nestlé certifies and audits its carriers to ensure internal and external government compliance. Many of the audit criteria affect the carbon footprint of the carrier. Audit items include Hiring and Training Policies and Procedures, Driver Management Systems and Equipment Maintenance Management. Good driver training programs teach drivers how to increase fuel utilization efficiency and enable carriers to haul more freight with less fuel used. Compliance of carriers with regards to environment and safety regulations is also extremely important. Nestlé’s carriers are encouraged to send all documentation and policies with regards to both these areas in the contracting and invitation to tender processes.
- Nestlé uses routing and scheduling software programs to reduce vehicle miles in its ice cream DSD Network.
• In Nestlé Canada’s Ice Cream DSD Network, 9 trucks have been placed in service since 2010 that utilize cold plate technology as a means of refrigeration. The cold-plate trucks act as a portable freezer eliminating the need for fuel consuming reefers. These trucks are charged overnight with electricity and then run at low temperatures, suitable for ice cream, for about 10 hours. This initiative reduced fuel consumption 38,625L and reduced CO₂ emissions by 102,743KG.

• Nestlé has also implemented safer and more efficient better refrigerant solutions to ensure its product quality while still protecting the environment.

Nestlé’s logistics initiatives are also in the distribution center. Nestlé replaced the lighting system in its largest Distribution Centre in Canada and reduced the consumption of energy at that site by 24%, realizing a payback on the initial capital outlay of less than 2 years.

SmartWay Focus

Tracking the environmental impact of Nestlé’s transport and distribution activities is a key to managing transport carbon impacts. Corporate wide, tracking and reporting is being refined, expanding it to cover transport from distribution centre-to-customer, as well as factory-to-distribution centre. In 2011, reporting covered 40% of the overall volume transported, which was expanded to cover 50% in 2012.

Nestlé became both a SmartWay fleet and a SmartWay shipper partner in 2013. Using SmartWay’s data and software tools, Nestlé Canada can now measure CO₂ emissions more precisely for its DSD fleet and for its for-hire transportation carriers, and use this information to support fuel saving and CO₂ reduction strategies. Timely data will also be available for the corporate wide carbon inventory.

SmartWay is recognized in Nestlé Canada’s invitation to tender (or RFP) process when Nestlé is tendering transportation business. Although Nestlé doesn’t mandate that carriers participate in sustainability programs or SmartWay, Nestlé does encourage carriers to submit information regarding carrier practices that lead to more sustainable outcomes. As emphasis is placed on reducing Nestlé’s carbon footprint, carrier selection scorecards and criteria will need accurate and certified CO₂ performance. Participation as a SmartWay shipper partner provides the data and automated tools for measuring the carbon footprint of existing and prospective carrier suppliers. Today, Nestlé tracks overall CO₂ emissions but it does not have carrier specific green metrics. Nestlé is in the process of working with the SmartWay Program and Natural Resources Canada to understand and establish green metrics for its carriers.

Nestlé is in the development stage of becoming stricter with regards to CO₂ and carrier sourcing and selection. With SmartWay it has the tools to implement an effective carrier selection and management program that recognizes the carbon emissions performance of its carrier suppliers and moving down the path towards including CO₂ sustainability in the sourcing of carriers.

Moving Forward

Nestlé is aiming for fully sustainable logistics in terms of: economically sustainable, environmentally sustainable, and socially sustainable, by establishing a sustainability programme with actionable and credible in-house measures, active participation in regulatory bodies, co-operation with law-makers and benchmarking activities. To make logistics
sustainable, a focused approach, consistent application across the supply chain and coherent improvement measurements are the basis to achieve this aim.

In 2013, Nestlé S.A. announced the worldwide commitment to reducing direct GHG emissions per tonne of product by more than a third again by 2015, compared to 2005 levels. Nestlé Canada will play its part by continuing its current fuel savings and emission reduction initiatives enhanced by the tools provided by SmartWay to improve both fleet operations make better carrier sourcing decisions and assist or collaborate with transportation suppliers to reduce emissions. Nestlé plans to expand its green initiatives into inbound logistics. Nestlé will support its contractors to utilize cleaner technologies like cold plate as trucks come off their leases. Nestlé has expanded the expected payback window for environmental capital projects to 3 years allowing access to capital for green initiatives that wasn’t available in the past. Participation in SmartWay will play an important role by enabling Nestlé to measure and therefore manage and control these CO₂ reduction programs.

Nestlé Canada is playing a pioneering role in Canada to bring the SmartWay Program to life with Natural Resources Canada. The program brings carriers who adopt practices to reduce their carbon footprint together with shippers who believe in the relentless pursuit of a greener world. The philosophy at Nestlé Canada is that today’s supply chain practitioner must manage the flow of goods, services, finance, and information; in such a fashion that sustainability is woven through the fabric of their organization’s supply chain.

For more information on the SmartWay program and energy-saving opportunities, contact us at:

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This document, prepared through a case analysis provides insight on how shippers can be more sustainable and how participation in the SmartWay® Partner Program can support that goal.

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