Chapter 14
The Role of Logistics Service Providers in the Development of Sustainability-Related Innovation

Maria Huge-Brodin
Linköping University, Sweden

ABSTRACT

Logistics service providers (LSPs) are important actors in the supply chain, and due to the transport intensive activities they manage, they can make a large contribution to the development of sustainable supply chains. They are often considered as reactive and quite passive in their role vis-à-vis their customers though many possess the critical logistics capabilities required to make distribution operations less damaging to the environment. Developing green logistics service offerings can be one way of greening the whole supply chain, though today there appears to be little demand for these services. In the longer term, however LSPs are likely to benefit from being an environmentally innovative and to apply their environmental knowledge more effectively inside their organisations. This will strengthen their competitive position in a future logistics market in which environmental capabilities become major selection criteria. Many of the innovative systems and practices may not be motivated primarily by a desire to preserve the environment but will, nevertheless, contribute to sustainable development. To make a major commitment to greening client’s supply chain, an LSP will often require a longer-term contract that supports investment in more environmentally friendly technology and business processes.

DOI: 10.4018/978-1-60960-585-8.ch014
INTRODUCTION

Coordination between supply chain partners is often stressed as a pre-requisite for effective and efficient supply chain management. It is also argued that to achieve environmental and social sustainability in their logistics operations, companies must adopt a supply chain perspective to avoid sub-optimisation, and to avoid moving the problems around instead of reducing them (see e.g. Wu and Dunn, 1995). It is also common for supply chain initiatives to involve manufacturers, suppliers and retailers but exclude intermediaries like transport providers (Spens and Bask, 2002). This overlooks the fact that, Logistics Service Providers (LSPs) are crucial players in a co-ordinated and competitive supply chain.

Enhancing the sustainability of a supply chain should not only improve its performance in environmental and social terms, but also yield economic benefits. In this chapter, the focus is on the LSPs efforts to achieve sustainability across the so-called ‘triple bottom line’. For LSPs, which normally participate in numerous supply chains simultaneously, a major challenge is to balance environmental, social and economic objectives across a range of clients. Many clients have traditionally regarded LSPs as being quite conservative, unresponsive and non-innovative companies. This characterisation of LSPs is often unfair and can be attributed to their client not giving them sufficient freedom and / or resources to innovate. Mounting pressures to make transport more sustainable are giving a new opportunity to demonstrate that they can be proactive and creative. In many business settings, after all, they are likely to be the player with most logistics-related knowledge resources, and hence to take lead in the development of sustainability initiatives. Many LSPs are keen to exploit this position and are now taking steps towards becoming more environmental sustainable and gaining the business opportunities available to early starters in a developing market. Many LSPs will, however, find it challenging to switch from a passive, responsive role to a more pro-active and innovative one. The aim of this chapter is to review different options available to LSPs wishing to develop and market a capability in environmentally sustainable logistics and to discuss the potential for them to take a leading role in the greening of supply chains.

LSPS AND SUSTAINABILITY-RELATED INNOVATION

It is now vital for LSPs to include environmental considerations in their overall business offering, and more specific business models targeted on particular market segments (Maack and Hug-Brodin, 2009). How are LSPs responding to the market demands for sustainable services today? An investigation among Swedish LSPs shows, in line with the findings of Wolf and Seuring (2010), that the LSPs are actually offering more environmental services than the market – the customers – demand (Martinsen and Björklund, 2010). As logistics is really their core business, LSPs’ sustainability innovations are closely related to the logistics innovations. Flint et al. (2005) distinguish two types of logistical innovations: technological innovations and process innovations, and relate them to what can be included in a sustainable service offering from an LSP (Martinsen and Hug-Brodin, 2010).

Green service offerings from LSPs were described on the basis of literature reviews, a homepage scan, and a survey study among Swedish LSPs and logistics customers. They included choices relating to technology, emission- and energy reports as well as more complex issues like transport planning and environment-related network (Martinsen and Hug-Brodin, 2010). The investigation showed that the LSPs offerings exceed both the actual demand and the expectations from their customers, specifically in the areas of energy reports, mode choice, transport planning and network design (Martinsen and Björklund,