

## Wal-Mart Scrutinizes Supply-Chain Sustainability

by Ben Block on July 20, 2009



Photo courtesy oswaldo/Flickr

A shopping cart moves down a Wal-Mart aisle in Hermosillo, Mexico. The chain store is the world's largest retailer by revenue.

Wal-Mart's announcement last week that it will require its suppliers to evaluate and disclose the full environmental costs of their products was greeted with fanfare in [the media](#) and among [green business champions](#).

The excitement is grounded in the notion that when the world's largest retailer asks more than 100,000 businesses around the world [to assess \[PDF\]](#) their environmental and social sustainability, the responses may lead companies to reduce waste, cut emissions, and improve profitability.

Wal-Mart critics have applauded the company for its ambitions, while casting doubt on whether the wider goal - a "sustainability label" similar to the nutritional information required on U.S. food packaging - can capture the full costs of producing a product or substantially shift consumer behavior.

Wal-Mart plans to combine data on water use, greenhouse gas emissions, solid waste production, and worker ethics into a database shared worldwide, which the company said could be used to form the first index of a product's lifecycle impact.

"Our goal is not to create our own index, but to spur the development of a common database that can be used globally, a standard for all of us in the future to rely on," said Mike Duke, president and chief executive officer of [Wal-Mart Stores, Inc.](#), at [a meeting of employees, suppliers, academics, and environmentalists](#) on Thursday at the company's corporate headquarters in Bentonville, Arkansas. "Customers want and will expect retailers to have greater transparency in the future. This is going to accelerate. We might as well get used to it."

Wal-Mart envisions that lifecycle assessments (LCAs) will provide the data for the product labels. In addition to reading printed data on an item's pesticide use or distance traveled, customers may be able to use personal digital assistants (PDAs) to electronically scan a product, such as a cotton T-shirt, and learn about its history.

"A consumer will be able to see the cotton farm, maybe even the farmer who raised the cotton," said John Fleming, the company's chief merchandising officer. "The consumer of the future will be able to see, whether from the sea or the ground, where that product came from."

The proposed labeling system has received immediate praise among some environmentalists who hope that more-informed consumers may purchase less-damaging products.

"Consumers will be choosing from good, better, and best. That's when sustainability becomes just as much a part of the product line as safety is now," said Michelle Harvey, an [Environmental Defense Fund](#) consultant who is advising Wal-Mart on the index.

Others remain skeptical whether Wal-Mart customers, who shop at the chain's nearly 8,000 stores in 15 countries for its bare minimum costs, would choose to buy products with higher sustainability ratings, especially if these products would require higher production costs and would potentially cost more to purchase.

"Half of the [community members] around me are at or near the poverty level. All the labeling in the world won't make a whole lot of difference even for the good working people in my community who care about environmental issues," said Michael Maniates, an environmental science professor at [Allegheny College](#) in Meadville, Pennsylvania. "They're more likely to buy on the cheap and give money to their church."

Wal-Mart insists that once suppliers evaluate the environmental costs of their products, they will be able to improve production efficiencies and provide the items at a lower cost.

"As you look through the details, there is so much hidden cost, so much inefficiency," Duke said. "A lot of this can help us be more productive, to lower costs, to give the customer better quality, and to live in a more sustainable world."

During Thursday's conference, Wal-Mart's U.K. subsidiary [Asda](#) highlighted the example of [Noble Foods](#), an egg supplier that shifted from an indoor facility to a naturally ventilated, solar-powered chicken house. The 16,000-bird building saved the company \$100,000 annually.

"Using lifecycle analysis has challenged us to determine how we bring low-carbon products to our buyers," said Paul Kelly, Asda's corporate affairs director.

The science of conducting complete lifecycle assessments, especially for food products, is still young, however. Researchers continue to struggle with how to evaluate a product's various environmental and social costs from farm to fork. For a poultry farm such as Noble Foods, LCA's have traditionally excluded the costs of feeding the chicken (including, for example, the emissions associated with producing the fertilizers to grow the feed) or the energy used for slaughtering, processing, refrigeration, and transportation. Instead, the analysis measures the direct energy usage or pollution associated with the product - for a poultry farm, this is mostly chicken feces.

Wal-Mart committed to [improving its environmental track record](#) in 2005 after environmental and social concerns began to erode its public image. Environmentalists cited the sprawling warehouse-sized stores as sources of [air and water pollution](#). Labor unions blasted the company for offering its employees [low wages](#) and [poor healthcare benefits](#). Meanwhile, Wal-Mart stores are stocked with thousands of low-cost products imported from developing countries with low-wage workers and often poor environmental regulations.

The company has responded by increasing the energy efficiency of its U.S. trucking fleet and many of its buildings in the United States, Canada, and China. Supply chains worldwide are reducing their packaging in response to the company's demands. Low-carbon products such as compact fluorescent light bulbs and organic merchandise such as cotton T-shirts are also being disseminated to consumers worldwide because they are available at Wal-Mart stores.

Wal-Mart already demands that some suppliers evaluate their environmental footprints and adhere to sustainability standards. For instance, Wal-Mart had been sourcing shrimp from farms in Thailand that were criticized widely for destroying mangrove forests and polluting waterways. The company responded by working with the [Global Aquaculture Alliance](#) to develop a new [sustainability standard](#), which all of Wal-Mart's foreign farmed-shrimp suppliers now must follow.

Some activists, such as [Greenpeace fisheries expert John Hocevar](#), have argued that Wal-Mart's involvement in the aquaculture standard provided the standard with credibility, but that the guideline is too weak and its enforcement inadequate.

Allegheny College's Maniates said that a sustainability label, while a laudable goal, may overwhelm consumers with information. It also would not bring about environmental improvements throughout a supply chain as effectively as avoiding unsustainable products all together, he said.

"I suppose that some folks would buy the top-notch, a-OK shrimp, but [Wal-Mart is] still putting on sale shrimp that pose incredible damage to local ecosystems," Maniates said. "To put the burden on consumer actions only runs the risk of stringing out this transition [to more sustainable production]."

If consumer demand can indeed motivate suppliers worldwide to lessen their impacts, Wal-Mart's vision of a sustainability label may prove to be transformational. At Thursday's event, Helio Mattar, president of the São Paulo-based [Akatu Institute for Conscious Consumption](#), said that according to surveys, 70 percent of consumers choose products that are more sustainable when they learn more about the item.

"From the point of view of the consumer, this is excellent news," Mattar said.

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