



WAL-MART TAKES THE LEAD ON SUSTAINABLE PACKAGING

Wal-Mart's packaging scorecard may have sent a shiver down the spines of some suppliers when it launched last year. However, Matt Kistler, Wal-Mart's VP for package and product innovations, has been amazed at the enthusiasm of the retailer's packaging partners.

Recent years have seen increasingly louder calls for business to become more involved in addressing environmental issues. In many industries there are companies that have made efforts to become greener simply because of the positive associations such moves will create for their brands. This is not to say the steps they have taken are not valuable, but they pale into insignificance compared to the impact of companies that take a serious and committed approach to sustainability.

The world of business has always needed pioneers to take the lead in meeting new challenges, be they technological, social or strategic. The development of environmentally friendly business strategies is just such an issue, the world's largest retailer, Wal-Mart, is forging ahead with an integrated approach to sustainability, which may drag other companies in its wake.

LEADING THE RETAIL SECTOR

Wal-Mart's approach to sustainability has many strands, but its current drive to improve the environmental credentials in packaging could serve as an important example to other retailers. 'As two of Wal-Mart's goals are to create zero waste and to sell products that sustain our resources and environment, a focus on sustainable packaging naturally plays a major role in achieving these goals,' says Matt Kistler, vice-president, package and product innovations for Sam's Club

and Wal-Mart Stores, Inc. 'As an industry leader, Wal-Mart wants to drive innovation in packaging.'

The retailer's efforts are about more than positioning the brand in the marketplace and taking the moral high ground. Wal-Mart is, in fact, targeting tangible business benefits and is keen to encourage other retailers to follow suit.

'We realise we're in a unique position to drive positive change in the area of sustainable packaging by working with our suppliers and manufacturers to make better decisions that are good for business, our customers and the environment,' observes Kistler. 'And that is why we're committed to

GIANT STEPS

- Wal-Mart is working with suppliers, government bodies, NGOs and academic groups to make sustainability a central part of the business.
- Its packaging scorecard allows suppliers to measure their performance on cost and sustainability.
- Wal-Mart's aim is to become a zero-waste, carbon-neutral company.

exploring innovative and environmentally-friendly packaging that is not only good for the environment, but for our business as well.

'We hope our efforts will help demonstrate to other companies that being a profitable and efficient business goes hand-in-hand with being a good steward to the environment.'

A HISTORY IN GREEN

Wal-Mart's current sustainability efforts are built on a decade of interest in environmental issues. During that time it has worked closely with external organisations to understand not only the broader principles of sustainability, but also the practical approach to implementing greener business strategies.

Over the years the company has worked with the likes of Environmental Defense, the National Resource Defense Council, Conservation International, Rocky Mountain Recycling, Brown University, Organic Exchange and Interface Raise with a view to making sustainability a core element of its business strategy.

Currently, Wal-Mart's CEO Lee Scott hosts quarterly Sustainable Value Network meetings, to which associates, suppliers, NGOs and academics are invited to discuss global warming and to learn what different groups within the company are doing to address it. The meetings also provide a forum in which to explore ways to protect the environment. In fact, Al Gore attended one of these events in July 2006, and screened his movie, *An Inconvenient Truth*, to rave reviews.

Now, the company has fixed its sights firmly on the packaging side of its business, creating the Sustainable Packaging Value Network, which comprises a group of buyers, suppliers, government bodies, NGOs and academics. Together they will study the effects of packaging and waste on Wal-Mart's supply chain, stores and customers. The primary goal of the Packaging Network is to make Wal-Mart packaging-neutral by 2025, which means packaging recovered or recycled will be equal to the amount of packaging used.

RECYCLED CONTENT

There are, of course, milestones on the way to this long-term target. By 2013, for example, Wal-Mart aims to achieve a 5% reduction of overall packaging in its supply chain. Additionally, it has set a goal that all transport packaging will be reused or recycled by 2011, through improved pallets and reusable plastic containers (RPCs).

Fundamental to its sustainable packaging programme is a commitment to using materials of the highest recycled content without compromising quality. This includes post-consumer recycled (PCR) material where appropriate. Components will be chosen based on recyclability post-use, with a goal of increasing the municipal recycling rate to 35% by 2011.

Furthermore, the introduction of a packaging scorecard as a yardstick for suppliers to assess their performance in regard to packaging will be a key tool in building a greener strategy.

BENCHMARKING SUSTAINABILITY

The scorecard was introduced in September 2006 and officially launched in February this year as a tool to help suppliers evaluate the performance of their packaging against nine

specific parameters. The goal is to provide an environment where sustainability becomes a clear, measurable factor in Wal-Mart's choice of suppliers.

Suppliers can now compete on two fronts – cost and sustainability – but the scorecard is not intended solely to increase competition. It also acts as the basis for greater collaboration among suppliers, which it is hoped will accelerate Wal-Mart's progress towards its defined targets for the use of sustainable packaging.



Wal-Mart expects sustainable packaging for its own brands, and its suppliers'.

'Our Packaging Scorecard will enable our suppliers to measure the sustainability of their products, receive a grade based on their results, and learn about ways to improve their packaging,' says Kistler. 'Companies can share best practices and learn from each other to achieve their waste reduction goals.'

In such a collaborative environment Wal-Mart can engage in a constant review of its efforts to enhance sustainability and continuously re-evaluate the effectiveness of its scorecard. It gets first-hand feedback from suppliers and manufacturers, which helps it determine how well they are receiving the messages about recycling and the volume of packaging in the supply chain, and how far down into their business practices these messages have filtered.

The scorecard's matrix of parameters has been carefully formulated, giving more weight to issues such as the volume of CO₂ generated in the production of an item of packaging or the ratio of product size to packaging, while also taking into account the amount of recycled material used and its recovery value.

SUPPLIER REACTION

So far, the scorecard has been well received. 'The results from the packaging scorecard's first month of operation show active use of the scorecard and strong interest



'WE'RE IN A UNIQUE POSITION TO DRIVE POSITIVE CHANGE BY WORKING WITH OUR SUPPLIERS AND MANUFACTURERS.'

MATT KISTLER, WAL-MART VP, PACKAGE & PRODUCT INNOVATIONS

from product suppliers in making their packaging more sustainable,' says Kistler. 'After the scorecard was made available to all suppliers on 1 February 2007, more than 2,270 suppliers logged on to the site and at least 117 products were entered into the system in the first month. Wal-Mart expects these numbers to dramatically increase in the coming year as suppliers gain a better understanding of the scorecard and their own capabilities.'

Comments from suppliers themselves reinforce the belief that the scorecard is an appropriate and popular tool. 'We have already used

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the scorecard to evaluate two types of packaging,’ explains Josh Hannay, business development manager from Ruiz Food Products, which supplies Wal-Mart with the El Monterey brand of frozen Mexican food products. ‘The scorecard was easy to use and gave us a single number that translates into how we’re doing and how we can do better. Our company is looking forward to reducing waste while saving money.’

The positive response from the supplier community is all the more impressive given that some resistance might have been predicted, if only because of suppliers’ concerns over the cost of improving the environmental credentials of their packaging.

‘Right now we are seeing a lot of support from our suppliers for moving toward more sustainable packaging,’ says Kistler. ‘In March when we looked at the first couple of months of use of the packaging scorecard, the feedback was encouraging.’

BUSINESS BENEFITS

The concerns over cost have, it seems, been replaced by the sense that there are tangible benefits to be derived from focusing more intently on packaging sustainability, perhaps even improved profitability. The packaging scorecard, for instance, helps suppliers see first-hand how sustainable business practices can boost their profits.

‘We realise we’re in a unique position to drive positive change in the area of sustainability by working with our suppliers,’ states Kistler. ‘It is important to us that our vendors and suppliers integrate sustainability into their business plans and products. We hope that the changes Wal-Mart and its suppliers have made throughout our supply chains will demonstrate to others that sustainability is good for business and the environment.’

It is Kistler’s firm belief that a shift to more sustainable packaging can be beneficial for his company, its suppliers and its customers. His hope is that the scorecard will enable Wal-Mart to make better buying decisions and show that the business is interested in more from its suppliers than merely low-cost products.

VIRTUAL TRADE SHOW

To show its willingness to work with suppliers in finding solutions to packaging issues, Wal-Mart has also provided a virtual trade show, which allows product suppliers to look for better packaging solutions by working directly with packaging providers. This gives them the opportunity to explore potential packaging improvements and sustainable business practices.

Looking beyond the supplier community, Kistler is also keen to stress that sustainability has direct relevance to his company’s customers: ‘We recognise that many customers desire products that are better for the environment and we are focused on meeting that demand by giving them the choices they want.’

For any who might still doubt the company’s commitment to sustainability, Wal-Mart can point to a number of successes already scored. It has partnered with Unilever to dramatically reduce the packaging on its ‘all’ detergent. In February 2006, Unilever introduced ‘all Small-and-Mighty’, which is three-times as concentrated and contains enough detergent for the same 32 loads as a 100oz bottle. Unilever found that it saved 500 million gallons of water, 26 million gallons of diesel fuel, 150 million lbs of plastic resin, 750 million square feet of cardboard and reduced out-of-stocks by 50%.

TRANSPORT AND LOGISTICS

In May 2006, Wal-Mart installed auxiliary power units (APUs)

– small, efficient diesel engines – on its entire tractor fleet. Drivers can turn off their truck engines and rely on the APUs to warm or cool the cabin and run communication systems while on break. The company believes that in a single year this change should eliminate approximately 100,000 metric tonnes of CO₂ emissions, reduce consumption of diesel fuel by 10 million gallons and yield financial savings of up to \$22.5 million.

Additionally, Wal-Mart has rolled out its nationwide plastic sandwich bale programme, which is designed to keep tonnes of plastic out of landfills and revolutionise plastic recycling. Large trash compactors at its stores collect shrink wrap, plastic bags, apparel bags and other loose plastic in a bale layered with cardboard, which is then pressed into a ‘sandwich’ with 9–18 inches of recyclable plastic in the middle. These bales are then recycled into other products, from dense plastic lumber to very thin shopping bags. ‘These sandwich bales have already helped us divert more than 44 million lbs of plastic from reaching landfills,’ remarks Kistler.

These successes promise much for the current efforts on packaging, and must surely encourage other retailers to follow Wal-Mart’s example. [pci](#)

Wal-Mart’s packaging scorecard

After lengthy consultation with the 300 members of the Packaging Sustainable Value Network, including suppliers, experts and internal and external stakeholders, Wal-Mart outlined the nine metrics for its packaging scorecard. Each parameter has a weighting that produces a final score for each item.

The metrics and their weightings

GHG/CO ₂ per ton of production	15%
Material value	15%
Product/package ratio	15%
Cube utilisation	15%
Transportation	10%
Recycled content	10%
Recovery value	10%
Renewable energy	5%
Innovation	5%

‘After careful consideration and discussion, we determined that these criteria are valuable tools for suppliers to determine how their packaging innovations, environmental standards, energy-efficiencies and use of materials match up against those of their peers,’ says Wal-Mart’s Matt Kistler.



TAKE A VIRTUAL TOUR

See Wal-Mart’s sustainability initiative online at www.walmartstores.com