



ANDREW WINSTON GREEN ADVANTAGE

How the Wal-Mart Eco-Ratings Will Save Money

10:26 AM Friday July 17, 2009

I wouldn't normally focus on the same company twice in a week, but [Wal-Mart just keeps making news in the world of sustainability](#) — and in the world of commerce for that matter. With a major PR push, the company announced its latest initiative targeting supplier sustainability performance. After a lot of huffing and puffing, the announcement itself was fairly simple (at least for now).

In short, Wal-Mart will be asking all suppliers 15 questions about their approaches on four key issues: energy and climate, material efficiency, natural resources, and people and community. A few sample questions:

- Have you measured your corporate greenhouse gas emissions?
- Please report total water use from the facilities that produce your product(s) for Wal-Mart.
- Do you know the location of 100% of the facilities that produce your product(s)?

For now, these questions are mainly for data collection, but they represent the first step toward (a) truly comparing suppliers on their sustainability performance and (b) creating a real sustainability index that consumers can use to compare products. [Most of the press coverage on this was making it sound like a product green label was around the corner.](#) But Wal-Mart, according to one top exec, is "maybe five years" away from that level of data and consumer communication.

Rather than analyze the announcement details any further, I want to put yesterday's announcement in context within the range of Wal-Mart's sustainability actions and within some larger trends. But first, let's be clear: this kind of sustainability data collection is good for business, and it's definitely good for Wal-Mart. And while it may seem like a total pain to suppliers, it will be good for them as well.

The logic is simple: knowing your business better makes it easier to find hidden value. In a call with media and others (like me), Wal-Mart's top sustainability exec, Matt Kistler, made the case that by finding the suppliers that are doing the best work on reducing environmental impacts, Wal-Mart will know where to spend its own time and energy. He used the example of a sour cream producer that is finding creative ways to reduce packaging and energy use. Maybe, Kistler said, we'll identify best practices in producing dairy products so we can focus our energy and resources on a wide range of similar products. The better suppliers will help Wal-Mart save money elsewhere in the chain (which, they assume, will be passed on to them and to customers).

This kind of data collection is also good for the suppliers. Companies with the best understanding of their own footprint will be able to find their own ways to save money, identify opportunities for innovation, pinpoint risks in their own supply chain before they cause brand and profit-draining events, and — not to put too fine a point on it — allow them to answer questions from big customers like Wal-Mart lest they get



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earlier career included advising companies on corporate strategy while at Boston Consulting Group and management positions in strategy and marketing at Time Warner and MTV. Today, Andrew advises the world's biggest companies — including Bank of America, Pepsi, HP, and Boeing — and acts as a practical evangelist for the benefits of going green.

dropped as a supplier. Getting smart pays off — for instance, when I was doing research for [Green Recovery](#), I found that Heineken, by publishing data on energy and water use at all 119 breweries, had lowered its footprint and saved money. Capturing the data — and making it transparent internally — incited a fierce interbrewery competition to increase efficiency.

This initiative is just the latest step in a constantly evolving supplier sustainability strategy at Wal-Mart. A couple of years ago, the retail giant asked a handful of suppliers to calculate carbon footprints for their products (which is actually a much more detailed process than answering the 15 questions). The company also ["invited" all major suppliers in China](#) and [Brazil to sustainability summits](#) to establish new, tough environmental and social standards. Yesterday's announcement represents a natural evolution of the supplier pressure story. But it also plants the seeds of something new — [conveying environmental data to consumers](#).

And this is the larger trend that's coming. The combination of technology and rising consumer demands is creating [a powerful movement toward much greater transparency](#) about how a product is made, where it comes from, how much energy is used, and so on. Consumers are already starting to get a taste of this data — you can already download a number of iPhone apps and/or check websites like [GoodGuide.com](#) to find product sustainability scores. Consumers will certainly want more, and they'll want more coordination between all the groups starting to collect it. The world's biggest retailer kicking off this initiative is a good start at harmonizing all these sources.

Wal-Mart is continuing and expanding a conversation started by a few leaders, such as Patagonia with its online ["footprint chronicles"](#) (Patagonia was an inspiration for Wal-Mart's work) and [Timberland's product label on shoes](#) three years ago. But as usual, once Wal-Mart is involved, everything gets much, much larger. Most companies will need to get ready to be compared by big business customers and end consumers alike. Those with the best data and best sustainability story will win.