

Wal-Mart Chief Pledges Higher Prices for Sustainable Suppliers

24/01/2008- The chief executive of the world's biggest retailer yesterday promised to favour suppliers providing high quality and ethically sourced products.

Wal-Mart will launch a major, retail-industry effort to improve social, ethical and environmental standards in the factories of its suppliers, CEO and president Lee Scott told a meeting of store managers.

"The drive will see the retailer favour - and in some cases even pay more - for suppliers that meet our standards and share our commitment to quality and sustainability".

"Paying more in the short term for quality will mean paying less in the long term as a company. Higher quality products will mean better value, fewer problems, fewer returns and greater trust with our customers," Scott told the audience.

But the firm will also raise the bar for suppliers on sustainable sourcing, putting pressure on them to provide evidence that they are meeting ethical and quality criteria.

Wal-Mart says it is already demanding that some of its suppliers demonstrate that their factories meet specific environmental, social and quality standards and this will increase in coming years. It will also make certification and compliance part of its supplier agreements and ask suppliers to report on their activities regularly.

"Any supplier that fails to keep its word will be required to take prompt and serious action. If a supplier fails to improve and fix the problem, we will stop working with that supplier," said Scott.

The speech comes after a series of recalls linked to products made in China have made consumers increasingly aware of risks associated with a global supply chain. Scott said he would also put pressure on Chinese suppliers to comply with environmental regulations.

He also called on all major global retailers to join Wal-Mart and CIES, the global retail and consumer goods network, in its effort to improve sustainable sourcing and pledged to meet with CEOs of its competitors to make socially and environmentally responsible sourcing a reality across the entire retail industry.

The speech also included commitments to a reduction in energy use of 25 percent on products sold in the store. Wal-Mart plans to increase its sourcing of products that are more energy efficient but also more affordable. Coming months will see the US retailer asking suppliers to reduce prices on energy-saving items, with the goal of doubling the sale of products that help make homes more energy efficient, according to the chief executive.

It will also take the lead on informing customers about the energy required to make and use more energy-intensive products.

"Our customers want products that make them feel good about their purchases," said Scott. "They want to walk into our stores and be confident that the products on our shelves are safe and durable. They also want products that are made in a way that is consistent with their own personal values."

Source: Food Production Daily, January 24, 2008