

Wal-Mart Goes ECO

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Wal-Mart's commitment to global sustainability has put sustainable textiles squarely on the retailer's agenda.

Do you know where you were when Wal-Mart became the largest consumer of organic cotton?

No? Maybe you were distracted by Wal-Mart's first-ever runway show, or its glamorous ads in Vogue magazine. But at some point last year, Wal-Mart made its presence felt in a market that has historically been populated by smaller, niche players, with deep roots in environmental sustainability and treating the Earth right.

But Wal-Mart has been paying attention. In 2005, it launched a global environmental sustainability program focused on three "top-line" goals: to be supplied with 100 percent renewable energy, to create zero waste and to sell products that sustain the world's resources and environment.

The sustainability initiative

The irony of this mission is not lost on CEO and president Lee Scott, who realizes that Wal-Mart is "known more for driving bargains than driving hybrids" but says that corporations can be more efficient and more environmentally friendly at the same time.

Early results seem to bear this out. Just a few examples: Wal-Mart reports that it will save nearly \$26 million, will conserve 10 million gallons of diesel fuel and will prevent 100,000 tons of carbon dioxide from entering the atmosphere as a result of its "no idle" policy for its trucks and the new high-efficiency generators with which they were retrofitted. Also, as part of its sandwich bale program, 150 truckloads of shrink-wrap plastic were collected and recycled in the first quarter of 2006 alone. This kept the plastic out of landfills and generated \$1.1 million in recycling revenue.⁴

And that's just a drop in the bucket. Because of its tremendous size as the world's largest retailer, even one small change can make an incredible difference, says Scott. By reducing the size of the cardboard packaging on just one line of its private-brand toys in 2005, for example, Wal-Mart reports that it saved more than 5,000 trees and 1,300 barrels of oil that would have gone into making the packaging, and it reduced the amount of fuel needed to transport those products to its stores.

Wal-Mart has built environmental "laboratory" stores in Texas and Colorado, using recycled asphalt, recycled oil for heating, wind and solar power. It is purchasing its wild-caught fresh and frozen fish for the U.S. market from Marine Stewardship Council-certified sources.

And, last year, Wal-Mart purchased 7 million kilos of organic cotton from Turkey and India, and additional supplies from China, Texas and elsewhere, which, Scott says, will keep millions of kilos of chemicals out of the environment, and make organic products more affordable for consumers worldwide.

How it all developed

What was the impetus behind Wal-Mart's foray into organic apparel? Certainly, it was a "natural tie-in" to the firm's overarching sustainability initiative, says Kim Brander, brand manager, sustainable textiles. But Wal-Mart was also watching Sam's Club closely; its sister company had been very successful in selling organic apparel such as yoga wear.

Pursuing organic apparel jived perfectly with the company's key mission statement: "Making desirable products more affordable to broaden our customer base while improving the quality of life for our customers."

"I know that's a mouthful, but it really does perfectly align with what we're trying to do," says Brander.

To support its overall sustainability program, Wal-Mart formed a matrix of 14 networks, including four in climate and energy, two in waste and the balance in product, including textiles (of which Brander is a part),

electronics, food and agriculture, forest and paper, chemicals, jewelry and seafood. The networks work together internally, and also with external advisory groups that include NGOs, members of academia, key suppliers and others.

Before Wal-Mart began its sustainable apparel program, it worked closely with advisory members and foundations such as the Organic Trade Association (OTA) and the Organic Exchange (OE) to learn about the organic industry, find partners and experts in the field, and develop a business plan for sustainable textiles, including organic cotton as well as other alternative fibers.

Brander's expertise is in merchandising — he had 19 years of experience at J.C. Penney, and was corporate brand manager for George apparel at Wal-Mart when he took his current job in December 2005. As such, he is charged with working to interpret organic into a “strategic merchandising plan.” To help with the technical aspects of the product, he turns to the network teams.

“Let's say I'm working with somebody on a textile product, and I need some guidance on how to pack it, or put a hangtag on it, or what paper to use. I can go to that network and say: ‘Can you help me through it?’ The synergy that's created between these cross-networks is so exciting,” says Brander. “At any time if I have a question, I can pick up the phone and call somebody.”

Targeting the “selective” consumer

Brander says that Wal-Mart's efforts to capture the upscale market did not necessarily figure into its decision to move into the organic space, but that it has nonetheless helped the \$300 billion retailer reach out to what it calls its “selective” consumer, which is “a big target for Wal-Mart going forward,” he says.

Wal-Mart has been conducting a lot of research to determine who, exactly, is in its stores, and what they are buying. One of the customer types it has identified is the customer who buys only one category: Consumables. Wal-Mart wants to give that “selective” consumer more reasons to cross the aisle. Organic might do that, says Brander.

But will this type of product risk alienating Wal-Mart's core, price-conscious consumer? Absolutely not, he says. “This is really giving our loyal consumer a choice that they didn't have before. It's really enhancing our assortment [for everyone].”

Early results suggest that Wal-Mart consumers are responding well, although it's too early to talk sales or percentages, says Brander, who notes: “We are seeing a positive reaction, which is exciting and encouraging.”

The company is closely watching the reaction to its organic apparel, taking notes on which store profiles are selling it more successfully, and what types of products, messaging and colors are selling best.

Wal-Mart's organic and sustainable apparel includes branded product, such as a diffusion line of yoga wear designed by Danskin, and private label product, such as its George line of organic baby apparel. Some products have been rolled out to select markets, and some to all stores, depending on the product and category.

A line of organic cotton T-shirts and the George baby line, for example, were rolled out to all stores. Other products, including some recycled-yarn socks, some bamboo blends and some organic children's underwear, have been targeted to specific markets. “It really depends on the product and the categories. ... Certain categories go to certain markets. That's part of the learning and testing process,” he says.

In some cases, such as one involving organic cotton socks made from U.S.-grown organic cotton, the program was restricted because of limitations in the availability of the cotton.

Going forward, Wal-Mart sees strong opportunities for organic and sustainable baby wear, active wear, sleep wear, young men's wear, juniors and home textiles, all of which are currently participating within the sustainable textiles program.

In addition to organic cotton, Wal-Mart is also looking into other sustainable fabrics such as those made of recycled fibers, bamboo and polylactic acid (PLA), which has environmental advantages similar to those of corn-based fibers such as Ingeo.

“We’re looking at all of those different alternative fibers and trying to evaluate them, and where we would put them, and we think that really reflects on our total mission to have a positive impact on the Earth and its communities. We believe that can be accomplished in many different ways, [including] through sustainable textiles and manufacturing.”

Going deeper into the supply chain

Dealing with organic apparel has required the company to follow a completely different business model, says Brander.

Instead of going straight to the manufacturer, who would typically procure the fabric, Wal-Mart is building strong relationships with its key suppliers throughout the entire supply chain, with a goal of making it more transparent, says Brander. “Part of the reason for that is that we have to make sure that what we’re buying is truly certified cotton. So we’re looking back in that supply chain much more thoroughly and making sure that everything is the way it should be,” he says.

That includes being “much more careful and diligent with respect to tracking the bales of cotton and where they’re coming from,” says Brander.

Also, he says, “we realize that with a limited supply, you have to do business differently. We are looking at how we can partner to build a strategic business model so that we can help control the production — in the sense of partnering with [our organic cotton suppliers] to help them better understand what our demands might be in the future, [both in terms of quantity and other needs].

“Organic cotton will continue to be key, and all major players really need to work strategically together to position future crops to fill the need,” he concludes. n

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