Consumers and Sustainability at Walmart: A Student’s Perspective

It’s Saturday, July 28, 2012. John, a university student, walks into his local Walmart Super Center to do his weekly shopping. He normally shops at Walmart because he believes that it offers one-stop shopping, and the prices are lower than his neighborhood grocery and big box stores. As a student, John is on a tight budget. Recently, in a class on business and the environment, John read about business practices and sustainability. He has realized that leaving the environment in the same or better condition for the next generation is important to him. Although he has always tried to make healthy choices with respect to the products he purchases, he really wants to become an environmentally friendly (sustainable) consumer. However, he is not exactly sure what that entails.

John has a relatively short shopping list this week, and he has decided to try to answer some of his own questions while he is in the store. Specifically, he is shopping for seafood for dinner, bottled water to take to class with him, light bulbs for his reading lamp, a new t-shirt for his intramural soccer team jersey, and a piece of jewelry for his mom’s birthday present. Can he still purchase what he wants given his new emphasis on environmentally sustainable products? How can he tell if a product is really green? Will he be forced to sacrifice quality to purchase green products? Can he afford to purchase such products? And does Walmart even carry green options in the products that he wants to buy? These are questions running through John’s head as he enters Walmart on this particular Saturday. Like many stakeholders, John wondered whether Walmart, a company whose consumers really count on its low prices, could pursue sustainability effectively.
Walmart Background

Leading firms have a compelling idea that attracts customers and serves as their central organizing principle. Walmart’s compelling idea has long been “always low prices,” and its success over the years can largely be attributed to its unyielding pursuit of this simple idea. It led Walmart to emphasize supply chain efficiency as the means to deliver low prices to its customers; it induced a “productivity loop,” by which supply chain efficiency led to low prices, attracted hordes of customers, and allowed Walmart to open new stores. The new stores in turn allowed Walmart to enhance its efficiency by taking advantage of its size to lower prices even more, to attract more customers, and to open new stores. On the consumer-facing side, Walmart pursued an “Every Day Low Pricing” (EDLP) strategy, which quite simply offered consumers the same low price consistently, rather than the high/low price discounting approach that many rivals followed. The ceaseless pursuit of the productivity loop, anchored around the core brand idea of EDLP, led to remarkable growth for Walmart (see Exhibit 1). However, that growth was accompanied by increasing stakeholder concerns about Walmart’s potentially detrimental impact on labor, local businesses, and the community at large.

Lee Scott became Walmart’s CEO in January 2000. At that point in time, Walmart had gained tremendous power in the U.S. economy. By 2002, research firms A.C. Nielsen and Retail Forward predicted that one out of every three diapers, one out of four tubes of toothpaste, and one out of five CDs bought in the United States would be sold by Walmart. The footprint that made such impact possible also made the company an obvious object of criticism by various interest groups. Walmart was a regular target of the United Food and Commercial Workers Union, which accused Walmart of paying low wages that required workers to rely on government health programs. Specifically, though Walmart paid above the federally mandated minimum wage, critics complained that its low pay and lack of benefits led many Walmart employees to seek public assistance. In 2001, a lawsuit brought against Walmart alleged that it engaged in gender-based discrimination, paying women less than men. An internal company audit around the same time showed violations of child labor laws and several state regulations. By 2004, a Congressional committee had released a report examining the impact of Walmart, entitled “Every Day Low Wages: The Hidden Price We All Pay for Walmart.”
The media found sources for more and more negative stories about Walmart, and Credit Suisse analysts warned that the political pressure arising from Walmart’s negative reputation and labor practices would challenge its future growth. Walmart’s board of directors pushed the company to undertake its first reputation survey, which revealed that though employees expressed positive views of the company in general, 10% of all consumers hated it, and another 30% had serious questions for the firm about its treatment of employees. A McKinsey & Co. study estimated that between 2% and 8% of consumers avoided shopping at Walmart, in response to what they considered to be poor business practices; another study argued that Walmart’s image was depressing its stock price. Thus for the first time in its history, the firm decided to act proactively to address reputational issues. As Lee Scott vowed, “We can't let our critics define who we are and what we stand for.”

Walmart and Sustainability

Speaking in front of a packed auditorium in Bentonville, Arkansas, in 2005, Scott announced that Walmart would adopt a strategy of business sustainability, because “being a good steward of the environment and in our communities, and being an efficient and profitable business, are not mutually exclusive.” He set three sustainability goals: use 100% renewable energy, create zero waste, and sell products that were environmentally sustainable. The overall objective was to use an aggressive approach to sustainability that would allow the firm to gain efficiencies while also building goodwill among stakeholders who were unhappy with Walmart’s business practices.

To design its sustainability strategy, Walmart collaborated with environmental action groups such as Conservation International and Environmental Defense Fund, and it sought help from a nascent sustainability consultancy, named Blu Skye. To achieve its remarkable sustainability goals, Walmart required the cooperation of not just other firms involved in its supply chain but external stakeholders as well. Internally, Walmart created specific sustainability teams, known as sustainability value networks, each with a senior executive sponsor and a team captain, which also drew on the expertise of external consultants. The sustainability networks for products focused on textiles, electronics, food and agriculture, forest and paper, chemical-intensive products, jewelry, and seafood. In addition, there was a network specifically for China, considering the extent to which Walmart sourced its products from that country.
By 2009, the efforts of these networks had produced significant sustainability results that were also economically beneficial. According to its own assessment, Walmart made significant progress toward accomplishing its first two goals, namely, becoming more energy efficient and reducing waste. Although the overall greenhouse gas (GHG) emissions from Walmart had grown with the opening of more stores, the GHG emissions per dollar of sales had steadily decreased. In 2005, Walmart set the goal of reducing GHG emissions by 25% by 2012. By 2009, it already had reduced them by 5.2%, or more than one-quarter of the way toward that goal. In 2009, it also opened four high-efficiency (HE) stores that consumed 25% less energy than regular stores. Simultaneously, Walmart was making strong commitments to use renewable energy and had already improved its fleet efficiency. With regard to waste reduction efforts, Walmart stores worldwide continued to improve on the goal of reducing plastic bag waste by 33% (compared with a 2007 baseline level). Key campaigns aimed to reduce customer plastic bag waste, increase plastic bag recycling, and introduce more reusable bag options to stores. In 2009, these initiatives succeeded in reducing plastic bag waste by approximately 66.5 million pounds, or approximately 4.8 billion bags, a 16.1% drop compared with the baseline figures.\(^x\)

When Mike Duke became the CEO of Walmart in 2009, he promised to accelerate Walmart’s commitment to sustainability. Walmart defined sustainability as a natural outcome of focusing its resources on meeting customers’ needs and ensuring their continued support. To achieve its goal of selling sustainable products though, Walmart needed to know how the products were sourced and manufactured, packaged and shipped, and used and disposed. Walmart had already launched Sustainability 360, to underscore the notion that its own sustainability goals could not be achieved without the active collaboration of its more than 100,000 suppliers, 2 million associates, and millions of consumers.\(^xi\) Although achieving the sustainable products goal was the most important element, in terms of making an impact, it was also the most complex, precisely because it demanded the involvement of the entire supply chain.

To create momentum for the sustainable products goal, in 2009, Walmart launched an effort to create a Sustainable Product Index (Index) that could drive innovation in sustainable products, increase transparency about the sourcing and manufacturing operations in the supply chain, and
provide an easy-to-use guide to help retailers and consumers make decisions about what products to sell and buy. To ensure a scientific approach to the Index development, Walmart became a founding member of the Sustainability Consortium, an independent group of scientists and engineers from leading academic research institutions who interact with researchers from the nongovernmental organization (NGO) community, government agencies, and business. The consortium was tasked with developing and maintaining a global database of information about the life cycle of products, from raw material use to disposal. The data compiled and processed by the consortium then would be the backbone for developing the consumer-facing index. The index, using data compiled by the consortium, could serve as a rating system that consumers might use to compare the sustainability standards of competing products.

As it was leading the way in developing the index, Walmart also was working to improve the sustainability credentials of the products sold in its stores. According to the company, by 2009 approximately 25% of the products in the furniture category sold in Walmart and Sam’s Club stores carried third-party certification, vouching for the sustainable sourcing of the ingredients. In India, Bharti Retail, a Walmart franchise partner, sold electrical products that carried energy efficiency ratings determined by certification agencies in India. In Central America, about 29% of the detergents sold by Walmart stores were phosphate-free. Initiatives in China and India aimed to increase sales of locally grown produce. Walmart Brazil entered into agreements in several areas, including timber, soya, and livestock, to promote environmentally sustainable production and sourcing. Sam’s Club started selling fair trade bananas in the United States. Walmart also developed best practice guidelines for its suppliers in the apparel industry and played a key role in the Sustainable Apparel Coalition. Thus, progress was being made, but the creation of the Index was complex, and its potential acceptance by different stakeholders was uncertain. Retrospective reports indicated the slow progress toward developing the Index.\textsuperscript{xii} By mid-2012, Walmart was using the Index in 107 categories for procurement, but a consumer-facing label was still distant.\textsuperscript{xiii}

Even with all these initiatives and efforts, Walmart still had to evolve continually, with the goal of remaining the top retailer for the next generation of consumers. The idea was to keep the brand relevant by adapting to important trends; on September 12, 2007, Walmart introduced its
new slogan, “Save Money, Live Better,” thus replacing “Always Low Prices” after almost 20 years. Media reports indicated that the repositioning was meant to focus on “Gracie,” the name that Walmart executives gave their new target, a stylish female bargain shopper. Their traditional loyal customer “Karla” instead was a budget shopper who wants basics at low prices. Through sustainability initiatives and brand repositioning, Walmart was gearing up to face the growth challenges of the future. However, in that process, the brand that became famous for its low prices stopped offering the lowest prices in every case. Comparative research showed that for a 40-item shopping basket, Walmart’s and Target’s prices were close, and Target was lower about half of the time. By 2011, the price gap between Walmart and other supermarkets had declined five to ten percentage points compared with 2008. The change in prices, although not directly contributable to sustainability initiatives, reflected the efforts Walmart was making to improve its image and spur growth. Getting stakeholders to like the firm may not have been the driving concern of the sustainability program, but the long-term viability of such programs depends on how consumers respond to them. For example, how would the traditional Walmart consumer respond to sustainability and store redesigns—meant to give shape to the “live better” promise of the brand—if those changes were not consistent with the “save money” promise?

**Consumers and Sustainability**

Consumer research conducted by The Sustainability Consortium demonstrated that consumers worldwide have rising expectations of firms with regard to sustainability. A survey, conducted with more than 9,000 consumers from eight countries (Brazil, China, France, Germany, India, United Kingdom, and the United States), showed that they considered environmental consciousness the fourth most important priority for companies in 2010, behind only good value, trustworthiness, and caring about consumers. However, consumers did not believe that their high expectations were being met. Although sustainability-related priorities varied across countries, three issues consistently emerged as very important: toxins, recycling and packaging, and water management.

Consumer concerns for specific sustainability initiatives also varied with their personal relevance and connection. For example, recycling and packaging seemed more important in developed countries, whereas managing water resources was critical to developing nations. The more
abstract the concept, the less likely the issue was to attract consumer attention. A case in point was climate change: Despite scientific consensus about its meaning, consumers considered climate change an abstract concept and expressed less and less concern about it between November 2008 and June 2010. Another reason for a lack of awareness or concern stemmed from the lack of clarity in sustainability concepts; for example, consumers were particularly unclear about the notion of a carbon footprint, what created one, or how individual products could generate carbon footprints. Nor did consumers clearly understand fair trade products (excerpts from this report appear in Exhibits 2 and 3).

In making sustainability judgments, consumers differentiated between firms and their products. In some industries, consumers had fairly similar sustainability perceptions of companies and their products; in others, that was not the case. Among consumer products, especially in the food sector, consumers perceived companies and their products as nearly identical on sustainability issues. But in the retail and alcoholic beverage sectors, they perceived higher sustainability of the products than of the companies that made or sold them. Overall, consumers found it difficult to assess how well companies and products performed with regard to sustainability.

They also were uncertain when it came to sustainability claims. Sixty-four percent of the survey respondents in the United States could not name a “green” brand, yet 40% of the consumers who bought “greener” products considered them superior in quality, and only 5% thought that conventional products were of higher quality. Price still outweighed sustainability as an influence in consumer purchase decisions, but sustainability considerations were gaining importance in some product categories, such as food and beverages, for which promises of being “all natural” and “produced in an environmentally friendly” were more notable than the brand or a premium positioning.

The consumers in this survey largely designated themselves as having average knowledge about sustainability issues, but their interpretations of what it meant to be sustainable and green varied widely. For example, regarding consumers’ interpretations of “green products,”xvii their understanding appeared superficial and mostly connected to recycling and using compact fluorescent light bulbs (CFL). Deeper concepts, such as the relationship between their
consumption and sustainability, were not well understood. Nor did consumers have a clear idea of their own environmental footprint; they limited their comprehension of their impact to disposal issues. Consumer actions often benefited them economically, such as reducing in-home water and energy usage (see Exhibit 3).

In general, consumers indicated their growing expectation that firms would act responsibly, yet what that meant was not well understood. Most consumers were not in a position to spend more money to buy sustainably manufactured products, especially following the financial downturn that started in 2008. Regardless of what consumers believed about global sustainability, in the short- to medium-term, many of them were unlikely or unable to change their consumption behavior. Consistent with these consumer findings, academic research has indicated that the demographic characteristics often used to segment consumers fail to predict green consumer behavior effectively. Rather, environmental consciousness tends to be a stronger indicator of green product purchase, though preferences for environmentally friendly products vary with the type of product and their perceived effectiveness. For example, for conspicuous consumption occasions, consumers choose green products to demonstrate their own selflessness and altruism. Overall, both individual-level characteristics and context-specific factors influence preferences for, purchases of, and usage of sustainable products.

**Seeking Sustainable Products**

John, recalling what he had learned about the Walmart sustainability business strategy, began his shopping trip in the grocery section. As he looked at the seafood offering, he wondered which products were sustainable and which were not. Unable to immediately discern a difference, John asked a General Manager (GM), whom he saw talking to an Associate. The GM explained that Walmart requires all fisheries and aquaculture suppliers to be or to develop plans to become Marine Stewardship Council (MSC) certified, Best Agricultural Practices (BAP) certified, or certified according to equivalent standards. The Associate picked up a bag of Walmart Extra Large Shrimp (Exhibit 4) and showed John the logo for BAP certified products in the lower right corner of the package. He explained that all sustainably sourced seafood would be marked with either the MSC or BAP logo or would have an indication that it was farm raised, not wild caught.
Armed with this new knowledge, John began to look through the fish selection to see if the tilapia he normally bought was available in a sustainable option. He quickly discovered that he could not only purchase farm-raised tilapia but that it was the same product he had been buying. Delighted, he began to look at other fish options. The wild-caught sockeye salmon was MSC certified (Exhibit 5); however, products like the haddock and cod did not appear to be sustainably sourced. John finally picked up his usual individually packaged frozen tilapia and took a closer look at the packaging. Although he felt content that the fish had been farm raised, there was something else that concerned him. This fish originated from China, and John had read an article about unsanitary conditions at Chinese fish farms. Not really sure what to make of this information, John finally decided to buy the tilapia, wondering as he put it in his shopping cart if products could be partially sustainable yet still cause harm to people or the environment.

Still perplexed over what it meant for a product to be sustainable, John moved on to look for bottled water, though he also had been considering if he should switch entirely from bottled water to tap water. As soon as he stepped into the bottled water aisle, he saw packaging with lots of green color and recycling symbols. The large brands, like Coca-Cola’s Dasani, promoted the bottles themselves as being “100% recyclable plastic bottle.” This particular brand also communicated that “up to 30% [of the bottle is] made from plants” (Exhibit 6). John then checked Deer Park water, whose packaging portrays a leaf, a sun, and a drop of water, along with the copy “be green,” “be healthy,” and “be assured” (Exhibit 7). Deer Park further makes an appeal to consumers to change their behavior, urging them to recycle and drink more water, which is healthier than sugary drinks. Such considerations helped John recognize that he had not been thinking about his own role in the lifecycle of a product, nor about consumers’ responsibility in determining the overall impact of every product. John ultimately decided to purchase the Deer Park water, because he appreciated its educational messaging, despite his lingering doubts about whether drinking bottled water is good for the environment.

After his struggles to identify sustainable seafood and bottled water options, John was pleasantly surprised to find more guidance with respect to light bulbs. Most of them carry an Energy Star certification or RoHS (Restriction of Hazardous Substances) certification logo, and the estimated energy cost per year is listed on the front of each package (Exhibit 8). With this clear labeling,
for the first time in his shopping trip, John feels like he can really make an informed decision. However, he is having a hard time justifying the price. Light-emitting diode (LED) and CFL bulbs appear to use the least amount of energy and last longer than traditional incandescent bulbs, but they also cost more on a per unit basis. John considers his budget for the month, and though he knows he would be able to make it longer between light bulb purchases with a LED or CFL bulb, he cannot justify the additional upfront expense. Disappointed in himself, John selects a traditional incandescent bulb.

In the search for his final two items, a t-shirt and a piece of jewelry for his mom, John is skeptical as to how either could be sustainable. However, he finds out from the GM with whom he spoke earlier that Walmart is the largest purchaser of organic cotton products in the world. The GM tells him that, in addition to sourcing products made of organic cotton, Walmart has been working to increase the number of items made of materials such as recycled polyester; in collaboration with its suppliers, it also has begun to identify efficiencies and reduce water usage in the production process. Pleased with this information, John begins to look at the labels to identify the material used in each shirt—the only information he has at hand to guide his decision in terms of sustainability. However, none of the shirts on the shelves appear truly sustainable. Somewhat discouraged, John decides to purchase the cheapest white t-shirt he can find, thinking, “It would really be nice if there was some type of labeling that indicated the level of sustainability for each product.”

The next and final stop for John is the jewelry counter. He looks at the items and through the pamphlets on the counter but does not see any indication of certification or any other means to determine a piece’s sustainability. John then asks the Associate behind the counter for information related to the sourcing of the jewelry. The Associate is unable to provide any details. John reaches for his cell phone and decides to look online before making any decisions. He visits the Walmart Sustainability website and finds a page dedicated to jewelry. The page describes the efforts being made to trace all diamonds and metals to ensure products meet Walmart’s requirements for ethical and sustainable sourcing. Walmart is also a member of the Initiative for Responsible Mining Assurance, whose goal is to ensure that mines are “respectful of the human rights and aspirations of affected communities; provides safe healthy and respectful
workplaces; avoids or minimizes harm to the environment; and leaves positive legacies.”

Overall, it seems that there is significant work still to be done to determine the sustainability of jewelry, though John is impressed that Walmart is even involved in the process and has taken steps to ensure that all jewelry packaging is made from recycled materials. Feeling pretty good about Walmart as a corporate citizen, John chooses a necklace for his mom’s birthday. He makes a mental note to tell his mom to recycle the box that it comes in so that they can contribute to the sustainability of the product.

With a completed shopping list and a better understanding of what it means to be sustainable at Walmart, John proceeds to the checkout counter. As the Associate runs each item across the scanner, John realizes that even though he tried to purchase sustainable products, in actuality, he is not sure that he has accomplished this task. In a final attempt to be an environmentally friendly consumer, John asks the Associate if there are any alternatives to the plastic bags normally offered at checkout. The Associate explains that John can purchase a blue, Walmart-logoed, reusable bag made from non-woven polypropylene for $0.50. John had seen other shoppers with similar bags, toting all sorts of purchases in them. He decides to buy a bag for his newly purchased items, to celebrate his latest efforts to be sustainable.

**Conclusion**

As John walks out of the store, he feels proud of his efforts, as well as more educated about his consumption. Considering how impressed he has been with Walmart’s sustainability efforts, he begins to wonder if other consumers know or care about the efforts the retailer is undertaking. Would other shoppers be willing to change their shopping behaviors to purchase sustainable products? Before he starts his car, John pulls out his phone to call his mom, a shopper who has long avoided Walmart as a place that she believes treats workers poorly. Even as John recounts his experiences and findings regarding Walmart's extensive efforts to reduce its environmental impact, she remains skeptical, claiming that all these aspects sound superficial to her.

After hanging up, John considers just how difficult it is for a company to overcome consumer cynicism about its sustainability efforts. What could Walmart do to communicate and educate consumers about sustainable shopping? As a student of business and an aspiring manager, he has
come to believe that the success of firms like Walmart likely will depend on not just being sustainable but also communicating their efforts at being sustainable effectively. In the end, will a consumer who is pressed for time and money really care about saving the world? Communicating sustainability would be a challenging assignment; John starts to think that maybe he should seek out a job that would give him a chance to meet that interesting challenge.
Exhibits

Exhibit 1: Walmart Performance Since 2000

a. Stock Performance

![Stock Performance Chart]

Source: Hoovers

b. Revenues (in millions)

![Revenues Chart]

Source: Hoovers
### Exhibit 2: Consumer Reported Important Green Issues in 2010

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Source: The Sustainability Consortium. The table is based on a study by Landor Associates, Cohn & Wolfe, Penn Schoen Berland, and Esty Environmental Partners (2009). ImagePower Green Brands Survey. Respondents (n=9022) were asked: Which of the following do you feel is the most important green issue of problem today?
Exhibit 3: Consumers’ Self-Reported Understanding of Green Products

Source: The Sustainability Consortium. Based on a study by The Boston Consulting Group (2009). Capturing the Green Advantage of Consumer Companies. Participants were asked: What are green products?
Exhibit 4: Walmart Extra Large Shrimp\textsuperscript{xxix}

Exhibit 5: Packaged Seafood with MSC Certification
Exhibit 6: Dasani Bottled Water Packaging

Exhibit 7: Deer Park Bottled Water Packaging
Exhibit 8: Light Bulb Labeling
Endnotes


vii Zimmerman, op. cit.


ix Other firms had fairly similar sustainability goals. For instance, Procter & Gamble aims to power its plants with 100% renewable energy, use 100% renewable or recycled materials for all products and packaging, have zero consumer and manufacturing waste go to landfills, and design products that delight consumers while maximizing the conservation of resources.


xiv For the strategy behind the repositioning, see http://www.lippincott.com/work/walmart.


John’s shopping trip is illustrative only and reflects products found on a single shopping trip on May 18, 2012, at the Walmart Supercenter located at 2401 Augusta Road, West Columbia, SC, 29169. John is a fictional character, and no Walmart Associates participated in the shopping trip described herein.


Ibid, p. 28.