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# Walmart's Sustainability Journey: Peter Redmond and the Search for Sustainable Seafood

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## **Walmart's Sustainability Journey: Peter Redmond and the Search for Sustainable Seafood**

It was January 2006, and Peter Redmond, Walmart Vice President and Divisional Merchandise Manager of Deli and Seafood in Bentonville, Arkansas, pondered ways to develop a seafood business plan to support the company's goal of selling sustainable products. Redmond had recently led an initiative to encourage Walmart's foreign shrimp suppliers to adhere to Best Aquaculture Practices (BAP) standards. But this effort was a small part of a much bigger problem: Most of the world's seafood was being fished to extinction. Walmart, the world's largest seller of seafood, clearly was contributing to this situation. But what was its ultimate responsibility? What could be done to ensure that Walmart's current customers and future generations had a sustainable supply of seafood? As CEO Lee Scott had said just three months earlier, the world was watching.<sup>i</sup>

### **Seeking Sustainable Seafood at Walmart**

At a June 2004 meeting, the CEO of the nongovernmental organization (NGO) Conservational International Peter Seligmann had presented Lee Scott with salmon purchased at a local Walmart. The sample was "a pound of salmon ... 15 percent cheaper at Walmart than any other place, but the pink was a dye. And the farming practices to produce that salmon were just wiping out the coast of Chile because of the poor farming practices."<sup>ii</sup> Seligmann recalled that Scott responded with a recognition that his granddaughter was only two weeks old, and eliminating the chance that she could ever enjoy salmon was "not what he wanted to do." Scott later remarked in

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an interview that “as you become a grandparent—I have a granddaughter—you just also become more thoughtful about what will the world look like that she inherits.”<sup>iii</sup>

Redmond similarly recalled that early conversations about sustainability clearly reflected Scott’s concern for sustainable seafood:

I will always remember that first meeting that I had with him on sustainability, and his comment that the color of money is always going to be green. And he laid that out in two ways. First, it’s just the right thing to do; but second it was a very savvy move because, if we align ourselves now correctly, five or ten years down the road, this will pay off from the business point of view. Our corporate footprint was a big one; so wherever we left it, he wanted to make sure that we left it a better place.

So with that, he basically just laid out a very broad plan of what he wanted us to do and how the three goals [energy, waste and products] would be drawn up. And then within sustainable products, seafood emerged immediately for him as one of the major areas that he wanted to see improvement on quickly.

With the support and direction of his CEO, Redmond began working with Seligmann and his team at Conservation International to expand the conversation about sustainable seafood and determine a path forward.

In October 2005, following a year of intense listening and experimentation, Scott publicly announced a new sustainability vision for Walmart. Because of Walmart’s size and scope, Scott told listeners, the company was uniquely positioned to have a positive impact on the world. He proclaimed three sustainability goals: (1) to be supplied 100% by renewable energy, (2) to create zero waste, and (3) to sell products that sustain the world’s resources and environment. Scott also acknowledged, “These goals are both ambitious and aspirational, and I’m not sure how to achieve them ... at least not yet.”<sup>iv</sup> Not surprisingly, public reaction was mixed, but overall, the response was best summed up in the words of Lee Scott himself: “We will not be measured by our aspirations. We will be measured by our actions.”<sup>v</sup>

Andy Ruben, Vice President of Strategy and Sustainability, was the person charged with making sure that Scott’s vision became action and then results. Using some early successes in Walmart’s sustainability program as a foundation, Ruben came to realize the importance of employing a bottom-up approach in sustainability strategy development and implementation, involving

external stakeholders to garner valuable insights, and creating an atmosphere in which sustainability could be engrained in the corporate culture.<sup>vi</sup> But Redmond also recalled the difficulty of the task:

Andy had one of the hardest jobs of anyone because he had to take Lee's vision and translate that vision into a natural working prototype that you could use to convince the business units. In companies, usually the top says it, but the bottom does it. And it was Andy's job, especially in a role that had never been done before, to actually go out and make sure that happened.<sup>vii</sup>

The prototypes Ruben had in mind featured 14 Sustainable Value Networks that would be responsible for identifying opportunities and implementing changes to meet the environmental goals that Scott had set forth. (See Exhibit 1.) Each network included Walmart associates and suppliers, along with external stakeholders such as academics, governmental organizations, and NGOs, including both environmental and research groups. (See Exhibit 2.) Ruben's vision also involved making sustainability an integral part of Walmart's culture, so the networks were led by captains—senior-level managers from Sam's Club or Walmart. Instead of creating new positions to lead the sustainability initiatives, the network captains assumed their leadership role as an extension of their existing responsibilities. Through guidance in each network, Walmart aimed for measureable progress toward achieving its sustainability goals.

The network structure also reflected an emerging realization: The retail giant needed to reach outside of its vast organization and seek the expertise of supply chain partners and other stakeholder groups to reach its goals. Initially, the network looked to members, stakeholders, and subject-matter experts to understand key issues and identify opportunities to achieve measureable progress. Redmond recalled how Walmart's Seafood network coalesced, largely due to the retailer's power as a convener:

The Seafood network evolved: First we had Conservation International; then we had the Marine Stewardship Council; then we had the Global Aquaculture Alliance. Then we asked a couple of suppliers to get involved and we had someone from Walmart International. By the time we had officially decided on a network structure, we had about half of it in place. So we had NGOs, we had industry; we had just about everybody you could have involved in it.

Now, if you put people from NGOs in a room and then you add an industry person in the room, they're liable to just not talk to each other. But then if you add the backdrop of Walmart organizing the meeting, they tend to work together and not necessarily just because the NGO or the industry person thinks they'll get

business out of it. This is true for NGOs that normally don't like to work with business. I can remember the person from Greenpeace being totally excited and saying, "I always thought I'd be at Walmart's corporate office. I thought I'd be rappelling down the front of it with a banner." This shows the power of Walmart's approach: You create a bigger platform when you bring all of the stakeholders in to discuss what needs to be done.

Members of the network would meet and examine the entire value chain for environmental impacts, then identify potential changes in the business practices that might lead to the sustainability goals. It was in one of these meetings, coordinated by the sustainability consultancy Blu Skye, Redmond (as network captain) and the seafood team became closely acquainted with the unique challenges associated with sustainable seafood. Estimates indicated that 75% of the world's fish stock was depleted.<sup>viii</sup> Dire predictions indicated that every species of wild seafood would collapse within 50 years due to climate change and overfishing.<sup>ix</sup> Other reports revealed that the fishing industry itself was harmful to the environment, due to the large amount of fuel fishing boats used while searching for the dwindling stocks of fish.<sup>x</sup> Aquaculture, or fish farming, helped supplement the supply, but it had its own set of sustainability problems. As the world population continued to grow and 2.8 billion people ate fish as their primary source of protein,<sup>xi</sup> the situation seemed increasingly dire. This was startling news for Redmond, despite his knowledge that demand for seafood at Walmart had increased notably.

### **From Vision to Action**

The nascent and growing Seafood network led by Redmond first tackled the problem of shrimp, the top seafood in the United States,<sup>xii</sup> which accounted for 80 million pounds of Walmart's "footprint." Work in this area featured partnerships with the Global Aquaculture Alliance (GAA) and Aquaculture Certification Council, Inc. (ACC), designed to certify that international shrimp suppliers adhered to a set of standards for farm-raised products. Independent third parties served to verify that farming practices were consistent with common criteria, or Best Aquaculture Practices (BAP). The November 2005 announcement of Walmart's adherence to this scheme was generally well received in the environmental community, especially because it integrated a multistakeholder network that included several NGOs. Yet some critics, including the Mangrove Alliance Project, complained that the standards lacked credibility because they were developed by the industry itself<sup>xiii</sup> and might just make the situation worse:

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This certification program involving Wal-Mart and the Global Aquaculture Alliance Is Not Endorsed by MAP.... This whole plan needs closer scrutiny and involvement by the local communities and NGOs working in the regions where shrimp farming is taking place. Not only is this type of certification plan dreamed up by the very industry it aims to benefit, but also this plan will further confuse the consumer public making our global efforts to curb that destructive appetite more difficult.<sup>xiv</sup>

For Redmond, this anticipated criticism failed to reflect the true progress made. He believed that Walmart's demands had tightened the BAP standards, rather than making them less restrictive. According to the GAA, Walmart had asked Conservation International to examine the BAP program and recommend improvements before signing on, and the recommendations resulted in better defined protections for wetlands, more attention to fishmeal use, and greater transparency in the standards development process.<sup>xv</sup> But still, he realized that some interest groups would find no solution acceptable, other than not selling seafood at all:

So we knew that no matter how good these programs were, we would get a portion of people that would say, "Oh, yeah, well, they're either doing this for cover, or they're doing it and these are terrible schemes"... When you look at the Mangrove Restoration Project,... their goal is to protect the localized communities and things like that. So I think the real answer for them would be not to farm in those areas. And so you've got that classic clash of developing world or emerging world versus first world. We, from a Walmart point of view, had to get product, and from their point of view just having a certification program wasn't going to be good enough; there were 300 or 400 criteria above and beyond that, and one of them was to stop farming.

Although the BAP standard creation was driven by Walmart, other standards also existed for other types of seafood. Two Seafood network members, the World Wildlife Fund and Conservation International, were particularly interested in the Marine Stewardship Council's (MSC) certification for wild-caught fish. The MSC was an international NGO that emerged from a joint effort by Unilever and the World Wildlife Fund in 1997 to develop a market-based labeling scheme for fisheries. The MSC standards for labeling were consistent with the United Nations' Food and Agriculture Organization's *Code of Conduct for Responsible Fisheries*, developed through a multistakeholder process. Its governance bodies—the Board of Trustees, Technical Advisory Board, and Stakeholder Council—included representatives from industry, environmental groups, and scientific communities, across various geographical regions.<sup>xvi</sup> The MSC did not actually certify fisheries but instead provided the standards and framework that

third parties could use to provide certification. Finally, the MSC allowed its label to be placed on fish that came from the fisheries thus certified.

But third-party certification regimes had problems too, including determining the best way to audit certifiers. In MSC's case, deeper concerns entailed its very right to function as a governance mechanism. European governments argued that the MSC, a non-state entity, had no mandate or experience to govern common-pool resources, such as fish stocks. The certification program thus might represent a trade barrier. Operationally, the market-based system that required fisheries to pay for the cost of certification might encourage them to seek low cost/low quality certifiers. As more retailers required the MSC label, the MSC also would be pressured to supply the demanded amount of fish through its certification process, which would weaken the entire system. There were also problems with determining whether the MSC was having any actual impact on fisheries' sustainability. Complicating factors specific to fisheries, including the migratory patterns of many fish stocks, made the assessment even more difficult. Finally, the MSC standards seemed to favor industries in developed countries, where slack resources were available to absorb the costs of comprehensive certification assessments.<sup>xvii</sup>

### **Assessing the Opportunity**

Redmond, as the Seafood network captain, contemplated what to do. Certification had emerged as the most prominent initiative in the value network,<sup>xviii</sup> and any solution seemed likely to involve some third-party verification; otherwise, how could Walmart know about the long-term sustainability of the seafood it sourced? To Redmond, maintaining a consistent supply was the biggest challenge, especially considering the company's growing seafood business. At the same time, he needed to avoid increasing the cost of seafood for consumers. Recalling Scott's insistence on seafood as a priority, Redmond reflected:

That was somewhat alarming for me because at that time my role was all about procuring. I had three buyers, but we had a lot complexity in our business. So now we had the added emphasis of doing that in a sustainable manner.... The buyers were critical because their metrics were all driven around their numbers.

Although Walmart had considerable purchasing power, Redmond wondered what impact it could really make and to what extent it was Walmart's responsibility to shape the future of this global common good—that is, of the world's fish stock.

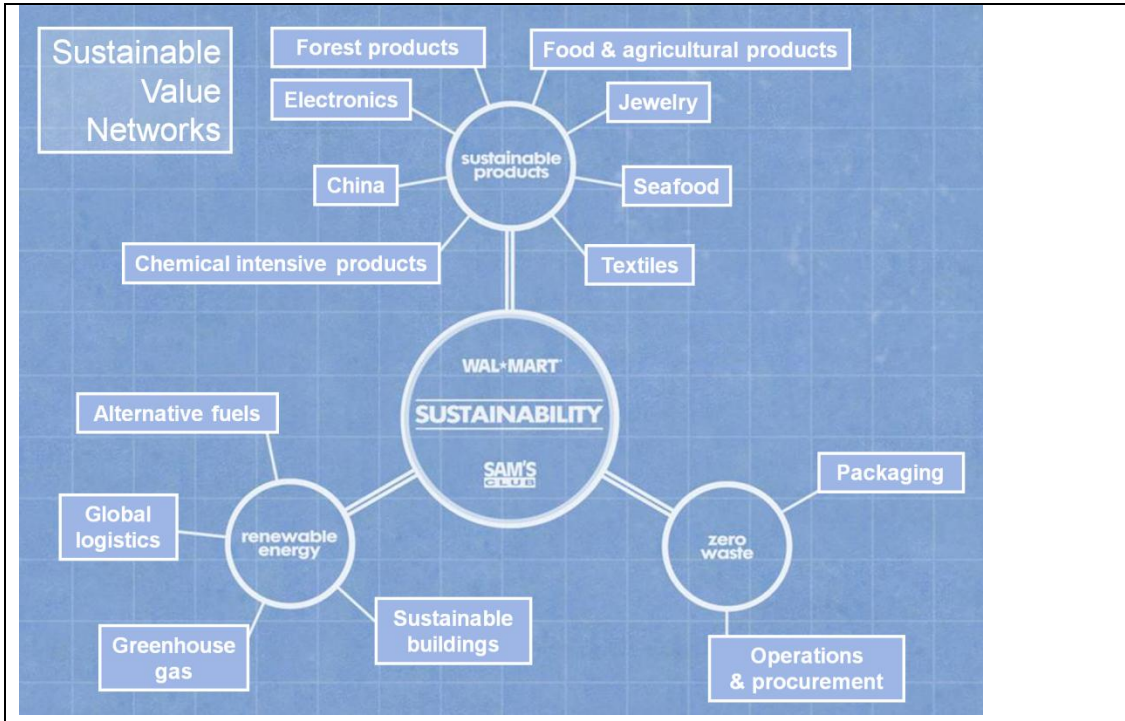
Complicating the matter, some countries were unwilling to curb demand for endangered fish species. Other nations, especially less developed countries, were unable or poorly equipped to regulate fisheries. Even with Walmart's unique size and market power, how could it make a difference where international pressure already had failed?

And then in the end, would consumers care? At present, consumers in developed countries were the only ones calling for eco-labels, and they were confused by the labels they saw in stores. Nor were they the only ones: "Difficulties are raised by the number of certification programs, although the programs themselves are good things. However, the number confuses retailers and confuses suppliers."<sup>xix</sup>

Redmond kept coming back to a foundational question: How much was enough? Third-party certification of sustainable practices certainly seemed like a reasonable response, but maybe Walmart should do even more. After all, certification would not solve the problem of sustainable supply. What was, and what should be, expected of a firm of Walmart's vast size? Moreover, what ultimately could it realistically deliver? But Redmond also knew that some action was necessary: "Current generations are the stewards of the oceans. Therefore, change is essential."<sup>xx</sup>



**Exhibit 1: Sustainable Value Networks**



Source: Walmart Slide excerpted from presentation shown to merchants April 2007, courtesy of Walmart

**Exhibit 2: SVN Membership**



Source: Walmart Slide excerpted from presentation shown to merchants April 2007, courtesy of Walmart

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**Endnotes**

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- <sup>i</sup> Gunther, M., “The Green Machine,” *Fortune*, July 31, 2006, pp. 34-42.
- <sup>ii</sup> Peter Seligmann, quoted in D. Rehm, “Environmental Outlook: Harmony with Nature. An Interview with Peter Seligmann and Tony Juniper,” WAMU, *The Diane Rehn Show*, November 2, 2010.
- <sup>iii</sup> Little, A.G., “An Interview with Wal-Mart CEO H. Lee Scott,” *Grist*, April 13, 2006.
- <sup>iv</sup> Scott, Lee. “Leadership in the 21st Century,” October 24, 2005. Bentonville, Arkansas. Available at <http://news.walmart.com/executive-viewpoints/twenty-first-century-leadership>.
- <sup>v</sup> Gunther, op. cit.
- <sup>vi</sup> Humes, Edward, *Force of Nature: The Unlikely Story of Wal-Mart’s Green Revolution*. New York: Harper-Collins Publishers, 2011.
- <sup>vii</sup> Unless otherwise noted, the perspectives of Peter Redmond are based on an interview, conducted on July 28, 2012, expressly for the purpose of this case study.
- <sup>viii</sup> FAO Fisheries and Aquaculture Department, “The State of World Fisheries and Aquaculture 2006.” Available at <http://www.fao.org/docrep/009/A0699e/A0699E00.htm#Contents> (accessed June 22, 2012).
- <sup>ix</sup> “Science Study Predicts Collapse of All Seafood Fisheries by 2050,” *Stanford Report*. November 2, 2006. Available at <http://news-service.stanford.edu/news/2006/november8/ocean-110806.html> (accessed June 22, 2012).
- <sup>x</sup> Dean, Cornelia, “Fishing Industry’s Fuel Efficiency Gets Worse as Ocean Stocks Get Thinner,” *The New York Times*, December 20, 2005.
- <sup>xi</sup> FAO Fisheries and Aquaculture Department, op. cit.
- <sup>xii</sup> Redmond, P., “Buying Power as an Instrument of Change,” *Globalisation and Fisheries: Proceedings of an OECD-FAO Workshop*, 2007. Paris: OECD.
- <sup>xiii</sup> In a November press release, Walmart reported that it had helped develop the standards. The GAA is an industry association.
- <sup>xiv</sup> Mangrove Action Project, “Wal-Mart and the Shrimp Aquaculture Industry's Global Aquaculture Alliance Plan to Certify Shrimp; Seriously Flawed Plans Questioned,” *The MAP News*, 165 Ed., December 5, 2005. Available at: <http://mangroveactionproject.org/news/the-map-news/mapnews165/>.
- <sup>xv</sup> Global Aquaculture Alliance, “Wal-Mart, Darden Specify BAP Certification for Shrimp Suppliers,” *Global Aquaculture Advocate*, December 3, 2005. Available at <http://pdf.gaalliance.org/pdf/GAA1-Dec05.pdf> (accessed August 9, 2012).
- <sup>xvi</sup> See <http://www.msc.org/>.
- <sup>xvii</sup> Gulbrandsen, L.H., “The Emergence and Effectiveness of the Marine Stewardship Council,” *Marine Policy*, 2009. **33**(4), pp. 654–660.
- <sup>xviii</sup> Redmond, P., “Buying Power as an Instrument of Change,” op. cit.
- <sup>xix</sup> Ibid.
- <sup>xx</sup> Ibid.