

## Wal-Mart Toughens Up Asian Supplier Requirements, Sets Path for "Zero Defects" Product Supply Chain

### Meeting with 1000 Suppliers in China; Reaction to Various Quality and Safety Issues over Last Few Years

SCDigest Editorial Staff

As concerns about Chinese product quality and safety continue, fueled most recently by the enormous "tainted milk" scandal, Wal-Mart is setting strict new policies for its Asian (and other suppliers), and continuing its sustainability push with those vendors as well.

The company recently announced a broad program to address these and related issues, with a goal of driving the need to return defective merchandise "virtually out of existence" by 2012.

"A company that cheats on overtime and on the age of its labor, that dumps its scraps and chemicals in our rivers, that does not pay its taxes or honor its contracts, will ultimately cheat on the quality of its products," CEO Lee Scott said in a press statement.

A key element of the new program is the requirement that suppliers of goods to Wal-Mart identify each factory where the products are made, allowing Wal-Mart to track and inspect those factories more easily.

"That a company as powerful as Wal-Mart doesn't really know where all of its globally sourced products are made is a testament to the challenges of maintaining control over a global supply chain," noted SCDigest editor Dan Gilmore.

Wal-Mart will also be negotiating new agreements with its suppliers, contracts that will require factories to certify compliance with laws and regulations where they operate. That is said to include direct responsibility for similar compliance for sub-contractors those direct suppliers may use.

The agreement will be phased in with suppliers in China in January 2009 and expand to other Wal-Mart

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suppliers around the world by 2011, the company said in a meeting in Beijing with over 1,000 of its top suppliers, Chinese officials and non-governmental organizations.

Wal-Mart is also asking the top 200 factories it buys from directly in China to improve their energy efficiency by 20% by 2012. Whether this goal can be met is unclear, but indicates Wal-Mart continues to push sustainability issues aggressively.

"Despite the high costs of energy, it hasn't really been a priority for most Chinese manufacturers yet," Gilmore said. "There are probably a number of steps these suppliers can take to reduce energy consumption that will have a high ROI off the bat, so this "push" from Wal-Mart may actually help their bottom lines."

Wal-Mart is also reported to be requiring RFID tagging from its direct China suppliers starting in January. See **Reported Wal-Mart Asian RFID Tagging Requirement Raises More Questions than Insight.**)