

Wal-mart seafood supply chain case study

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Coursework is accepted on the understanding that it is the student's own work and that it has not, in whole or part, been presented elsewhere for assessment. Where material has been used from other sources it has been properly acknowledged in accordance with the University's Regulations regarding Cheating and Plagiarism. How should Wal-Mart rationalize its seafood supply chain to reduce costs and promote sustainability? In depth analysis on the case 'Wal-Mart's sustainability strategy (C): Inventory management in the seafood supply chain'. And to analyze 'How should Walmart rationalize its seafood supply chain to reduce costs and promote sustainability?' 1. Introduction

According to (Anon, 2012) Wal-Mart Stores Inc. is an U. S based multinational retailer that runs chain of large discounted departmental stores ; warehouse store and was founded by Sam Walton in 1962 and it was labeled Walmart in 2000. It's headquarter is located in Bentonville, Arkansas. In the former year (2011) it generated revenue of US\$ 421. 849 billion. It has around 8500 stores in 15 countries, under 55 different names. It operates as Walmex in Mexico, Asda in United Kingdom, Seiyu in Japan, Sam's Club in North America, Walmart itself in U. S. A ; in India as Best Price.

Walmart is also the world's largest private employer with above 2 million employees ; also the biggest retailer in the whole world. Walmart had also to face severe competition from its rivals in numerous parts of the world. Sea-food is a key aspect of Walmart. As it is a largest sea-food retailer in whole world, the company is facing certain drawbacks ; challenges of cultivating sea-food sustainability at a low cost. There is an upward trend on the demand of sea-food which is 5 times more than during the last five decades.

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This resulted into fishing of three quarters of the world fisheries at sustainable limits or crossing the limits.

Walmart is also working with Marine Stewardship Council (MSC), World Wildlife Fund (WWF) and Conservation International (CI) for producing sustainable sea-food. All these organizations as a one are trying to motivate the sea-food suppliers to build again the stocks, promote plants that bind together fishery management practices and encourage reducing impact on the nature to support the ecosystem as well. The main aim ; objective of this report on Walmart sea-food supply chain is that how Walmart should rationalize its value chain to reduce cost and promote sustainability 2.

Challenges of Wal-Mart's supply chain

According to (Denend, 2010) Wal-Mart's income was around \$750 million annually in sea food during 2007. Though in 1900 the output of world fisheries decreased to three per cent, Wal-Mart's sea-food business was booming at approximately 25% every year as a result the continuous supply was alone the biggest challenge faced by the sea-food network. One of the challenges for the company to sustain strategy was to get its suppliers to take up the Marine Stewardship Council's certification program because then by end of 2011 the company would be able to sell 100 percent MSC certified wild caught sea-food.

Also, to achieve the goal of selling only MSC certified wild fish; Walmart will have to increase the number of fisheries ; supplying plants through its suppliers as a result it will become more complex, time consuming ; increase more efforts without increasing the profits. According to (Chilcote, 2012) there is a huge problem with the wild pacific salmon as the population is

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decreasing day-by-day from past 100 years ; trillions of dollars are being spent to stop the decrease.

Nonetheless, wild pacific salmon are fished near the shore or the ocean between May and September because they spawn in their river habitats during these months. The other challenge was that wild pacific salmon were depleting and protecting them was a great challenge as it was indirectly posing a threat to Walmart and its sea food supply chain. According to (Denend, 2010) major challenge was that commercial fishing of wild salmon was only permitted to the people who had permits that also for a limited period of time or season.

Also, the duration of this season fluctuated each year so that the wild pacific salmon of each type would be protected and they would return back to spawn in the river habitats. As a result, Walmart would not have sufficient amount of stock for wild pacific salmon and was posing a threat to its supply chain ; the duration of fishing was volatile because if salmon would come back in greater quantity then the fishing season would continue for an extended period of time; if they would go back then the season would shut down earlier, so the quantity and availability was not fixed in nature and this was also among the few ossible challenging reason for Walmart.

There are numerous other factors present which would increase the cost price of Wal-Mart's supply chain either directly or indirectly which are also the major challenges for Wal-Mart's sea-food supply chain. Like, The Fishin' Company was a major supplier of frozen fish fillets in U. S. A to Walmart and this company used to buy directly from the commercial fisherman where the market had a great fluctuation in prices i. e. pproximately 30% in between <https://assignbuster.com/wal-mart-seafood-supply-chain-case-study/>

the season, also the trading would suddenly stop without a prior notice due to early shut down of the season. This scenario would cause an impact on the average prices which was approximately one dollar per lbs. of chum or pink salmon both gutted ; headed. Then the Fishin' Company would export the fish to China for packing in containers that would cost around 15 cents per lbs. In next stage the containers are sent for packaging, forwarding, labeling ; re-freezing which adds upto more 15 U.

S cents per lbs. in that case also only half of the fish is usable for fillets and rest is abandon. The other stages involved frozen storage facility that was 1 cent per lbs. , then handling ; holding fee altogether cost \$0. 6 per lbs. per month and the last fee which incurred 15 U. S cents was for transportation. So in totality it would cost Walmart \$2. 05 per pound and plus other expenses for shipping the fish to its super centers.

As a result it was adding up to the cost price which was not only a challenge in Wal-Mart's supply chain but also it posed as a threat from its competitors. According to (Denend, 2010) there could be another way to process the fish and that was in Alaska but it also had certain drawbacks like the labor cost was pretty expensive as compared to China and also similar processor was used for various distinct types of fish coming from various nations that also on different time throughout the year. This would again increase the cost price which was indeed a big challenge.

The other challenges that sea food supplier face in context with sustainable sea-food commitments are that " customers are not willing to pay for the increased costs associated with a more sustainable product and the inability to calculate a return on the investment made in implementation can restrict

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resources and can challenge support for the policy internally” (Rogers, 2011). One more problem related to this quote is that due to scattered ; lengthy supply chain, verifying and controlling is a hard task because certain situations like power are not in favor as well as the relationship with the suppliers are delicate. This set-back was a direct challenge to the Wal-Mart’s supply chain. Also the price of MSC certified fish was 20% more than that of non-certified fish of the same category. However, it was next to impossible for Walmart to charge an extra amount of money because their consumers did not understand the value of MSC Eco label. (Plambeck ; Denend, 2011) According to (Owens, 2008) the main challenge or threat for the Walmarts sea food supply chain was over-fishing.

As we know that fish is a natural food resource, it is still being hunted on an international scale as a result there is scarcity of the stock. On the other the farmed fish are of inferior quality as compared to wild fish. The consequences of over fishing are drastic. From the expert source it is concluded that as of 2003, Twenty nine percent of open sea fisheries are depleting ; furthermore if the practises still continues then it is predicted that there will be a world wide collapse of marine fisheries by 2050.

Moreover the United Nations Food ; Agriculture Organization has stated that Fifty-two percent of the global stock of fish are being exploited to the maximum; where twenty four percent are over exploited, diminishing or recovering, twenty one percent are exploited on a medium scale whereas; only three percent of the total population are under exploited. This statistics will create a direct effect on Walmart and its share holders as well.

The above mentioned ideas, attributes ; statistics are major source for challenges to the Walmarts sea-food supply chain. These are causing a threat to Walmarts sea-food supply chain, its consumers, stakeholders, sea-food suppliers and also to the environment. 3. Recommendations For all the challenges ; the drawbacks mentioned in the case study, there are certain solutions in which Walmart can rationalize its sea-food supply chain to reduce cost ; promote sustainability.

According to (Walmart, 2008) they have started carrying MSC certified Chilean Sea Bass across three hundred stores worldwide in 2007 ; are also working together to make sure that all of its wild caught frozen fish are MSC certified which meets the independent environmental standards as a result it will promote sustainability. Walmart, apart from certifying products they are also working with Conservation International ; other such organizations to research in Marine Protected Areas that is helpful in preserving wildlife fish.

One of the recommendations to Walmarts sea-food supply chain to reduce cost can be that it can provide incentives ; bonuses to the fisherman and also to the fish boat operators based on the maximum amount of salmon they could catch as fast as possible during the peak time of the season and till the season ends. As a result it will boost the fish mongers for the incentives ; create competition amongst them and directly there will be enough supply of sea-food to the Walmart and can easily cut down the cost price when there is abundant stock of wild fish (Denend, 2010).

Managing the supply chain is a bit difficult task but while doing it there are certain aspects to be kept in mind which will help to defeat the risk of the sea food supply chain of Walmart in order to reduce cost and promote

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sustainability. Those aspects are analyzing ; realizing the main source of threat of the supply chain, concluding the serious outcomes of the process, considering the main aspects responsible and giving solutions to decrease the risk ; challenges of the value chain.

Walmart has undertaken MSC certification program to promote sustainability but on the contrary it is very time consuming as it takes one year to complete the process. Moreover, it is quite expensive and a tough job to acquire the certificate for its suppliers and plus it is very complex as there are lots of steps involved in obtaining it. So, the solution to this challenge is that rather than forcing its suppliers to under take the MSC certificate; Walmart can establish its own quality control check in order to reduce the cost and sustain the sea food value chain.

The main advantage of such quality control check will be that it will not be as expensive as compared to the MSC certificate program and plus it will be less time consuming which will have a direct impact on the cost of production ; the supply chain. As a result the consumers wont end paying a premium price on the product because consumers are more obsessed about the price factor rather than being concerned about the label ; brand of the Marine Stewardship Council (Denend, 2010). Also the challenge of Walmart related to its supply of near future term was that its business is based on transaction.

So, if one buyer price is higher than normal then the procurement of abundant fish supply was a tough task for the company even though the company has made an agreement. Also the supplier in the upcoming consignment starts provding fish of poor quality as compared to product <https://assignbuster.com/wal-mart-seafood-supply-chain-case-study/>

supplied initially. Hence it is recommended that the company needs to take the certification of MSC in order to deal with such kind of set-backs. On the other hand the company can try to cut down the cost of MSC certification.

Boat operators and fishermen pay the direct cost for the processing plants and also there might be indirect cost related to the certification. Suppose in case while repopulation take place and the most depleted fish stock fisheries supposed to reduce their catches, indirect cost gets associated. Few of the fisheries can identify differentiation opportunities thru competition. With the help of certification ; discipline, supply can be maintained for a longer period of time. Also the cost of production will tend to reduce creating a great value to the supply chain.

Another solution to promote sustainability is that Walmart can breed farm raised fish. As we know that species of wild sea-food are on the verge of extinction and plus it is forecasted that within fifty years it will collapse, so one of the possible recommendation is to farm raise the salmon. There are advantages of farm raised or rather organic fish i. e. organic fishes do not contain heavy metal pollutants, on the other hand wild fish are likely to be more contaminated. As a result it will create an impact on the consumers who are more health conscious nowadays (The Natural Path, 2012).

Environmental sustainability is also important for Walmart because doing the right thing pro-actively builds a relationship ; bond of trust with its share holders which indirectly effects the supply chain. Walmart should also introduce eco-labeling which has become a key tool in consumer awareness and can be exemplified by examples like fair trade, certified organic, etc. The aim of eco-label is to communicate with the customers regarding the <https://assignbuster.com/wal-mart-seafood-supply-chain-case-study/>

environmental as well as social effects on manufacturing a commodity ; to decrease the negative impacts.

As a result there will be a greater market share, price mark ups ; high margin of profits which is one of the recommendations to gain high profit and promote its sustainability (Owens, 2008). According to (Store Brand Decision, 2010) a major strategy for Walmart which will reduce the the cost of its supply chain is to combine all the purchasing stores across the nations as a result it will diminish the involvement of intermediaries and they can buy directly from the producers which will have an direct impact on the supply chain which in return will help to reduce cost. Although Walmart spend around One hundred billion U.

S Dollars on store brand apparel ; great value commodities like frozen sea food, not more than twenty percent is bought from the producers. The company which is known for its pugnacious supplier bargain ; has the power to leverage its scale for discounts operating in more than fifteen nations worldwide has obtain commodities nation by nation which is intend to shift. Within five years they are planning the move, to direct manufacturer purchasing that could take anywhere between five ; fifteen percent of cost from the value chain as result the company's savings would be anywhere around four billion to twelve billion U.

S Dollars with sales above four hundred billion U. S dollars worldwide. Walmart can rationalize their sea-food supply chain management by reducing the involvement of middlemen ; intermediaries, rendering network partner assistance to suppliers, formulating and discovering new ideas, technologies and also finding itsgoals; objectives. They can also merge direct

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providers of goods ; commodities, play a role of a corporate having socialresponsibility; certifying, labeling, etc environmentally sustainable goods. Also by licensing environmental creations and upgradation.

Walmart can also restructure ; redevelop the buyers role as well as commit to higher amount of environmental ; eco-friendly sustainable products. These are various aspects and criteria which Walmart can apply to rationalize its value chain. In the past Walmart mainly focused on the demands of consumers in terms of pricing decision ; assortment of product for a long period of time, but in the present and near future the company needs to re-structure to keep sustainability intact into its product assortment and pricing decision in order to grow and move ahead.

This will result into additional purchase and also attracting new consumers with the greening of brand new products, while it decrease the demand of the current ongoing commodities of conventional products. On the other hand it may also tend to increase the inventory cost and sourcing mainly because of product assortment at the initial stage. Walmart should also communicate with its consumers by conducting feedback or surveys, as the company always felt that they had hardships in communicating with its customers.

Their mode/channel ofcommunicationrequires to advertise cautiously the performance of green and eco-friendly goods so as a result it will have an impact on its current conventional commodities. They should also posses certain relative and reliable piece of information which will help them to defend and justify the advantages of the goods in terms of health, safety ; environmental friendly. Such kind of promotion of attributes is next to <https://assignbuster.com/wal-mart-seafood-supply-chain-case-study/>

impossible for a commodity, if the company itself is in doubt about the impacts on environment, its safety and effectiveness. . Conclusion So hence we can sum all the challenges and recommendations and can conclude that sustainability is not the problem which can be differentiated from the business of the Walmart neither it can be analyzed with an un-existing program or with a corporate socail responsibility practice of Walmart. It runs parallel to its mission, model ; culture. Similar is the case with the sae-food supply chain. On concluding this report it is outlined on how to reduce cost and promote sustainability. Certain giant leap has to be undertaken in regarding with this case.

This attributes can only be achievable if Walmart recognized its set-backs and assess the circumstances correctly. They can also introduce certain metrics models to inject into its business to achieve sustainability and reduce its cost both at the same time. Also their strategies and policy should be in the favor of the nature and environment so as to promote sustainability.

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