



Better Buying™ calls for standards to be set for minimally acceptable payment and terms practices

Due to the impacts of COVID-19, prevailing industry practices may no longer be fit for purpose



June 1, 2020 – A recent global survey conducted by Better Buying™ finds suppliers are facing detrimental payment and terms practices that create massive risks to their cash flow and business continuity. Workers in their factories, many of whom are women, have been negatively impacted with over half of suppliers reporting they have laid off up to 50% of their workforce. Suppliers also expressed interest in setting minimally acceptable payment and terms practices and outlined specific practices that should be prioritized by the industry.

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Payment on time and in full are the most impactful forms of payment and terms practices for suppliers' ability to achieve all aspects of sustainability – business, social, and environmental. Yet buyers' attempts to mitigate the impacts of COVID-19 have shifted the burden of the crisis more heavily onto suppliers. Findings from the survey included:

- 62% of suppliers indicated that at least some of their accounts receivable with specific customers is past due
- customers have required shipping dates to be pushed back for 69% of suppliers
- orders have been canceled for 64% of suppliers

Some suppliers also reported payment term extensions (most frequently beyond 60 days) and price reductions to existing purchase orders. One supplier shared its frustration over these actions: "Their actions have been despicable and unethical."

Poor practices also intersect in troubling ways. For example, suppliers reporting larger amounts of their accounts receivable past due also reported that shipping dates had been pushed back for longer periods of time. This leads to compounded financial pressures on affected suppliers. Furthermore, the reported impacts are only based on one customer's practices; suppliers are facing the cumulative impacts of all their customers' practices during this crisis – the findings from Better Buying's recent survey hint at the immense scale of the problem.

Such practices place workers in an extremely precarious position. Over half of the suppliers surveyed have had to lay off up to 50% of their workforce. These impacts fall disproportionately on women, as three-quarters of suppliers reported over half of their workforce is women. Most of these workers are located in China, Bangladesh, Vietnam, and India.

Regional differences demonstrate how critical it is to engage suppliers directly about the specific challenges they face. Suppliers in Bangladesh reported lost value of accounts receivable due to order cancellations more frequently than any other country or region, while East Asian suppliers more frequently reported required extensions to shipping dates. These differences must be considered during the recovery phase in order to develop effective solutions to the problems plaguing suppliers and their workers.

As our industry approaches an inflection point where crisis management transitions toward recovery, a unique opportunity presents itself: the change to shape a new standard for payment and terms practices. 69% of suppliers participating in the survey believe there should be minimally acceptable payment and terms standards for buyers. The highest priority practices for implementation were:

- requiring supplier approval for chargebacks or other payment reductions (48%)
- digital settlement (40%)



- payment at sight or upon providing shipping documentation (40%)
- late fees for unpaid invoices (39%)

“The belief that these practices should become industry standard reflect suppliers’ desire for more transparent payment and terms practices, reduced risk to receiving full and timely payments, and for more efficient payment processing” said Kelly Allen, Strategic Partnerships Manager for Better Buying™. These changes would mean improved access to capital at key points in the production process to pay workers’ wages and other expenses, protection against poor practices such as those that have been implemented due to COVID-19, and reduced risk to their ongoing business operations.

Dr. Marsha Dickson, Irma Ayers Professor at University of Delaware and President and Co-Founder of Better Buying™ urged that: “manufacturers associations need to take leadership in convening a standards-setting group to immediately begin working on determining acceptable practices” adding that “Better Buying™ is ready to support such an effort and will work to secure robust supplier input into the resulting discussions”.

Access the full report [here](#).

END OF PRESS RELEASE - NOTES TO EDITORS

About Better Buying™

Better Buying™ is a global initiative that provides retailers, brands, and suppliers a cloud-based platform to obtain data-driven insights into purchasing activities. Better Buying’s transparency fosters sustainable partnerships and mutually beneficial financial results and other outcomes. Anonymous supplier ratings of buyer purchasing practices obtained by the independent third-party initiative are aggregated, scored, and made available to the retailers, brands, and suppliers with the goal of accelerating change and industry-wide improvements across supply chains. Better Buying™ is a non-profit organization based in Delaware in the United States. For more information, visit: <https://betterbuying.org/>