

# Better Buying™ Deep Dive Report



EXECUTIVE SUMMARY | VOLUME 2, NUMBER 2, 2021

## Monthly Order Variability



Monthly Order Variability (MOV) reflects the changes to the total number of pieces or pairs a supplier ships to its customer from month to month, including the peaks and valleys of peak seasons, low seasons, and everything in between.\*

\*See the Better Buying™ Supplier Roundtable Report on MOV for more details.

### KEY TAKEAWAYS

Our analysis revealed 3 key influencing factors for negative impact on suppliers as a result of MOV:

1. the percent of a supplier's production capacity dedicated to a particular buyer
2. the length of time a supplier has worked with a buyer
3. the ORR% (Order Risk-to-Reward percentage, which measures how much the monthly unit volume varies from the average order volume over the course of a year).

### HOW ARE SUPPLIERS MANAGING MOV?

Suppliers can manage a certain level of MOV, especially from buyers they have worked with over a few years. They review data on the buyer's historical performance, develop backup plans to cover unexpected changes, stage raw materials at their own expense and risk, and seek new customers or additional orders to keep production capacity filled during non-peak periods.

### IMPACTS OF MOV

MOV is one of the more complex topics covered by the Better Buying™ Purchasing Practices Index, yet it is also one of the practices suppliers have identified as having a high impact on their businesses and sustainability efforts. The key impacts reported by suppliers are:

- **Financial:** reduced worker productivity, and a higher risk of quality issues due to worker turnover. The cost of hiring and training new workers, in addition to decreased overall efficiency, leads to higher overall operating costs, slimmer margins, and less certain profitability
- **Social:** insecure and less reliable employment for workers. While peak periods bring increased work intensity, low periods carry the risk of reduced employment. Suppliers need to plan how many workers they need. Sharp increases can lead to increased overtime or subcontracting (both authorized and unauthorized), and steep drops to worker



layoffs or increased use of temporary labor to avoid laying off permanent workers. All the while, management and worker stress increases.

- **Environmental:** inefficiencies caused by MOV translate into environmental impacts that can be avoided with more stable shipments. Suppliers report that MOV contributes to wasted raw materials, the use of hazardous chemicals, and increased water usage. Pressure to ship higher order volumes can lead to increased use of air freight, while lower order volumes can mean empty space in shipping containers.

## KEY FINDINGS

- While some MOV can be anticipated and planned for by suppliers, larger variability will have negative impacts on both the supplier's business and workers
- A high ORR rate will have negative business and worker impacts, but when coupled with other factors, much lower ORR% also results in impacts
- Being a strategic or long-term supplier, or where a buyer's business accounts for more than 30% of a supplier's business, all increase the potential for negative sustainability impacts from MOV

## BETTER BUYING™ CHECKLIST FOR REDUCING MOV, AND THE COSTS INCURRED BY SUPPLIERS DUE TO ORDER VARIABILITY

- Provide more accurate, longer-term forecasts
- Collaborate with suppliers to solve problems jointly, in partnership
- Always meet minimum order quantities
- Improve ordering practices and ensure timely order placements
- Improve internal communication and collaboration
- Reserve capacity in advance
- Aim for an ORR of 30% or less, in combination with other improvements needed to reduce MOV

## CONCLUSION:

Both suppliers and buyers can secure significant gains from improving MOV and reducing the negative sustainability impacts that result from it. Greater production efficiency and smooth production runs reduce suppliers' costs and eliminate surcharges that will be passed on to the buyer. Buyers with less variable monthly orders will receive priority service from their suppliers. With consistent business, suppliers are better able to maintain a full-time, skilled workforce; beyond the clear social benefits of steady work, a stable workforce also leads to higher quality production.

**Brands and retailers:** Better Buying Institute is helping brands and retailers improve their practices related to Planning and Forecasting, and Monthly Order Variability. Find out more at [www.betterbuying.org](http://www.betterbuying.org)

**Suppliers:** Find out how you can register to start rating your customers' purchasing practices at [www.betterbuying.org/our-ratings/](http://www.betterbuying.org/our-ratings/)