Monthly Order Variability (MOV)

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.

More than half of suppliers report to Better Buying™ that Monthly Order Variability (MOV) on the part of their customers is having negative impacts on their businesses, workers, and their environmental performance. MOV is a challenge in almost all supply chains: rates are unexpectedly high for core products which are unlikely to be affected by fashion cycles and seasonal demand, but MOV is particularly a challenge for fashion products.

KEY FINDINGS

Participants in the Better Buying™ Supplier Roundtable reported a range of challenges related to Monthly Order Variability (MOV), including:

- Pressures and stress related to seasonal demand for certain types of fashion products
- Poor and inaccurate forecasting of buyers, and the tendency of buyers to react instead of plan
- Last minute changes to orders and delivery times
- Buyers pushing risks onto suppliers, and not taking responsibility for unfilled capacity
- Multiple customers wanting products at the same time.

MOV: TOP BUSINESS IMPACTS ON SUPPLIERS

1. Increased costs and lower margins
2. Reduced or unstable profitability
3. Idle lines
4. Reduced efficiency and productivity
5. Worker turnover

MOV: IMPACTS ON WORKERS

1. Increased overtime (both authorized and unauthorized)
2. Increased stress
3. Less stable employment, as suppliers are forced to use more temporary or casual labor
4. Reduced wages
5. Unauthorized subcontracting
HOW ARE SUPPLIERS MANAGING MOV?

The level of variability that can be managed without negative impacts on the supplier business or workers is less than the average variability observed in Better Buying™ data.

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.

WHAT WE LEARNED

External Pressures from Seasonality and Fashion

The term “seasonality” has historically referred to large fluctuations in demand dictated by holidays, major events, and weather patterns. It now also incorporates distinctions in fashion consumers’ buying patterns during short fashion cycles and how brands and retailers wait until the last minute to decide on what and how many products to have produced, time deliveries so that they have the greatest confidence in sales and the least inventory liability, and embed many opportunities to abort the original plans and react to new insights.

Buyer-Driven Pressures

Many brands and retailers, especially those selling fashion products, are not very good at planning and ordering for this “new,” short-cycle seasonality in fashion products. Buyers react instead of plan, making the wrong decisions too late, making too many changes to the orders and ship dates at the last minute, chasing sales, not paying for the flexible service they expect, while they themselves are inflexible with order and delivery terms. Responsibility for dealing with the outcomes of these pressures is left to suppliers.

BUYER CHECKLIST

What Can Buyers Do Differently?

- Improve Planning and Forecasting
- Change Order Strategies
- Handle Changes Differently
- Share Risks with Suppliers

ABOUT BETTER BUYING™ SUPPLIER ROUNDTABLES

Better Buying™ Supplier Roundtables enable suppliers to come together in a safe space to co-create solutions to the challenges caused by poor purchasing practices, contribute to industry change, and define how success is measured as purchasing practices improve. Participation is sought from suppliers of all sizes and types around the world, and from professionals in varied job functions. The anonymity of all participants is protected, with names and other identifying information kept completely confidential.

The Supplier Roundtable on Monthly Order Variability was held in June 2021. 10 individuals participated in one of three two-hour Zoom sessions, representing seven different companies widely ranging in size and headquartered in six different countries/regions.