

Better Buying™ Index Report, 2020



Executive Summary

The Better Buying Institute advocates for the industry-wide transformation of buyer purchasing practices so that business relationships support buyers and suppliers in achieving their financial, environmental, and social responsibility goals. The Better Buying™ ratings system allows suppliers to anonymously rate seven key purchasing practices of the companies that buy their products and tells brands and retailers which practices can be improved.

The old adage - what gets measured, gets managed - has yet to fully permeate day-to-day supply chain management. The absence of reliable data demonstrating accountability has prevented the necessary scale and scope of corporate responsibility progress and true supply chain resiliency for decades, making it difficult to protect workers and improve efficiency and profitability. The pandemic has brought that challenge to the forefront.

The year 2020 ushered in extraordinary circumstances for all companies in the apparel industry. Extreme reactions from buyers attempting to minimize their exposure to short-term financial risk often did not consider the ripple effect on suppliers and workers, and the other resulting risks. While the impacts of the pandemic have certainly created new challenges in the industry, problematic purchasing practices are nothing new, as our Q4 2019 data reported here demonstrate. The pandemic merely exposed what was already there: a significant imbalance of power between buyers and suppliers with buyers using that to their advantage, a lack of two-way dialogue, and a competitive mindset that fails to account for the value suppliers bring to the table. There is much work yet to be done on the path toward responsible purchasing practices, and the pandemic affirmed this fact.

This ratings cycle, a total of 22 buyer companies engaged with Better Buying™ and invited 2,460 suppliers to anonymously rate their performance. Data were collected between October 1 and December 15, 2019, during which period a total of 1,075 ratings were submitted for Better Buying™ subscribers with an average response rate of 43.5%. Each subscriber received a report with their company performance compared against the industry benchmark, all of their suppliers' open-ended comments, and customized recommendations from Better Buying™ based on their results.

Better Buying™ examined year-over-year improvements for 10 of the participating companies to identify progress and trends. While there have been notable steps taken in each area, progress is ongoing and must be prioritized by all brands in order to continuously improve supply chain resiliency.

KEY FINDINGS & IMPACT ON SUPPLY CHAIN RESILIENCY

Planning & Forecasting

Data collected in 2019 showed five of the 10 companies made improvements to their Planning & Forecasting practices from 2018, which provided suppliers with the improved visibility needed to plan production responsibly and ensure ongoing employment of workers. Eight of the 10 companies had fewer suppliers left with unutilized capacity due to forecasting inaccuracies, and six of the 10 had fewer suppliers left with excess materials.

Cost & Cost Negotiation

Half of the companies improved their Cost & Cost Negotiation practices by increasing the percent of suppliers reporting all orders were priced to cover the costs of compliant production. Eight of the 10 companies improved by decreasing their use of high-pressure cost negotiation strategies. Improved costing is critical not only for suppliers' business survival, but also for ensuring safe conditions for workers – protecting them from excessively low wages, unauthorized subcontracting, informal employment, and other precarious or abusive situations.

Payment & Terms

At least half of the 10 companies made notable improvements in Payment & Terms practices by paying more suppliers on time and in full, which is critical for suppliers' cash flow and ability to pursue all aspects of sustainability and has been highlighted to a new degree during the pandemic. Four companies decreased their late payments by an average of 10 days, an improvement with direct links to suppliers' ability to make wage payments to workers.

<p>CONCLUSION</p> <p>Although perceived as a more difficult purchasing practices area to improve given market uncertainties, buyers can and are making numerous improvements in Planning & Forecasting, all of which will enhance their suppliers' abilities to plan their business and provide reliable employment to their workers.</p>	<p>RECOMMENDATION</p> <p>Buyers should engage with Better Buying™ to gather data from their suppliers about their company's own performance, learn how that performance compares with our industry benchmark, and gather insights from suppliers on specific change that would be helpful – then use that information to support internal discussions, motivate staff, and breakdown action into concrete next steps.</p>
<p>CONCLUSION</p> <p>Understanding the extent that buyers' orders are priced to cover all the costs of compliant production provides valuable evidence of progress on a buyers' commitments to fair / living wages.</p>	<p>RECOMMENDATION</p> <p>Objective data gathered from suppliers about actual business performance – not just policies and procedures – should be central to stakeholder engagement about buyer accountability.</p>
<p>CONCLUSION</p> <p>Objective business data collected from suppliers about purchasing practices reflects a new and valuable approach to human rights due diligence aimed at understanding how a buyer's purchasing practices may contribute to human rights abuses in their supply chains.</p>	<p>RECOMMENDATION</p> <p>Buying companies should engage with Better Buying™ to understand the risks their day-to-day business practices pose for suppliers and workers in their supply chains.</p>