Better Buying™
Index Report, 2021

Purchasing Practices Performance in Apparel, Footwear, and Household Textile Supply Chains

ABOUT BETTER BUYING INSTITUTE

Better Buying Institute reimagines supply chain sustainability, leveraging data to stengthen supplier-buyer relationships and improve purchasing practices that drive profitability while protecting workers and the environment.

Better Buying's programs provide retailers, brands, suppliers, and industry with data-driven insights to help drive lasting improvements in global purchasing practices. Our activities fall into three main areas: conducting independent research; operating a ratings and evaluation platform that provides buyers and the public with information about buyer purchasing practices; and conducting projects and training on supply chain industry practices to support innovation and promote change.

BETTER BUYING'S VISION

Buyers and suppliers work together with responsible purchasing practices to achieve shared goals of profitability and social and environmental sustainability.

BETTER BUYING'S MISSION

Better Buying's mission is to support:

- **Buyers** in treating their suppliers as trusted and respected partners whose insights are critical to building resilient supply chains, using feedback data to fully understand the impact of their actions, and making continuous improvements to their purchasing practices
- **Suppliers** in feeling safe and confident engaging with buyers, providing feedback, and co-creating solutions to shared business challenges.

More at **www.betterbuying.org**.

Report written by Kelly Duncanson, Senior Manager of Operations, Dr. Marsha A. Dickson, President and Co-Founder of Better Buying Institute, and Dipti Bhatt, Research Associate.
Suggested citation: Duncanson, Kelly, Dickson, Marsha A., & Bhatt, Dipti (2021). Better Buying™ Index Report 2021: Purchasing Practices Performance in Apparel, Footwear, and Household Textile Supply Chains.

ACKNOWLEDGEMENTS

Better Buying™ appreciates the support of its subscribers and donors. The opinions expressed are those of Better Buying™ and do not necessarily reflect the views of its subscribers or donors.

Contents

KEY

Planning and Forecasting

Design and Development

Cost and Cost Negotiation

Sourcing and Order Placement

2020 (Pre-COVID-19) Scores

Payment and Terms

Management of the Purchasing Process

Win-Win Sustainable Partnership

Best Practices

2021 (COVID-19) Scores

1. Introduction

The world is closing in on two years since the onset of the COVID-19 pandemic that upended global supply chains and brought purchasing practices to the forefront of the industry's consciousness.

And yet, poor purchasing practices were not a new phenomenon caused by the pandemic. For many in the apparel industry, they were standard ways of operating that suddenly became highly visible in the light of a global crisis.

Better Buying's 2020 Index Report highlighted the improvements our subscriber companies were already making to their purchasing practices prior to the pandemic - acting on the anonymous feedback collected from their suppliers to address problem areas and track their progress each year.

The looming question on our minds at that point was, "Will these improvements hold? Or will the pandemic erase the progress made so far?"

With data from Better Buying's 2021 ratings cycle, answers to these questions are now available.

5th annual ratings cycle

21 buyer companies

12 previously engaged

KEY TAKEAWAYS

1. New questions in the Better Buying™ Purchasing Practices Index reveal the extent to which buyers placed additional pressure on their suppliers during the pandemic in order to protect their own financial interests.
2. Despite the challenges of the past year, Better Buying's data reveal surprising improvements that demonstrate how responsible purchasing practices are becoming a top priority for Better Buying™ subscribers, rather than a "nice to have" when times are good.
3. The improvements in purchasing practices made by Better Buying™ subscribers in the midst of the uncertainty caused by the pandemic support resilient supply chains that should be able to quickly bounce back from disruption and shocks.

A total of 21 buyer companies engaged in Better Buying's fifth annual ratings cycle during Q2 2021. Twelve of these companies had engaged with Better Buying™ during previous ratings cycles and thus could track their improvements over time. Each subscriber company received a full Excel-based report of its performance in each of Better Buying's seven categories of purchasing practices compared against a relevant industry benchmark.

For the first time, Better Buying™ was able to offer a Sporting Goods benchmark for companies in that segment of the industry to compare their performance against their closest peers.

To fully capture the impact of COVID-19, a number of new questions related to key pandemic practices were added to the Better Buying™ Purchasing Practices Index (BBPPI). While year-over-year data is not available for these practices, the degree to which buyers relied on these practices over the last two years necessitated their addition for a holistic picture of purchasing practices in the apparel industry.

2. Scores and Ratings

OVERALL PERFORMANCE

A total of 918 Softgoods ratings were submitted for 42 buyer companies, including 902 ratings for 21 Better Buying™ subscribers. Twelve of these subscribers participated in at least two ratings cycles (Q4 2019 and Q2 2021) and were able to track year-over-year changes in their scores.[1] Because Better Buying™ subscribers received reports from their Q4 2019 data in 2020, we'll refer to these as "2020 scores" in this report.

Figure 1 compares 2020 and 2021 category scores, reflecting a snapshot of pre- and COVID-19 purchasing practices. The categories with the highest score (Management of the Purchasing Process) and the lowest score (Sourcing and Order Placement) were the same as pre-COVID-19. Scores stayed the same in two categories (Payment and Terms, Management of the Purchasing Process), declined in one category (Sourcing and Order Placement), and – impressively – improved in the remaining four categories (Planning and Forecasting, Design and Development, Cost and Cost Negotiation, Win-Win Sustainable Partnership).[2]

STARS RECEIVED (2021 DATA, n=918)		SCORES (2020 n=873)	SCORES (2021 n=918)
Overall	★★½	64	66
Planning and Forecasting	★★	58	61
Design and Development	★★★	68	74
Cost and Cost Negotiation	★★★	67	72
Sourcing and Order Placement	☆	31	26
Payment and Terms	★★½	66	66
Management of the Purchasing Process	★★★★½	90	90
Win-Win Sustainable Partnership	★★★	72	77

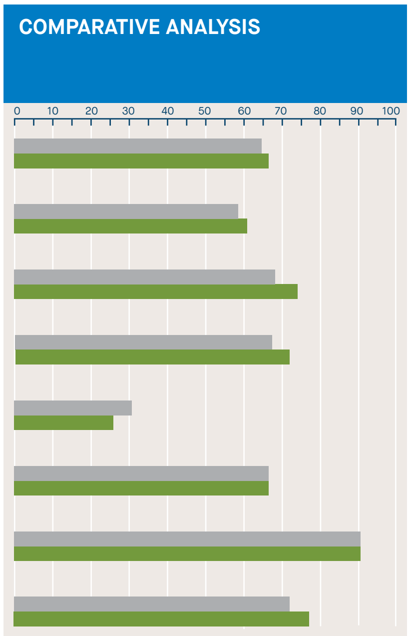

Figure 1. Overall Better Buying™ and Purchasing Practices Category Scores and Stars (0 to 5 stars)

Note. In the Comparative Analysis chart, grey bars show scores based on data (n=873) collected in Q4 2019 (referred to as "2020 data" throughout the report) and green bars show scores based on data (n=918) collected in Q2 2021.

[1] The BBPPI asks suppliers to rate their buyers' performance over the past 12 months.

[2] T-test results: Planning and Forecasting: t=4.05, p<.001; Design and Development: t=10.24, p<.001; Cost and Cost Negotiation: t=5.37, p<.001; Sourcing and Order Placement: t=-8.74, p<.001; Win-Win Sustainable Partnership: t=3.89, p<.001

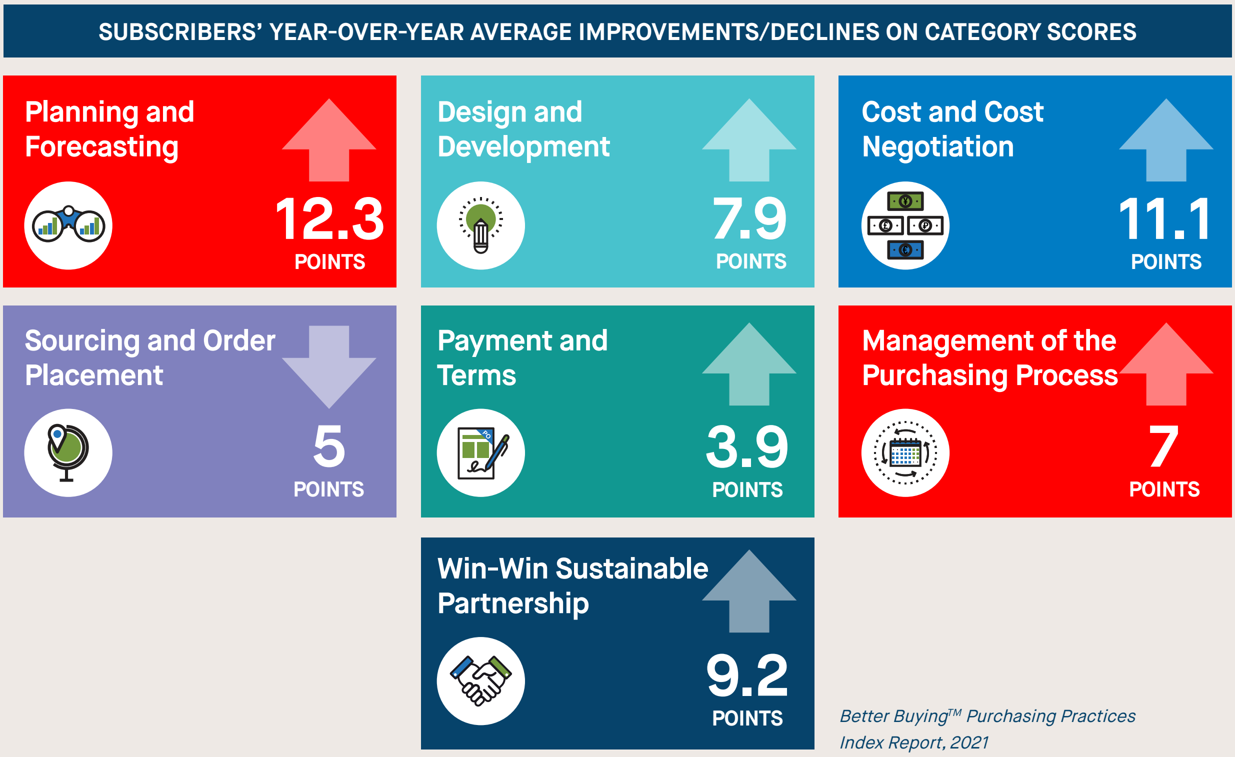

Figure 2. Better Buying™ Subscribers' Year-over-Year Average Improvements/Declines by Category

Given the ongoing challenges of the pandemic globally, Better Buying™ expected a lot of bad news from the 2021 data. However, Better Buying™ subscribers that had already engaged in at least one ratings cycle and had been working toward improving their practices were able to continue making some improvements despite these challenges. The largest average improvement was in the Planning and Forecasting category, where repeat Better Buying™ subscribers outperformed the rest of the industry by 4 points[3] – one subscriber improved its score by an impressive 27 points. In every category except Sourcing and Order Placement, at least half of the 12 companies in Better Buying's analysis improved their scores (see Figure 2). Regionally, buyers headquartered in North America scored significantly higher than those in the EU/UK region in the Planning and Forecasting[4] and Design and Development[5] categories.

Given the ongoing challenges of the pandemic globally, Better Buying™ expected a lot of bad news from the 2021 data. However, Better Buying™ subscribers that had already engaged in at least one ratings cycle and had been working toward improving their practices were able to continue making some improvements despite these challenges.

[3] F = 4.72, p=.030
[4] F=9.37, p=.002
[5] F=4.46, p=.035

Sourcing and Order Placement has historically been the category where companies score the lowest, and this year's BBPPI captured notable COVID-19-related declines. Two key practices in this section include Monthly Order Variability and, new for 2021, orders that were canceled after a purchase order (PO) was issued. Buyers' scores were negatively impacted when suppliers reported canceled orders. For buyers that did not cancel orders, their shipment volumes fluctuated even more wildly than those that canceled all of their orders[6] – further impacting buyers' scores. These dynamics account for the overall decline in the Sourcing and Order Placement category score.

In every category except Sourcing and Order Placement, at least half of the 12 companies in Better Buying's analysis improved their scores.

The findings related to COVID-19 have been broken out into two sections: expected declines and surprising gains in buyers' performance. The COVID-19 findings rely on data from all 918 Softgoods ratings submitted in 2021.

[6] Ratings from suppliers that reported their buyer did not cancel orders had greater monthly order variability (117.9%) than those from suppliers that reported some orders were canceled (85.2%) (F = 47.03, p<.001).

3. Key Findings

FIGURE 3: BUYER PURCHASING PRACTICE SCORES PRE- AND POST-COVID: EXPECTED FINDINGS

Average Monthly Order Variability (MOV)

COVID: 93.9%

Pre-COVID: 73.9%

55.2% of suppliers reported sustainability impacts of their buyer's MOV, 4% more than pre-COVID

BETTER BUYING™ INSIGHT

It is no surprise that order stability overall was impacted as a result of COVID-19. While order volumes have recovered somewhat, many problems persist and will continue to require very close collaboration with suppliers in order to mitigate the negative impacts MOV can have on social, financial, and environmental sustainability.

Reports of Payment Terms of 45 Days or Fewer

COVID: 33.0%

Pre-COVID: 42.7%

Order Cancelation after PO Issued

COVID: 63.2%

Pre-COVID: No Data

Payment Terms Extended Without Supplier's Approval

COVID: 12.9%

Pre-COVID: No Data

BETTER BUYING™ INSIGHT

Despite these extensions, other Payment and Terms practices remained stable, with suppliers reporting examples of True Partnership, such as mutually agreed discounts in return for the buyer taking all shipments that were ready and using up fabric stocks ordered and put on hold.

Source: Better Buying™ Purchasing Practices Index Report, 2021

COVID | Pre-COVID | New Question

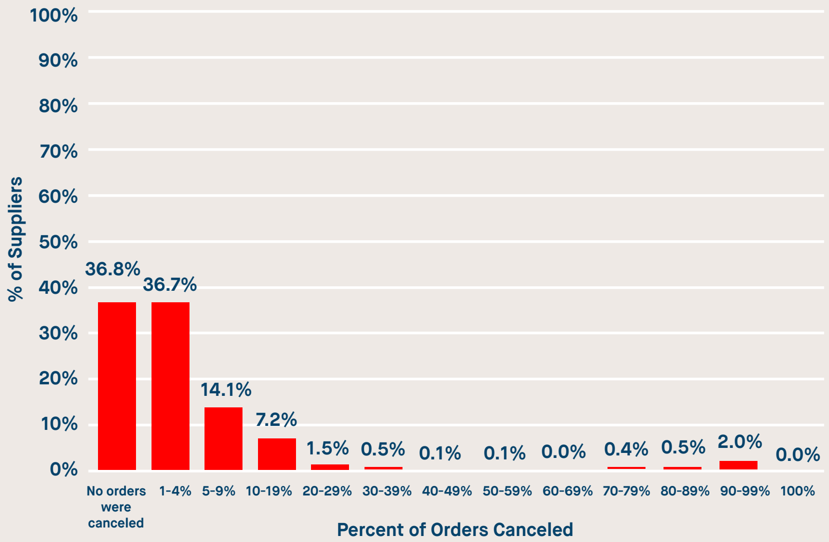

Figure 4. Percent of Orders Canceled After Purchase Order was Issued

BETTER BUYING™ INSIGHT

Nuances are important to consider when interpreting the data on order cancelations: some cancelations were executed using a partnership approach with suppliers. One supplier told us that although its buyer had to cancel some orders, they paid for 80% of the value of the goods. Others canceled orders, however, without any thought for the upstream impact on the supply chain.

COVID-19: EXPECTED FINDINGS

Order Cancelations

Beginning in early 2020, a flood of reports about damaging buyer responses to the pandemic poured in. Of these poor practices, order cancelations were perhaps the most devastating. According to Better Buying's data, 63.2% of suppliers reported that their buyer canceled some percent of their orders after a purchase order had been issued (Figure 4). While we lack pre-COVID-19 data on order cancelations, as some suppliers noted, "The most part of the cancellation was due to the Covid outbreak. The cancelation hadn't been common unless otherwise" and "Cancellations of POs were during Covid initial period." Order cancelations were a lever that was pulled by buyers specifically for the purpose of protecting their own financial interests at the initial onset of the COVID-19 crisis.

Even though order cancelations were widely used during the pandemic, buyers' approaches to order cancelations varied substantially. Some buyers used order cancelations to avoid taking in inventory, transferring all of this liability to their suppliers. One supplier captured this approach, saying, "Buyer had no problem on cancelling too many if not all orders during the year 2020 leaving the factory to deal with the people on its own." A second, much more responsible approach, was to discuss the situation with suppliers and jointly decide on a way forward. For example, one supplier described its customer as "a reasonable and responsible customer in response to the impact due to Covid. They will work with T1 together to solve the order cancellation and the related liabilities." Another said that although its buyer had to cancel some orders, the buyer paid for 80% of the value of those goods. These nuances are important to consider when interpreting the data on order cancelations: some cancelations were executed using a partnership approach with suppliers, while others were done without any thought for the upstream impact on buyers' supply chains.

Payment Term Extensions

Another lever buyers pulled to cope with the COVID-19 crisis was payment term extensions. While we know of anecdotal cases when terms were extended in agreement with suppliers, a new question in the BBPPI this year captured extensions that were made without the supplier's approval. About 13% of suppliers reported such unilateral extensions. This practice was also evidenced in the term lengths suppliers reported: about 10% fewer suppliers reported terms of 45 days or less, while about 4% more suppliers reported terms of more than 90 days as compared with 2020.

Extensions created serious cash flow challenges for suppliers. For example, "Customer ask garment supplier to change payment terms due to COVID-19. But didn't help to negotiate the terms with fabric/ materials suppliers. The burden is 100% on garment supplier shoulder." This left suppliers in a tight spot that often was not acknowledged by buyers: "the brands must also realise that the manufacturers too are going through the tough times. Whether brands fill the capacity or not, the vendor still needs to pay wages and salaries." Several suppliers commented on the lack of partnership exhibited by these extensions, saying, "We thought there could have been a better way to work through this rather than just being told that was the new policy" and "increased payment terms were told to vendor with no opportunity to discuss impact on vendors' business or factories."

SUPPLIER INSIGHTS: IMPACTS OF PAYMENT TERM EXTENSIONS

"Customer ask garment supplier to change payment terms due to COVID-19. But didn't help to negotiate the terms with fabric/ materials suppliers. The burden is 100% on garment supplier shoulder."

"The brands must also realise that the manufacturers too are going through the tough times. Whether brands fill the capacity or not, the vendor still needs to pay wages and salaries."

"We thought there could have been a better way to work through this rather than just being told that was the new policy"

"Increased payment terms were told to vendor with no opportunity to discuss impact on vendors' business or factories."

"Due to pandemic buyer extend payment terms over a year. Up to this moment still not back to normal which [is] very hard for vendor [to] survive. This is not win win situation."

"The original payment term was 60 days, it was increased to 120 days due to Covid and then decreased to 90 days. But still this is 30 days more than the original term of 60 days. Buyer is refusing to come back to the original term of 60 days."

Better Buying™ Purchasing Practices Index Report, 2021

BETTER BUYING™ INSIGHT

Buyers' scores in the Payment and Terms category were negatively impacted when suppliers reported payment term extensions. Therefore, the fact that the overall category score held steady compared to 2020 is surprising and indicates other payment practices improved enough to offset the declines related to extended terms.

Some suppliers noted that their buyers had already restored their payment terms to pre-COVID-19 levels. Others, however, expressed frustration that their buyers seem to be holding to their extensions. "Due to pandemic buyer extend payment terms over a year. Up to this moment still not back to normal which [is] very hard for vendor [to] survive. This is not win win situation." Other buyers seem to be using this opportunity to establish a "new normal," though not the type many in the industry are calling for: "The original payment term was 60 days, it was increased to 120 days due to Covid and then decreased to 90 days. But still this is 30 days more than the original term of 60 days. Buyer is refusing to come back to the original term of 60 days."

Monthly Order Variability

As buyers attempted to manage ongoing uncertainty related to retail openings and closures, their ordering patterns became more irregular compared to previous years. Better Buying™ describes these changes in units shipped from month-to-month as Monthly Order Variability (MOV). When order volumes are relatively stable from one month to the next, suppliers are better able to plan production capacity and adjust their operations accordingly. However, when there are sharp increases or decreases in order volume, it can be very challenging to manage factory efficiency and resource utilization.

Figure 5 shows the average monthly order volume shipped to Better Buying™ subscribers according to the 2020 and 2021 data, which each capture the previous 12 months of order shipments. Rather than using the full dataset, this chart focuses only on data for Better Buying's "repeat subscribers" because some of the new subscribers for 2021 are very large and their order volumes make the full dataset less comparable.

As expected, Better Buying's data show that the largest year-over-year declines occurred during April and May 2020 when many buyer companies paused production or canceled orders. Volumes regained some ground throughout the remainder of 2020, but still have not fully recovered to 2018/2019 levels.

Better Buying™ uses a statistic called Order Risk-to-Reward (ORR) to

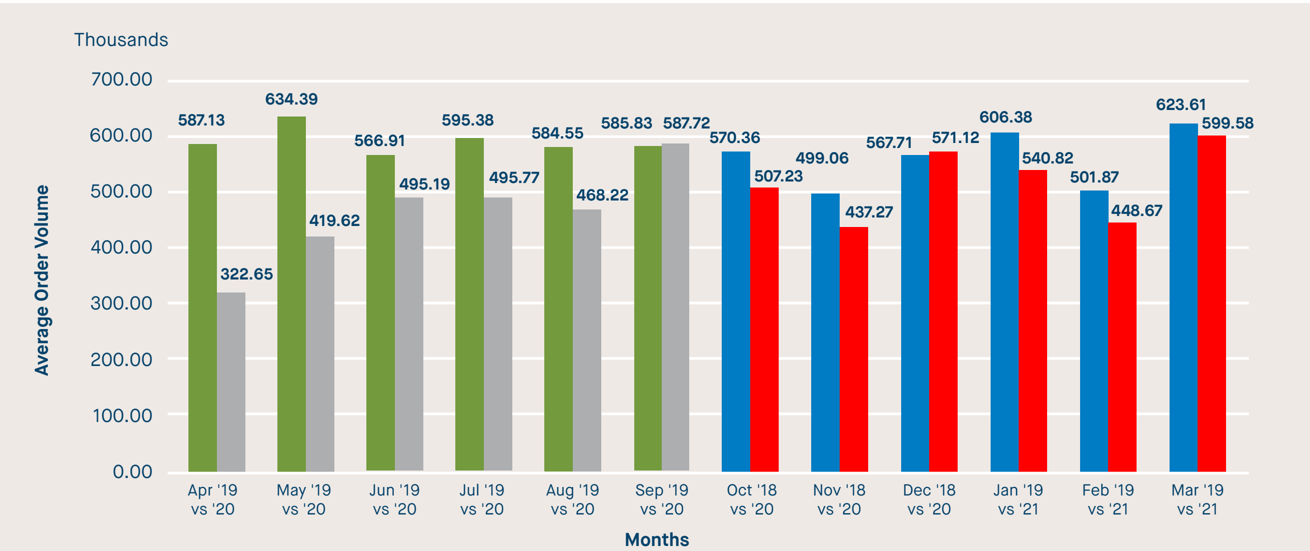

Fig 5. Average Monthly Order Volume Shipped to Subscriber Pre- and Post-COVID-19

Note. Annual data collection was paused for six months due to COVID-19. Blue and red bars compare order volume of the same month across a 2-year gap while green and grey bars compare order volume of the same month across a 1-year gap.

SUPPLIER INSIGHT

"As you can see last 12 months order quantities, the order averages are not stable on a monthly basis, while there are too much business in some months, there are no business in some months. This situation affects the production efficiency. If buyer maintain the orders a certain quantity through a year, the quality and efficiency of the production would be increase."

capture MOV in one simple value. As the amount of variability from month to month increases, ORR increases, meaning the best ORR will be as low as possible. Between 2020 and 2021, average ORR across the full dataset increased by 20.0 percentage points, from 73.9% in 2020 to 93.9% in 2021. The impact of this increase on factory operations was captured by one supplier that said, "As you can see last 12 months order quantities, the order averages are not stable on a monthly basis, while there are too much business in some months, there are no business in some months. This situation affects the production efficiency. If buyer maintain the orders a certain quantity through a year, the quality and efficiency of the production would be increase."

55.2% of suppliers reported sustainability impacts of their buyer's order variability - about 4% more suppliers than in 2020.

Additionally, 55.2% of suppliers reported sustainability impacts of their buyer's order variability - about 4% more suppliers than in 2020. The most frequently reported impact was overtime within the law or code requirements, reported by about one-third of suppliers (similar to 2020 levels). When buyers canceled orders initially, some suppliers did not have enough work to offer their employees: "We had to send the factory employees leave without pay (a few days a month) because we did not have orders in the other part of the capacity. This situation put our employees and us in a difficult situation." Then, when buyers started placing orders again, suppliers had difficulty expanding their capacity accordingly: "After Covid, sudden demand increases compare to usual numbers and we were unable to meet in given time." Wasted raw materials and increased financial pressures were also common impacts of high MOV: "Order fluctuates much in past 0.5 year, resulting in excessive material pre-buy cost absorbed by factory itself.

YEAR-OVER-YEAR DECLINES IN PERFORMANCE

Most of Better Buying's repeat subscribers had higher MOV in 2021 compared to 2020. Only one of these 12 subscribers was able to reduce its MOV, and did so by 8.2%. For the 11 remaining companies, MOV increased by 23.7 percentage points on average, ranging from 5.9% to 45.3%. Order cancelations contributed to this increase by creating a sharp drop in monthly orders, but across the industry MOV was already too high when the pandemic began. This is an important practice for buyers to focus on, both in terms of regaining the ground they lost during COVID-19 and striving to progress beyond what was previously "normal" MOV.

FIGURE 6: BUYER PURCHASING PRACTICE SCORES PRE- AND POST-COVID-19: UNEXPECTED FINDINGS

Forecasts Issued in Advance of Order Placement

87.0%

83.0%

Forecasts accurate within +/- 20%

62.4%

59.9%

All orders priced to cover costs of compliant production

44.3%

36.2%

Timely payment of 90% or more bulk production invoices

89.3%

88.9%

No deadlines of critical milestones missed

58.7%

53.0%

BETTER BUYING™ INSIGHT

Even with the improvements made over the last year, Planning and Forecasting was most frequently selected by suppliers as the category they want their buyers to focus on improving first, underscoring how critical these practices are for ensuring the rest of the purchasing process runs smoothly.

Source: Better Buying™ Purchasing Practices Index Report, 2021

COVID Pre-COVID

COVID-19: UNEXPECTED FINDINGS

Planning & Forecasting

Despite the difficult year, buyers continued making improvements to their forecasting practices. Compared to 2020, 4% more suppliers reported receiving forecasts in advance of order placement. About 5% fewer suppliers reported late forecasts (less than 90 days in advance of order placement) and there was a small increase in the percent of suppliers receiving forecasts 180 days or more in advance. Forecasting accuracy also improved slightly, with 62.4% of suppliers reporting forecasts were accurate within +/-20% compared to 59.9% of suppliers in 2020.

Providing forecasts further in advance has become all the more important due to the bullwhip effect the pandemic had on ordering patterns: "There was a slack capacity created due to Covid-19. However this was quickly recovered with the next 2 seasons where volumes were far greater than expected." Beyond this, other aspects of global supply chains have become more complex and unpredictable as some suppliers described: "2020 covid has rolled into '21 impacting trucking availability, containers, vessels, air freight, material availability and costs" and "During this time, it is important to consider that global logistics lead times are above average." This heightened uncertainty makes it even more important for buyers to provide projections as early as possible - not only does this help suppliers plan their capacity, but it also helps ensure buyers can secure the product they want when they want it.

The improvements in buyers' forecasting practices are encouraging, but there is still more work to be done. Our findings suggest that increased buyer concern about supply chain resilience due to the pandemic worked in some suppliers' favor, resulting in closer communication with their buyers about planned business. And yet, even with the improvements made over the last year, Planning and Forecasting was most frequently selected by suppliers (35.6% of suppliers) as the category they want their buyers to focus on improving first, underscoring how critical these practices are for ensuring the rest of the purchasing process runs smoothly.

BETTER BUYING™ INSIGHT

Heightened uncertainty makes it even more important for buyers to provide projections as early as possible - not only does this help suppliers plan their capacity, but it also helps ensure buyers can secure the product they want when they want it.

BETTER BUYING™ INSIGHT

While these improvements are positive, it is important to remember that over 50% of suppliers still do not receive adequate prices to meet their buyers' expectations. With inflation and disruptions to raw material supply chains, it is important to continue prioritizing improvements to costing practices.

Cost & Cost Negotiation

The retail store closures early in the pandemic created financial pressures that reverberated throughout global supply chains, prompting buyers to request (and sometimes demand) discounts on their orders. Because of this, we were surprised to find that 44.3% of suppliers reported receiving prices that covered all the costs of compliant production, compared to just 36.2% in 2020. This improvement was likely supported by a 4% drop in the overall use of high-pressure cost negotiation strategies, including declines in the particularly damaging strategies of "Take it or leave it - meet the target price or the supplier cannot win the order" and "Demanding across the board price cuts from previous orders/years" (8.9% and 10.9%, respectively).

44.3% of suppliers reported receiving prices that covered all the costs of compliant production, compared to just 36.2% in 2020. While these improvements are positive, it is important to remember that over 50% of suppliers still do not receive adequate prices to meet their buyers' expectations.

While these improvements are positive, it is important to remember that over 50% of suppliers still do not receive adequate prices to meet their buyers' expectations. With inflation and disruptions to raw material supply chains, it is important to continue prioritizing improvements to costing practices. One supplier shared that they "would appreciate if [their customer] can face to the reality and to accept current cost increase from raw material. Shipping cost increase [is] also a subject they need to understand and may need to share out part of the burden with those factory/vendor." Rising yarn and freight costs repeatedly surfaced in suppliers' comments as challenges that necessitate close partnership from their buyers and a willingness of the buyer to cover those costs.

Payment & Terms

Despite the payment term extensions mentioned previously, our data show that other payment practices remained fairly stable. The percent of suppliers reporting 90% or more of their bulk production invoices were paid on time (89.3%) and in full (96.2%) improved slightly compared to 2020 scores (88.9% and 93.9%, respectively). When payments were delayed, the delays were about four days longer on average compared to 2020. Overall, however, payment practices held steady. Some subscribers described examples of their buyers demonstrating true partnership with their payment practices: "As this was an unprecedented situation, in view of our partnership, we mutually agreed to a discount to support them at that time. Subsequently, they supported us by taking all the shipments which were ready and also used the entire stocks of fabric which was ordered and put on hold."

OTHER IMPROVEMENTS FROM 2020

Our data reveal several other improvements compared to 2020. For example, 73.1% of suppliers reported that their buyer used an integrated scorecard when making sourcing decisions, compared to only 64.1% in 2020. Only 3.3% of suppliers reported that their buyer did not enforce its expectations related to CSR and compliance, down from 7.1% in 2020. We also saw a slight uptick in audit harmonization: 84.5% of suppliers reported that their buyer accepted results from recently completed audits in lieu of requiring new audits, compared to 83.2% in 2020. In a year filled with financial

USE OF INTEGRATED SCORECARDS

73.1%

64.1%

BUYERS NOT ENFORCING CSR AND COMPLIANCE EXPECTATIONS

3.3%

7.1%

RISE IN AUDIT HARMONIZATION

84.5%

83.2%

turmoil, it is encouraging to see that some buyers continued to prioritize CSR and allow CSR-related concerns to impact their decision-making.

Additionally, about 11% more suppliers indicated that their buyer took responsibility for managing the relationship with their nominated suppliers. Better Buying™ asks suppliers to identify specifically what their buyer did to manage nominated suppliers. Of the suppliers indicating that their buyer took responsibility, 67.9% reported the following method: "Intervening when problems arise with nominated suppliers." Some suppliers also reported improved adherence to deadlines for critical milestones in the time and action calendar: 58.7% of suppliers reported their buyer did not miss any deadlines, compared to 53.0% in 2020. This is impressive considering the impact of COVID-19 restrictions and global logistics disruptions. As one supplier noted, "Post Covid it is important to try to give more time for the production process due to the Covid restrictions."

PURCHASING PRACTICE	# OF BBI SUBSCRIBERS THAT IMPROVED (n=12)	AVERAGE IMPROVEMENT	RANGE OF IMPROVEMENT
Adhering to deadlines for critical milestones	11	14.7%	2.6% to 26.7%
Pricing 100% of orders to cover the costs of compliant production	10	13.2%	2.7% to 35.6%
Placing orders within +/-20% of capacity reserved	9	21.0%	6.6% to 63.3%
Accepting recently completed audits in lieu of requesting the buyer's own audit	9	9.1%	1.3% to 17.4%
Paying 90% or more bulk production invoices on time	9	7.8%	0.2% to 28.1%
Paying 90% or more bulk production invoices in full	8	6.0%	0.7% to 20.0%
Providing forecasts 180 days or more in advance	5	6.4%	0.7% to 13.2%

Figure 7: Better Buying™ Subscriber Practices: Year-over-Year Improvements

KEY FINDINGS

YEAR-OVER-YEAR IMPROVEMENTS IN SUBSCRIBER PRACTICES

Several of Better Buying's 12 repeat subscribers improved their year-over-year performance, including on a number of High Impact practices - those practices that suppliers say have the greatest impact on their sustainability. Two very impressive improvements are those in forecasting accuracy and pricing orders for compliant production. In 2021, nine repeat subscribers had an average 21.0% improvement in the percent of suppliers reporting their orders were within +/-20% of capacity reserved. This level of accuracy reduces the amount of unutilized capacity and excess materials for suppliers to manage, and also creates conditions under which suppliers are able to provide more stable employment for workers. A second highlight from these findings is the 10 subscribers that had more suppliers reporting 100% of their orders were priced to cover the costs of compliant production. Despite all of the pressure these subscribers were under, they had an average of 13.2% more suppliers reporting such order prices. While there is still a lot of room for improvement on this practice, we are pleased to see unexpected gains in the midst of such a challenging year.

4. Conclusions and Recommendations

The COVID-19 pandemic has left an indelible mark on the global apparel industry and specifically on the relationship between buyers and suppliers. While a lot of poor practices surfaced, we cannot overemphasize the fact that most of these practices were not new. In some ways, COVID-19 created space for necessary and long-overdue conversations about how the industry's concept of "business as usual" is deeply flawed. Without acknowledging these flaws and taking a critical look at the poor purchasing practices that have been normalized, it will be impossible to make substantial progress on collective social, environmental, and financial sustainability goals.

Grounded by this reality, Better Buying™ is genuinely encouraged to see the many ways our subscribers held their ground during the pandemic and even managed to continue improving their practices. Alongside the panic that led many companies to protect their own interests at the expense of their suppliers, there has also been a recognition that future business survival depends heavily on the resilience of the entire supply chain. The buyer companies that strengthened their partnership with their suppliers during COVID-19 will be better able to prepare for, manage, and survive future disruptions.

Just as there is still work to be done even by the companies that improved their practices over the last year, there is a need for the rest of the industry to begin learning and improving. Better Buying™ subscribers are effectively using data and insights provided by their suppliers to understand current practices and identify opportunities for improvement. Better Buying™ encourages other buyers that are interested in starting this process to engage with us and participate in one of our upcoming ratings cycles.

Appendix: Methodology

The Better Buying™ Index Report Spring 2018 detailed how the Better Buying™ Purchasing Practices (BBPPI) was created and how the seven categories of purchasing practices are measured:[7] Planning and Forecasting, Design and Development, Cost and Cost Negotiation, Sourcing and Order Placement, Payment and Terms, Management of the Purchasing Process, and Win-Win Sustainable Partnership.

The BBPPI is unique because it is supplier-centric and focuses on empowering and amplifying suppliers' voices in support of improved purchasing practices and, therefore, improved financial, social, and environmental performance. Suppliers volunteer to submit ratings of their buyer companies either as an initiative they take on themselves, or at the invitation of Better Buying™ subscribers.

To input data, suppliers register on the Better Buying™ platform, select the buyer they wish to rate, and complete the BBPPI questionnaire asking about their business relationship with that buyer. Better Buying™ provides guidance and any necessary support while ensuring suppliers' anonymity is protected. Suppliers are encouraged to rate as many buyers as possible provided they have had an active working relationship with the buyer they are rating over the last year. The built-in proprietary scoring system allows a supplier to instantly see the star ratings earned by the buyer based on their rating.

Prior to analyzing supplier data, Better Buying™ reviews the documents provided by each supplier to verify that there is an existing business relationship with the buyer they rated and proceeds to clean and prepare the data. Once the cycle closes, the data are analyzed and aggregated by Better Buying™ for subscribers' company reports and the annual Better Buying™ Index Report.

ABOUT BETTER BUYING™ DATA COLLECTION

The data presented in this report were collected during the Q2 2021 ratings cycle that ran between April 1 and June 22, 2021. A total of 21 buyer companies engaged with Better Buying™ through paid subscriptions (Table A1). In addition to providing a supplier list (full or partial) and invitation letter to Better Buying™, these subscribers directly approached their suppliers to solicit participation during the ratings cycle. Better Buying™ used the contact information and invitation letters provided by subscribers to contact their suppliers and urge them to take the opportunity to give honest and anonymous feedback about their buyers' practices. The overall response rate averaged 49.2% - a 5.7% increase from the Q4 2019 data collection cycle – and ranging from 29.0% for a very small subscriber to 95.0% for a large subscriber surveying only its strategic suppliers.[8] Apart from reaching out to the subscribers' suppliers, Better Buying™ also requested other suppliers globally to submit ratings for their buyers with whom they had an active working relationship. As a result, Better Buying™ received ratings for 16 buyers who are not currently subscribed (Table A2).

APPENDIX

[7] https://betterbuying.org/wp-content/uploads/2018/05/4159_better_buying_report_final.pdf
[8] One of the subscribers had an exceptionally low response rate and, hence, was considered an "outlier" and excluded from the overall response rate calculation.

SUBSCRIBER	HEADQUARTER COUNTRY	SUBSCRIBER	HEADQUARTER COUNTRY
Adidas AG	Germany	New Balance Athletics, Inc.	United States
Amazon Services, Inc.	United States	Nike Inc.	United States
DICK'S Sporting Goods, Inc.	United States	Patagonia Inc.	United States
EILEEN FISHER, Inc.	United States	Ralph Lauren Corporation	United States
Fanatics Apparel, LLC	United States	Reformation	United Kingdom
Fat Face	United Kingdom	Sainsbury's	United Kingdom
Fenix Outdoor International AG	Switzerland	SanMar	United States
Gap Inc.	United States	Target Corporation	United States
L.L. Bean, Inc.	United States	Under Armour	United States
L2 Brands	United States	VF Corporation	United States

Table A1. Better Buying™ Subscribers Rated during 2021 Ratings Cycle

Note. Some subscribers have not given permission to be named.

C&A Sourcing Limited	Mango
Columbia Apparel	Mountain Equipment Co-op
Gina Tricot	PVH Corporation
Inditex	Target Australia Pty Ltd.
J.C. Penney Purchasing Corporation	The Cato Corporation
JP Boden & Co Ltd.	Varner
Kmart Australia Limited	Walmart
Kohl's Inc.	WE Fashion

Table A2. Non-Subscribers Rated during 2021 Ratings Cycle

PARTICIPATION IN 2021 RATINGS CYCLE

A total of 1,245 ratings were submitted in the 2021 ratings cycle. Of those, 27 ratings were rejected during the data verification and cleaning phase because these were either duplicate ratings, ratings from an older questionnaire version, or ratings from suppliers with no business with the rated buyer over the last one year. An additional 300 ratings were for buyers whose largest orders were for products other than apparel, footwear, and household textiles; those are classified as "hardgoods" ratings and are separately analyzed and reported on elsewhere.

A total of 1,201 verified (902 softgoods and 299 hardgoods) ratings were submitted for Better Buying™ subscribers. Non-subscribers received a total of 17 ratings (16 softgoods ratings and 1 hardgoods rating). In this Index Report, a total of 918 softgoods ratings (including ratings submitted for non-subscribers) were used.

As shown in Table A3, out of the 37 buyers rated (21 subscribers and 16 non-subscribers), most were headquartered in the North America region (64.9%).

REGION AND COUNTRY	FREQUENCY (n=37)	%
Asia Pacific	2	5.4%
Australia	2	5.4%
China/Hong Kong	1	2.7%
Hong Kong	1	2.7%
Europe/UK	10	27.0%
Germany	1	2.7%
Netherlands	1	2.7%
Spain	2	5.4%
Sweden	2	5.4%
Switzerland	1	2.7%
United Kingdom	3	8.1%
North America	24	64.9%
Canada	1	2.7%
United States	23	62.2%

Table A3. Location of Rated Buyers

Note. 'n' refers to the number of unique buyers rated.

ABOUT THE SUPPLIERS WHO SUBMITTED RATINGS

Better Buying™ always protects the anonymity of suppliers by withholding the raw data and identities of those who submit ratings. The ratings in 2021 were submitted by 736 suppliers across 52 countries (see Table A4).

Eighty percent of suppliers were factory owners that collectively employ nearly 4.8 million workers in their 2,441 factories. The average number of factories the suppliers owned was 4.1, (range = 1 to 56). A majority of factory owners were OEM/Finished Goods/End Products Processing (Whole Package Producer/Assembler) (68.9%), followed by OEM/Finished Goods/End Products Processing (Final Product Assembly/Primary Contractor/CMT) (24.0%), and Intermediate Goods/Sub-Component Assembly (8.8%). Most frequently suppliers reported having business with 10 buyers during the last year. On average, suppliers had been in a business relationship with the buyers they rated for 11.3 years, ranging from less than one year to 45 years.

REGION AND COUNTRY	FREQUENCY (n=736)	%
Asia Pacific (Australia, Japan, New Zealand, Samoa)	6	0.8%
Japan	5	0.7%
All Others	1	0.1%
China/Hong Kong/Macao	246	33.4%
China	135	18.3%
China and Hong Kong	5	0.7%
Hong Kong	99	13.5%
All Others	7	1.0%
East Asia (all others except China/Hong Kong/ Macao; Korea, Taiwan, Singapore, Vietnam, etc.)	171	23.2%
Indonesia	15	2.0%
Korea, Republic of (South Korea)	53	7.2%
Singapore	13	1.8%
Taiwan	56	7.6%
Thailand	9	1.2%
Vietnam	20	2.7%
All Others	5	0.7%
EEMEA (Eastern Europe/Central and Western Asia, Middle East, Africa)	37	5.0%
Jordan	5	0.7%
Turkey	20	2.7%
All Others	12	1.6%
Latin America (Caribbean, Mexico, Central, and South America)	30	4.1%
El Salvador	8	1.1%
Honduras	5	0.7%
All Others	17	2.3%
South Asia	111	15.1%
Bangladesh	30	4.1%
India	54	7.3%
Pakistan	14	1.9%
Sri Lanka	13	1.8%
North America (United States and Canada)	77	10.5%
United States	74	10.1%
All Others	3	0.4%
Western Europe/UK	58	7.9%
Italy	16	2.2%
Portugal	6	0.8%
United Kingdom	25	3.4%
All Others	11	1.5%

Table A4. Location of Supplier Headquarters

Note. 'n' represents number of unique suppliers submitting ratings and not number of ratings submitted.

HOW THE DATA ARE ANALYZED AND STARS AWARDED

Better Buying™ uses a 0 to 100-point scoring system to calculate category and overall scores. The star 'grading' formula shown in Table A5 was applied. A rating of 0 stars indicates the worst performance and 5 stars indicate the best.

Better Buying™ uses the weighting system outlined in Figure A1 to determine the weight of each purchasing practices category to the overall score.

NUMERICAL SCORE	STARS AWARDED
96-100 points	★★★★★
90-95 points	★★★★½
84-89 points	★★★★
78-83 points	★★★½
72-77 points	★★★
66-71 points	★★½
60-65 points	★★
54-59 points	★½
46-53 points	★
37-45 points	½
36 or fewer points	☆

Table A5. Stars and Corresponding Numerical Scores

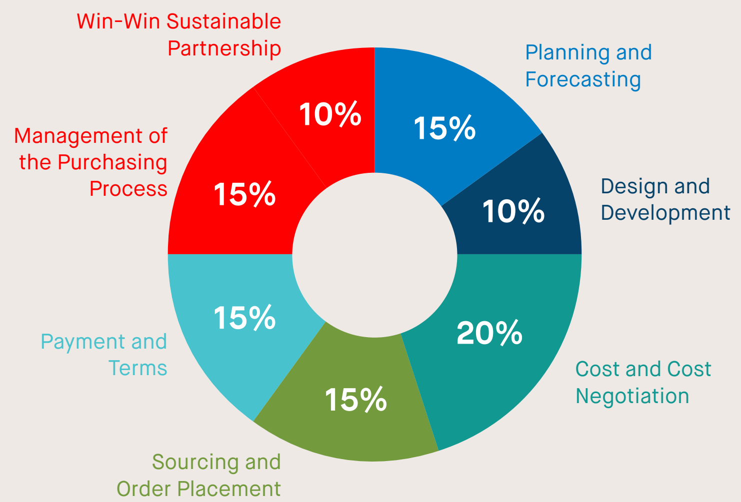

Figure A1. Weight of Seven Categories of Purchasing Practices to the Overall Better Buying™ Score

APPENDIX