



Better Buying:

*An Approach to Improving
Purchasing Practices in
Apparel Supply Chains*

WHITE PAPER PREPARED FOR BETTER BUYING'S GENEVA WORKSHOP
MAY 12, 2016

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Better Buying is an initiative co-led by Doug Cahn and Marsha A. Dickson. The project team thanks C&A Foundation for funding the feasibility study.

BIOGRAPHICAL DATA

Marsha A. Dickson, Ph.D., is Irma Ayers Professor of Human Services in the Department of Fashion and Apparel Studies at the University of Delaware and co-director of UD's Sustainable Apparel Initiative. Previously an apparel designer, Dr. Dickson has deep knowledge of the business operations involved in bringing product to market. She maintains an active research program involving field research in apparel producing companies and consults with well-known companies and organizations on corporate social responsibility and the impact of corporate purchasing practices on working conditions in global factories. She has published a number of books and peer-reviewed journal articles based on research in numerous countries. Dickson led creation and teaches in an innovative online graduate certificate in socially responsible and sustainable apparel business that was launched at UD in 2007. Dickson is an executive member of the board of directors of the Fair Labor Association (FLA), a non-governmental organization originally formed by President Clinton to improve working conditions in factories around the world. She has received several awards for her academic and industry contributions in social responsibility, including the All Star Award from Apparel Magazine and the International Textile and Apparel Association (ITAA) in 2009 and ITAA Distinguished Scholar in 2011.

Doug Cahn is a corporate responsibility executive with more than 25 years experience. As Vice President of Human Rights at Reebok International, Mr. Cahn led the implementation of Reebok's commitment to international human rights through the company's business practices and philanthropic endeavors. Among his accomplishments were the establishment of a child labor free soccer ball factory in Pakistan and a program for democratic elections of worker representatives in China. As principal of The Cahn Group, Mr. Cahn is a recognized expert on responsible purchasing practices and effective grievance mechanisms, providing expert advice to companies, multistakeholder initiatives, and international development agencies. He has developed human rights training programs, worker communication systems and assessment tools in over a dozen countries. He founded Clear Voice, an initiative that provides trusted communication channels for workers. He served as a founding board member of the Fair Labor Association and co-founded the Fair Factories Clearinghouse. He is a member of the board of directors of Verite and is an advisory board member of GoodWeave and Fair Factories Clearinghouse. For more information, see: www.thecahngroup.com.

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INTRODUCTION

Among professionals involved in labor compliance at the factory level it has become quite well-known that many of the problems they identify and attempt to correct result from decisions and behaviors made by corporate staff in buying, product development, sourcing, and other business functions of the buying companies. These decisions and behaviors are referred to collectively as “purchasing practices;” examples include large changes to order volume, delayed approvals during the development process, and pressure to reduce prices year after year.¹

First brought to attention by Oxfam International in the 2004 publication *Trading Away Our Rights*, purchasing practices have since been discussed as a root cause of code of conduct non-compliance and labor rights violations. In a guidance document about improving purchasing practices published by the Ethical Trading Initiative, the organization reported that “The purchasing practices of retailers and brands were found to be one of the significant factors holding back progress [on supplier compliance with the code of conduct].”² Today, many buyers, leading multistakeholder initiatives, industry associations, and civil society organizations are keenly focused on addressing this issue.

The Better Buying feasibility study assesses the practicality of:

- Allowing suppliers to provide anonymous input about how specific buyers’ purchasing practices make it difficult for suppliers to achieve compliance with their buyers’ codes of conduct for labor standards and working conditions, and
- Creating a forum for suppliers and buyers to share and dialogue about potential solutions to the problems.

In the long-term, a dialogue and rating platform would make it easier for suppliers to maintain decent factory workplace conditions by reducing or eliminating barriers to compliance that are created through the buying process.

The Better Buying project team, which is co-led by Doug Cahn and Marsha Dickson, Ph.D., believe such a rating and dialogue platform could create significant awareness and the motivation for apparel buyers to be more responsive to the need for responsible purchasing practices, expand public understanding of the complexity of addressing these issues, and open the door for transformative change by empowering buying companies with important information and facilitating solutions-oriented dialogue between buyers and suppliers. The

¹ Dickson, M.A., Loker, S., & Eckman, M. (2009). *Social responsibility in the global apparel industry*. New York: Fairchild Books.

² Ethical Trading Initiative (ETI) (2010). *Step-by-step guide to reviewing and improving purchasing practices: Initial lessons from the ETI purchasing practices project*. Available from Ethical Trading Initiative.

theory of change underpinning the Better Buying concept is that suppliers will be motivated to rate their buyers with sufficient protections for anonymity and that buyers will be motivated to respond to the ratings by taking steps to improve their performance.

This feasibility project is funded by C&A Foundation and began with background research summarizing the latest existing knowledge on purchasing practices; ways to ensure credibility and trust in the data; and key characteristics of the organization's programs, governance, and operations, including possible sustainable funding models. This background research was used as a foundation for developing working hypotheses about the purchasing practices the rating platform should measure, and hypotheses and recommendations about the necessary parameters of the organization and how it could operate.

After background research was complete, 37 manufacturing companies were consulted in face-to-face meetings in Bangladesh, Cambodia, China, Hong Kong, and Vietnam, resulting in rich learning and refinement of the preliminary measures. The supplier consultations took place in November and December, 2015.

As a next step, the working hypotheses were used to develop preliminary measures for each of the purchasing practices categories, and then those preliminary measures were revised and refined on the basis of a survey of suppliers, conducted during January 2016. The survey of suppliers aimed to provide data that could be used to narrow down potential measures of purchasing practices to those that are most important for business success and workplace conditions in factories, and that have readily available data that suppliers would be willing to provide in rating buyers' purchasing practices. Responses were submitted by approximately 60 suppliers from 20 countries.

Stakeholder consultations to introduce the Better Buying initiative, answer questions, and seek reaction and input on key topics took place by phone and through webinars beginning in February 2016. These consultations included 20 brands/retailers, 4 civil society and trade union representatives, 7 multistakeholder initiatives and trade associations, and 6 other stakeholders, including institutional investors, government agencies, and others.

The knowledge and initial conclusions from the research and consultation process are the subject of this report.

PURCHASING PRACTICES AND HUMAN RIGHTS

“ . . . there is still the proverbial elephant in the room: the extent to which the purchasing practices of buyers contribute to the very conditions their compliance programs are intended to address. You know better than I do what those practices are: ever-shorter lead times, producing greater varieties of products in smaller batches, last minute order changes, and relentless cost-pressures. Responsible purchasing is as important as responsible manufacturing.”

Ruggie, J.G. (2014, November 13). “From Audit to Innovation.” Keynote Address at the Annual Conference of the Business Social Compliance.

EXISTING KNOWLEDGE ON PURCHASING PRACTICES PROBLEMS

A review of existing civil society reports, academic research literature, and other documents was conducted to identify the purchasing practice problems already known. A key criterion for inclusion was that the reports/research provided information on purchasing practices problems through primary data collection, not simply the discussion of purchasing practices relative to worker rights/supplier challenges, or other research findings. Inductive analysis involved combing through 44 documents and identifying categories and sub-categories of purchasing practices problems.

The content was organized around seven functional aspects of the work of bringing product from concept to market, the management of the integrated set of processes, and the quality of relationship between buyers and suppliers that supports the work. The functional areas of activity are not mutually exclusive and they are sometimes conducted in iterative or only

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somewhat linear ways. However, it was believed that organizing ratings of buyer purchasing practices in this way would assist suppliers to think through the full range of their interactions with their buyers at a number of different levels.

There was considerable consensus among the reports about what the problems are; the project team's own experiences supported this consensus as well, and gave rich insight into how the problems present themselves. Key distinctions were made regarding which purchasing practices categories and sub-categories to include by focusing on what suppliers could reasonably observe through their interactions with buyers. This led us to leave out some issues internal to the buying companies that may be "root causes" of the observable phenomenon. For example, poor internal communication and personal disagreements can sometimes decrease the efficiency of a buyer company's work with resulting delays in reaching critical milestones; this could leave a supplier too little time to make the product under compliant working conditions (and could subsequently lead to violations of wage and benefit, overtime, and other code elements). While suppliers may or may not be privy to the internal conflicts within the organization, they would be aware of late handoffs of critical information and the strain put on production time.

Categories and sub-categories of purchasing practices problems identified at this first stage of the research included the following:

Planning and Forecasting

- Lack of proactive and timely dialogue with suppliers through provision of forecasts and other communications that will prepare them for anticipated volume
- Inaccurate plans and forecasts as compared with orders received

Design and Development

- Excessive sampling and use of time that increase sampling costs and eats into production time

- Design concepts and tech packs that are technically inaccurate or incomplete
- Excessive changes throughout development and even during production
- Requiring nominated suppliers in ways that reduce supplier flexibility and potentially create delivery challenges

Cost and Cost Negotiation

- Failure of the cost to cover decent work/compliant production
- Aggressive negotiation strategies that abuse buyer power and force hypercompetition
- Lack of costing knowledge or models to ensure coverage of costs of decent work
- Unrealistic demands for design details/quality relative to cost
- Inflexibility for cost renegotiation in responding to unexpected changes

Sourcing and Order Placement

- Lack of priority given to factory compliance when placing orders
- Reducing production efficiency with small orders/double-sourcing
- Delaying order placement thus delaying production

Production Management

- Providing inadequate time for production and reorders
- Failure of buyers to be accountable for reductions in production time due to their own actions
- Inattention to seasonality and using non-peak production time

Payment and Terms

- Failure of buyers to be accountable for payment and terms that have been contractually agreed
- Unfairly pushing risks to suppliers through payment terms, penalties, and other practices

Management of the Purchasing Practices Process

- Use of time and action calendars that do not provide adequate production time; failure to meet critical milestones
- No attempts to review internal purchasing practices to understand the buyers' purchasing practices impacts

Quality of the Relationship

- Lack of commitment to long term relationships where buyers and suppliers work together through multiple seasons
- Expression of conflicting expectations between compliance/CSR teams and product-focused teams
- Coercion, corruption, and threatening behaviors that abuse the power differential between buyers and suppliers
- Failure to build collaboration and trust through open dialogue and working together

REDUCTION TO THE MOST IMPACTFUL PURCHASING PRACTICES CATEGORIES AND SUB-CATEGORIES TO IMPROVE

Consultations with suppliers provided understanding, from their point of view, of what purchasing practices were most problematic. Suppliers made it clear, however, that buyers vary significantly in their practices and that a purchasing practice that is a big problem with one buyer would not necessarily be a big problem with every one of their buyers. As discussions were carried out, we gathered examples of good practice where they were available and listened carefully for possible measures that could distinguish good from poor practice.



BUSINESS SUCCESS TARGETING
HUMAN RIGHTS

On the basis of supplier feedback, the purchasing practices categories/sub-categories were refined. Draft measures were created and then the survey of suppliers verified that improving all 26 measures was important to a majority of suppliers for improving both their business and the wages and working conditions in their factories. Considered together, supplier responses across all the measures indicated their beliefs that improving a practice in order to improve business success and improving a practice in order to improve

working conditions were highly and significantly correlated, underscoring that supplier business success is an enabling condition for improvement of workplace conditions.

Furthermore, a majority of suppliers indicated that data were readily available for the 26 items and that they would be willing to provide input through a rating system, if their anonymity was protected. Focusing on all this information and the measures that received the largest majority of responses for importance in improving working conditions, the number of measures was reduced and refined to the set that would be used for the beta test. A few optional items were retained to test supplier data availability and willingness to report about these purchasing practices. The optional measures will not be included in calculating the ratings scores and for the foreseeable future, results for the optional results will not be publicly released beyond an industry-wide aggregate level.

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Final purchasing practices categories and sub-categories to be used in the beta test include the following, more positive practices:

Planning and Forecasting

- Proactive and timely dialogue with suppliers through provision of forecasts and other communications that will prepare them for anticipated volume

- Accurate planning and forecasting

Design and Development

- Making the development process worth the time and investment made by suppliers
- Technically accurate and complete information provided to suppliers

Cost and Cost Negotiation

- FOB costs that cover compliant production
- Non-aggressive negotiation strategies

Sourcing and Order Placement

- Incentives provided for compliant suppliers
- Efforts to address seasonality

Payment and Terms

- Buyer accountability for payment and terms that have been contractually agreed
- Fairness in financial risk-taking
- Not using questionable practices to avoid full payment

Management of the Purchasing Practices Process

- Use of time and action calendars that provide adequate production time; extent that critical calendar milestones are met
- Buyer accountability for maintaining adequate production time when they or their nominated suppliers cause delays

CSR Harmonization (internal and external)

- Buyer efforts to reduce audit fatigue
- Buyer staff speaking with one voice; aligned expectations between compliance/CSR teams and product-focused teams
- Respectful communications and dialogue

Practices originally identified as related to Production Management were consolidated under Sourcing and Order Placement or Management of the Purchasing Process. While it was difficult to delete some sub-categories that are widely viewed as problematic for suppliers (e.g.,

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numerous and late changes in designs), in most cases the outcomes of those practices could be captured elsewhere (e.g., numerous and late design changes are reflected in accountability for maintaining adequate production time and adherence to critical milestones).

In efforts to enhance credibility of data, the project team focused on creating precise and objective measures. When answered honestly, objective measures require data collected by suppliers in relationship to their work with buyers and reduce the likelihood and perceptions that ratings are emotionally-driven and subjective. Additionally, in efforts to motivate buyer improvement, many of the measures include continuous response scoring that would allow demonstration of improvements over multiple rating cycles as buyers work to reduce the impacts of their purchasing practices. Efforts were made to meet the desire of at least some suppliers to include measures on which many buyers would receive relatively strong scores.

STAKEHOLDER FEEDBACK ON THE BETTER BUYING INITIATIVE

Face-to-face, telephone and webinar-based stakeholder consultations resulted in a number of refinements to the initial approach identified by the project team following the research phase of the project. The Better Buying workshop in Geneva on May 12, 2016 is expected to further inform the initial operations of the Better Buying platform.

Consultations provided valuable formative feedback to the Better Buying team. Stakeholders expressed wide support for the initiative, considering it innovative, timely and relevant, meeting a need, and that the data provided by Better Buying would move the conversation about the issues along in productive ways, especially if investors would make use of the information provided. They appreciated that the intention is not to “name and shame” buyers, but support better behavior. Some concerns were raised by buyers, however, regarding the supplier use of the rating system and the public transparency component of Better Buying ratings. For example, there were some concerns that suppliers would exaggerate problems and fail to consider their own contributions to challenges in the buyer-supplier relationship.

Additionally, concerns were expressed about whether public ratings would prevent some buyers from engaging, that the rating scores might oversimplify the complexities of buyer-supplier relationships, and the need to acknowledge that some stakeholders would use the data to publicly berate buyers. Some questioned the basic premise of the initiative that suppliers must remain anonymous to encourage honest feedback and prevent retaliation, indicating that anonymous ratings would not provide sufficiently detailed information for buyers to correct problems that were identified.

Stakeholders also provided constructive feedback on the Better Buying initiative and rating process. Feedback was received on the following topics: who might be allowed to rate, the verification strategy and ways to verify business relationships between buyers and suppliers, data aggregation and factors to use in disaggregation when the number of ratings allowed, content valuable for buyer and supplier profiles, possible synergies with other initiatives, and strategies for focusing the initial rollout beyond the beta. The team was cautioned about initiative fatigue, and that the current system was creating business success for a lot of buyers and suppliers. Finally, there was considerable interest in the longer-term business model for Better Buying, its key value proposition, how it would be funded, and the opportunity the data will provide to reach consumers in new ways.

CURRENT THINKING ON THE BETTER BUYING PROCESS

The following sections articulate key concepts and approaches we intend to use during the beta test, and to adopt during rollout and scale up phases. Input that will strengthen the program and its impacts on suppliers and workers is welcome. As such, it is acknowledged that these approaches may change during the feasibility project as more is learned through additional consultations and the beta test, and as Better Buying moves into rollout and scale up phases.

DEFINITION OF SUPPLIER AND BUYER

For the beta test and initial rollout of Better Buying, a supplier shall be a manufacturer that owns and operates one or more factories. Buyers are defined as the brands and retailers for whom the products are manufactured. The platform will capture whether the orders were given to a supplier directly or through an intermediary (such as a trading agent or vendor). However, it is the brand or retailer that selects any intermediaries that may be used and, therefore, it is the brand or retailer that bears the responsibility for any harmful buying practices they may cause. As Better Buying is scaled out over the upcoming few years, it is anticipated that other types of suppliers will be allowed to rate, including licensees, vendors/agents that do not own factories, and even brand name marketers supplying product to multi-brand retailers.

OUTREACH TO SUPPLIERS

Few suppliers will initially know about Better Buying and since their participation is critical to the initiative's success, Better Buying will encourage supplier participation through an ongoing outreach campaign during rollout and scale up. The more suppliers that rate their buyers, the more accurate the aggregated data will be and the more likely buyers will have information they can use to improve their purchasing practices.

Clear and transparent information about how Better Buying works will be essential to building trust of all parties and promote usage of the platform. Better Buying will provide clear guidance on how the Better Buying platform functions. This includes making clear instructions on how to use the system readily available and adding relevant supplier languages to the website over time.

SUPPLIER PROFILE

The accuracy and relevancy of data will be enhanced by proactive steps to create legitimate profiles of raters, clear rules guiding data input, and regular expert oversight.

In order to limit ratings to legitimate suppliers and verify the accuracy of information supplied by suppliers, starting with the beta test suppliers will be required to register on the Better Buying platform by fully completing all fields of a Supplier Profile that includes, among other things, the supplier name, location of owned factory(ies), products manufactured, primary manufacturing activities conducted, and number of workers. Suppliers will designate one representative to be responsible for submitting ratings on the Better Buying rating platform, though it is expected that other company representatives may need to be consulted to complete the rating.

Suppliers will be subject to a desk verification of the information contained in the Supplier Profile. The desk verification will be conducted by Better Buying staff. The registration and verification process will be used to confirm the identity of the supplier and to provide data that can be used by Better Buying to conduct data analysis. Better Buying staff may draw from publically available data and other data, as well as supplier provided information to determine the truthfulness and completeness of supplier information.

GENERAL INFORMATION GATHERED WITH EACH RATING

The first section of all ratings will include the terms of use and some basic questions about the buyer and its order(s). Suppliers will note whether they received the orders directly from the buyer they are rating or through an intermediary such as a trading agent, vendor, or licensee. They will also indicate the country of production and the general product category(ies) produced during the last season; apparel and footwear will be the product categories distinguished initially. Suppliers will upload documentary evidence of their relationship with the buyer being rated. For the beta test, the type of document is determined at the discretion of the supplier. Any supporting documents required by Better Buying to verify the information provided will remain confidential to Better Buying.

No partially completed Supplier Profile or supplier rating will be accepted. This is important to providing an accurate and balanced view of buyer purchasing practices.

BUYER PROFILE

In the rollout and scale up phases, buyers that are registered users with Better Buying will have the opportunity to provide basic company information that describes the location, size, business profile and approach taken by the company to reducing the impact of its purchasing practices on suppliers and workers in the supply chain. We encourage input from stakeholders on this topic. Information supplied by buyers may be augmented by Better Buying, drawing from publicly available sources. Better Buying reserves the right to determine a maximum length of any buyer response and to delete any information it deems is not directly related to the goals of Better Buying. Note that if a buyer chooses not to register as a user with Better Buying and provide profile information, this will not prevent ratings scores from being publicly released.

RATING FREQUENCY

Suppliers will be encouraged to rate multiple buyers on a recurring cycle. A supplier rating of any single buyer shall be limited to once in every six-month period. There will be “final submission” dates established and communicated with registered suppliers to assure timely completion of ratings. Likewise, there will be dates established for when aggregate ratings are released publicly with the assumption that buyers may want to update their profile information prior to each public launch.

RATING AND SCORING

During the Geneva workshop, the weights of the various purchasing practices categories to the overall Better Buying score will be discussed. Current plans for specific scoring of the measures and their weights will not be discussed because of their preliminary nature and the likelihood that they will change after data analysis. However, input will be gathered in Geneva about the ability of the purchasing practices categories and sub-categories to meet the needs of stakeholders beyond suppliers.

TERMS OF USE

Starting with the beta test and later phases, suppliers and buyers shall agree to use the Better Buying platform solely for the purpose of providing information that can lead to awareness and improvement of the buyer purchasing practices that have been determined by Better Buying to have an impact on suppliers' ability to create and maintain decent conditions of work. Suppliers and buyers will agree to terms of use each time they post information on the platform.

RELEASE OF INFORMATION TO BUYERS AND OTHER STAKEHOLDERS

No individual supplier rating nor any raw data will be released to buyers or any other parties except that the supplier will receive the score of the buyer it has rated after the score is calculated by Better Buying.

When a buyer has been rated a minimum of five times during the same rating period (i.e., six months), an aggregate star rating will be released to the buyer. Once buyers have established communication with Better Buying, they will also be provided access to star ratings for the purchasing practices categories (e.g., Planning and Forecasting). Access for buyers to put information placed on the platform and gain access to summary statistics for each measure will require payment of annual registered user fees.



After receiving the aggregate ratings, buyers will be allowed a 90-day response period. During that time, the buyers that are registered users may submit for posting updated information

about the policies and procedures of the company related to the role of purchasing practices in implementing its code of conduct or specific steps it may have taken in response to the rating.

At the end of the 90-day period (or later if determined by Better Buying), the rating scores and updated buyer profile information will be made available to the public on the Better Buying website. Those buyers with the best purchasing practices will be prominently displayed on the website, though scores for all rated buyers will be available.

Other stakeholders may also register as users to have access to summary statistics for the specific measures in exchange for user fees. Fees for all registered users will be determined by the end of the feasibility project or early in the rollout phase.

Those buyers with the best purchasing practices will be prominently displayed on the website, though scores for all rated buyers will be available.

Some buyers with very small supply chains may desire to obtain ratings data to improve their purchasing practices, but will not have an adequate supplier base to meet the minimum threshold of ratings required for aggregation and release of scores. Better Buying will attempt to work with interested buyers in this situation to determine strategies that meet their needs while still ensuring suppliers are completely comfortable with the level of anonymity they can be provided.

Public release of the buyer-specific Better Buying ratings will begin with the rollout and scale up phases. During the beta test, we anticipate releasing ratings only to buyers and only to those buyers where sufficient supplier ratings exist. Any public report that would be released during the beta would simply cover aggregate ratings for the apparel industry as a whole.

DEVELOPMENT OF A DISPUTE PROCESS

The project team recognizes that some inaccurate information may be inevitable and that the Better Buying platform will not take a position on the accuracy of any particular rating or buyer response to it; however, it is noteworthy that data verification processes and procedures for completing ratings will largely mitigate this risk. This is similar to the approach taken by the Business and Human Rights Resource Centre that defines the gold standard for offering differing perspectives about corporate behavior in the context of a fair, public, online venue. Nonetheless, it is anticipated that during rollout and scale up, a time-bound dispute process addressing distinct types of disputes will be developed and implemented. Stakeholders will be encouraged to provide feedback that can be used for development of that system.

BETA TEST AND INITIAL ROLLOUT STRATEGIES

The beta test requires suppliers to complete ratings of buyers that they believe have the best purchasing practices and those that they consider have the worst purchasing practices. This will allow the rating and scoring system to be tested and fine-tuned as necessary to ensure that buyers with good purchasing practices can be distinguished from others. Ideally, 30 suppliers should participate and provide at least two buyer ratings (best/worst). While the project team is

prepared to solicit participation from the suppliers that have been consulted in earlier phases of the project, an idea proposed in one of the stakeholder consultations was to identify 10 to 15 buyers that would like to participate and have them engage their suppliers to submit ratings. Care would need to be taken to make clear that suppliers understand the value of the opportunity. This approach has some attractive aspects including the ability to not only test and refine the scoring systems, but also provide adequate data to allow release of aggregate scores to buyers. As such, if applied during the beta test, this approach reflects a unique, one-time opportunity for buyers to access ratings that will not be publicly released, providing them a “head-start” on making improvements before the first public release of scores.

As a tactical matter, during the rollout phase that begins in 2017, it will be essential to identify suppliers who can collectively rate a sufficient number of buyers to meet or exceed 5 ratings for each buyer. During the consultation process a variety of suggestions were made regarding rollout and these are listed below.

- The approach already described where the suppliers of 10 to 15 buyers that want to engage with Better Buying are pursued.
- Targeting the suppliers of the 20 largest global brands and retailers.
- Focusing on the factories associated with signatories of the Bangladesh Accord on Fire and Building Safety.
- Focusing on members of the Sustainable Apparel Coalition.
- Involving factories associated with Better Work.

There are likely many other approaches as well and the project team would welcome stakeholder input and collaboration.

Throughout the supplier selection and outreach process during the beta test, rollout, and scale up, it will be essential to keep the supplier-centric focus of the initiative and to avoid the perception of Better Buying as another brand driven compliance initiative.

A strategy for a multi-tiered rollout and scale up plan that progressively adds more suppliers and/or expands the buyers to be rated will be necessary. Getting suppliers motivated to rate their buyers will take a major effort. Personal contact with supplier organizations and individual suppliers will be key as could the participation of a smaller, but committed group of suppliers who by submitting ratings will demonstrate the protection provided to suppliers and encourage others to participate. Regardless of the rollout approach taken, the plan will require interactions with buyers to help them understand the opportunities presented as a result of the data provided and productive ways to engage with Better Buying.

DIALOGUE FOR SHARING AND LEARNING

One important purpose of the Better Buying platform is to create a forum for buyers to be able to dialogue with other buyers and suppliers about ways to improve performance related to responsible purchasing practices. This is consistent with the commitment of Better Buying to create solutions and highlight good practices. On an ongoing basis, case studies will be solicited

by Better Buying staff to highlight good practice and will be posted on the website as the rollout proceeds. Chat rooms or other discussion forums that are driven by topic specific agendas will also be useful and are planned for the rollout of Better Buying. Links from the website to other resources, including teaching tools, research studies, and compliance benchmarks that may already exist can help buyers understand and mitigate or eliminate the negative impacts of purchasing practices.

The dialogue functions that are already planned could also be augmented by in-region workshops comprised of suppliers and buyers hosted by Better Buying in collaboration with key partners. These workshops could be used to share best practices and to problem solve. The result could be the promotion of more supplier ratings and the disseminating of learnings to wider audiences.

Anonymity of buyers and suppliers will be protected during the online sharing and learning process. Better Buying will also provide solutions-oriented and best practice content drawing from its expertise, analysis and third-party resources.

ORGANIZATION AND GOVERNANCE

While Better Buying's proof of concept is being fully tested, the intention is to house the project within the University of Delaware (UD), a privately chartered university with public support. UD's Sustainable Apparel Initiative (UDSAI) promotes environmental sustainability and social responsibility in the apparel and retail industries. Established in 2008 in collaboration with key industry partners, UDSAI leverages the department's extensive expertise in apparel and textiles sustainability and social responsibility, consumer behavior, and apparel design to research, design, create, and demonstrate a framework of guidelines, practices, programs, and solutions to shape the character of the apparel and retail industries in their evolution toward sustainability. Faculty and students are frequently engaged in field research focused on the apparel industry and in classroom and on-line education on purchasing practices, and related topics.

Care will be taken in considering the possible synergies with many existing initiatives and the need to create a sustainable business model.

A small professional staff will be required in order to encourage suppliers to rate their buyers, manage the verification of data, conduct analysis, communicate with buyers, and maintain the platform. While housed at UD and benefitting from interdisciplinary student and faculty involvement, the project team also anticipates a host of key partners will be involved in the rollout. These partnerships will be explored in the next few months of the feasibility project.

During the rollout phase, the Better Buying team will assess the relative merits of continuing scale up from a University base, a free-standing non-profit organization, a small for-profit business, or as a project of an existing initiative whereby the Better Buying rating and dialogue system would be licensed. Care will be taken in considering the possible synergies with many existing initiatives and the need to create a sustainable business model.

LONG-TERM FUNDING

In addition to the feasibility grant provided by C&A Foundation, the financial sustainability of Better Buying will be contingent on two sources of funding. In the short term, additional grants from a variety of sources should get Better Buying through the rollout phase and early stages of scale up, allowing for a small core of staff, an intensive outreach campaign to suppliers and ongoing communications with buyers and other stakeholders. The platform will undoubtedly require an influx of funds in order to enhance its capability following the beta test phase.

Long-term financial sustainability will likely depend on buyers and suppliers and other users of detailed analytics paying a subscription or usage fee. Larger subscriptions fees can make available access to premium data and measures (while still aggregated) and advanced analytics. An initial fee schedule will be proposed at the end of the feasibility period or during the rollout phase.

The selling of advertisements will be prohibited since advertisements may create the perception that advertisers will receive favored ratings or advantageous positions in search results.

CONCLUSIONS

Better Buying is committed to taking a positive approach to improving purchasing practices, providing actionable data, and by highlighting best practices in all its communications, including highlighting the better ratings in prominent positions on the Better Buying website. Buyers have expressed interest in Better Buying's implications for their own business and for their business partners in the supply chain. Three immediate opportunities are noted here.

First, Better Buying provides an opportunity for those that have examined their purchasing practices and worked to improve them to have that hard work publicly validated.

Second, Better Buying data will assist corporate responsibility and ethical trade professionals within companies to have better informed conversations with their product-focused colleagues. The ratings and summary statistics will be useful to a large array of buyer employees since the scores are based on the full range of production creation processes. Buyer company employees will also be able to see how their day-to-day activities impact suppliers and workers and contribute to realistic internal solutions.

Third, C-suite executives and risk management executives will benefit from Better Buying data because of the opportunity to gain advance warning of potential liabilities and material risks to company investors.

It is anticipated that the nature of audits could even change as a result of information learned through the Better Buying rating process. The idea of purchasing practices would be considered in assessing the root cause of factory non-compliances and could lead to buyer-focused corrective action plans, in addition to steps that suppliers must take. The capacity of auditors to understand the full business relationship between buyers and suppliers would need to be considered.

There is high interest on the part of all stakeholders in learning how Better Buying will interact and/or collaborate with companies and other initiatives. Civil society organizations are keen to understand the implications of Better Buying ratings and the dialogue system in facilitating responsible corporate behavior and how they might use the data to enrich their own purchasing practices-related initiatives. To date, the project team has focused primarily on establishing a strong rating and scoring system and so conversations about how Better Buying will relate to companies and other initiatives are next steps that will be undertaken with the full knowledge of the perception of “initiative fatigue.”

The Better Buying initiative will have to plan and implement an awareness campaign to launch the initiative beyond the feasibility stage, allowing it to reach sufficient acceptance and usage levels so that the information provided will be meaningful. This will take a major effort since the initiative is not well known or tested at this stage in its development. In creating the plan, care will need to be taken to ensure that during the beta test, rollout, and scale up, the supplier-centric focus of the initiative is maintained and the perception of Better Buying as another brand driven compliance initiative is avoided.

The project team recognizes that a rating system should not be static. After sufficient time and usage, there will likely be adjustments to the measures and scoring to reflect the state of purchasing practices at that time. Such adjustments would be communicated publicly and to Better Buying users, to make clear any impacts on longitudinal trends.

The interest by non-garment sectors in Better Buying is high. Initial reflections are that the Better Buying approach will be very relevant and easily adaptable to non-apparel sectors.

Better Buying can serve as a forum for teaching and learning about reducing the negative impacts of purchasing practices. The rating and dialogue functions that are already planned could be augmented by in-region workshops comprised of suppliers and buyers hosted by Better Buying in collaboration with key partners.

The Better Buying initiative remains in the feasibility stage through the end of 2016. The Geneva convening on May 12 marks the official launch of the initiative and is an opportunity to review what has been learned to date, learn generally how the rating and dialogue system will work, see how the supplier side of the beta platform will work, and, importantly, for key stakeholders to work together to refine the Better Buying approach. It is clear that improving purchasing practices will be a long and difficult process. The immediate next steps are to launch the beta test and outreach to suppliers in order to collect data and test and refine the measures and scoring.



BetterBuying

ELIMINATING BARRIERS TO
COMPLIANCE THAT ARE CREATED
THROUGH THE BUYING PROCESS