



Better Buying™

Index Report, 2019

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



ABOUT BETTER BUYING™

Better Buying™ is a global initiative that provides retailers, brands, and suppliers a cloud-based platform to obtain data-driven insights into purchasing activities. Better Buying's transparency fosters sustainable partnerships and mutually beneficial financial results and other outcomes. Anonymous supplier ratings of buyer purchasing practices obtained by the independent third-party initiative are aggregated, scored, and made available to the participating retailers, brands, and suppliers with the goal of accelerating change and industry-wide improvements across supply chains. Co-founded by Marsha Dickson, Ph.D. and Doug Cahn, Better Buying™ was launched during an 18-month feasibility study funded by C&A Foundation in 2015 as a project of the University of Delaware. Better Buying™ is part of Better Buying™ Institute, now incorporated as a non-stock corporation in Delaware, USA, pursuing 501(c)(3) status. For more information, visit: www.betterbuying.org.

Report written by Dr. Marsha A. Dickson, president and co-founder of Better Buying™, with support from Dipti Bhatt, research associate, and Chris Schreiber, executive advisor.

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1. Introduction

The 2019 Better Buying™ Index Report introduces for the first time, country-level analyses and examples of the purchasing practices of individual companies. These new findings illustrate the value of deeply analyzing business practices so that the relationships between retailers/brands, and their suppliers, can provide beneficial and sustainable outcomes for all.

INTRODUCTION

Our Spring 2018 report marked the launch of the Better Buying™ Purchasing Practices Index (BBPPI) and explained our use of data submitted anonymously by suppliers to measure the performance of retailers and brands within the apparel, footwear, and household textiles industries against seven categories of purchasing practices ranging from Planning and Forecasting through Cost and Cost Negotiation and Win-Win Sustainable Partnership. Ratings have been updated on a biannual basis, but we now are moving to annual data collection. The data are aggregated, scored, and made available to the retailers and brands engaged with us, and the suppliers rating them. Annually updated information shows how purchasing practices are improving over time.

This report summarizes the overall results and shares key findings from the Q4 2018 ratings cycle, that was carried out between November 2018 to April 2019. Information about data collection methodology and participation can be found in the Appendix of this report.

The buying companies that engaged with Better Buying™ during this ratings cycle that received the minimum numbers of required ratings have been provided individualized company reports. The reports include a summary of their performance against the industry benchmark and recommendations for improvements in stabilizing their supply chains and working more collaboratively with their suppliers in sustainable partnerships. From these actionable insights, retailers and brands are working to streamline their operations, create stronger partnerships with suppliers, and monitor their efforts over time. Similarly, suppliers are providing essential input needed by their customers to design solutions that support a more sustainable industry.

2. Scores and Ratings

Table 1 outlines the scores from the 802 ratings submitted during the Q4 2018 ratings cycle. The best scores of 4 to 5 stars are colored in green, mid-range scores of 2 to 3.5 stars are in blue, and poor scores of 1.5 stars or less are in red. It is important to note that the industry benchmark does not represent a standard of good performance, it simply indicates average industry performance during this ratings cycle.

The Q4 2018 scores reflect no changes from the Q2 2018 ratings cycle. The lack of change so far is understandable given the newness of the information to many retailers and brands. Additionally, retailers and brands participating in the previous cycle did not receive their company reports until close to the launch of the Q4 2018 ratings cycle.

In Q4 of 2018, the average Better Buying™ score for all retailers and brands was 2 stars out of 5, but the scores assigned to individual companies varied widely, ranging from a low of 0 stars to a high of 4.5 stars (see Table 1). The best performing category continued to be Management of the Purchasing Process (4.5 stars), while the worst performing category was Sourcing and Order Placement (0.5 stars).

| BETTER BUYING™ SCORE | INDUSTRY BENCHMARK, Q2 2018 (N=363) | INDUSTRY BENCHMARK, Q4 2018 (N=802) |
|--------------------------------------|--|--|
| Overall | ★ ★ | ★ ★ |
| Planning and Forecasting | ★ ★ | ★ ★ |
| Design and Development | ★ ★ ★ | ★ ★ ★ |
| Cost and Cost Negotiation | ★ ★ ★ | ★ ★ ★ |
| Sourcing and Order Placement | ★ | ★ |
| Payment and Terms | ★ ★ | ★ ★ |
| Management of the Purchasing Process | ★★★★★ | ★★★★★ |
| Win-Win Sustainable Partnership | ★ ★ ★ | ★ ★ ★ |

Table 1. Overall Better Buying™ and purchasing practices category scores (0 to 5 stars)

3. Key Findings

Key findings from the Q4 2018 ratings cycle are presented in this section. A major portion of the report is devoted to an analysis of differences in retailer and brand purchasing practices by key geographic locations where suppliers are headquartered. We profile the purchasing practices used by brands/retailers in certain locations that are experiencing better practices, and those that are experiencing worse. We purposely do not refer to the suppliers in these locations as “winners” or “losers” since with many practices, all parties are losing.

After the geographic analysis, examples of the differences between anonymous individual retailer and brand performance are shared. Finally, new findings describing how years of relationship between retailers/brands and their suppliers influence Better Buying™ scores are revealed.

HOW DO RETAILER AND BRAND PURCHASING PRACTICES DIFFER FOR SUPPLIERS LOCATED IN KEY GEOGRAPHIC LOCATIONS?

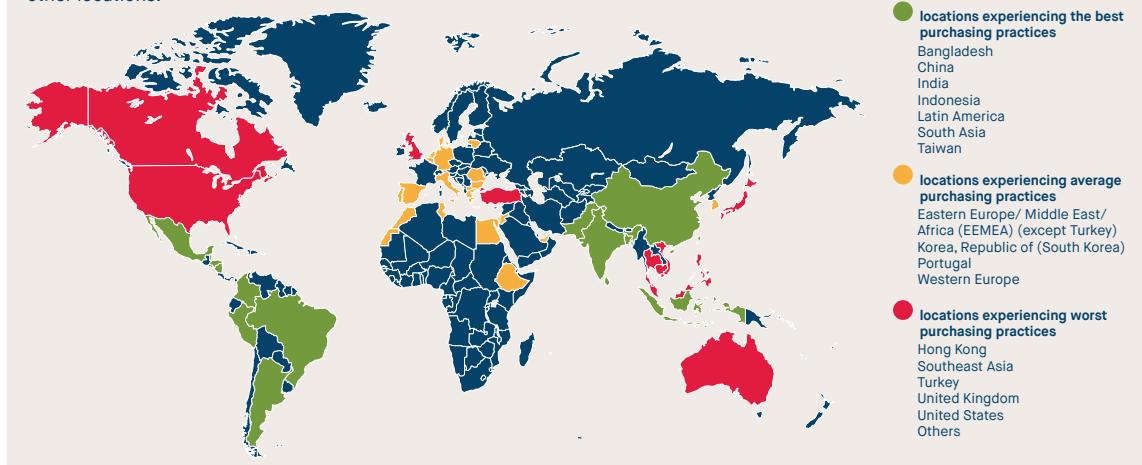
To understand how suppliers from specific locations are treated differently by their retailers and brands, we first organized the data geographically, grouping ratings from the 11 locations that had submitted the most ratings, and then organizing the remaining ratings into six additional regional locations, each with sufficient numbers to carry out statistical tests.¹

We started the geographic analysis by looking for significant differences in the scores of the seven purchasing practices categories. There were statistically significant differences in four categories.

- Planning and Forecasting
- Cost and Cost Negotiation
- Sourcing and Order Placement
- Management of the Purchasing Process

Further analysis of Sourcing and Order Placement reflected diverging differences based on the two primary subcategories of information gathered in that category. Those subcategories consider whether suppliers are provided incentives for production that is compliant to the retailers’ and brands’ codes of conduct, and how extensive is the monthly variation in shipment volumes. Therefore, we reanalyzed differences by locations for those subcategories.²

The map below highlights locations specifically experiencing better, average, and worse purchasing practices in comparison with other locations.



¹ The initial idea was to analyze responses of the Top 10 locations by ratings submitted, but there was a tie for 10th place. Numbers of ratings submitted by each location are reported in Table A6.

² See additional detailed data and tests of difference in Table A5 and A6 of the Appendix.

We wanted to make it easy for a non-statistician to identify which locations suppliers were, on average, on the receiving end of relatively better purchasing practices versus which locations suppliers were suffering from worse buyer purchasing practices. Therefore, we looked across the results and the numbers of differences observed between locations to calculate a “Net Buyer Impact” score (see Table 2). This score was derived by summing the number of locations compared to which any single location reported better buyer practices and then subtracting the number of locations that same single location reported significantly worse practices. A larger positive Net Impact Score indicates that across the results, the location is experiencing somewhat better purchasing practices. Likewise, a larger negative Net Impact Score indicates which locations are experiencing worse buyer purchasing practices. From this analysis, we decided to profile six locations in this report: Bangladesh, Latin America, Hong Kong, Turkey, United States, and Southeast Asia.

A larger positive Net Impact Score indicates that across the results, the location is experiencing somewhat better purchasing practices. Likewise, a larger negative Net Impact Score indicates which locations are experiencing worse buyer purchasing practices.

Hong Kong, Turkey, United States, and Southeast Asia.

The next section highlights the buyer purchasing practices that are observed in the locations experiencing better purchasing practices (Bangladesh and Latin America) and those experiencing worse purchasing practices (Hong Kong, Turkey, United States, and Southeast Asia). We report data submitted by suppliers from these

six locations, making notes of when we observed statistically significant differences in the responses to the specific questions.³ The relative lack of statistically significant “better” practices compared with those that are “worse” practices underscores our emphasis that purchasing practices used in Bangladesh and Latin America cannot be considered “best practices” and efforts should be made to improve in all locations.

| LOCATION | NET BUYER IMPACT* |
|---|-------------------|
| Bangladesh | +13 |
| China | +8 |
| Eastern Europe/ Middle East/Africa (EEMEA) (except Turkey) ^a | 0 |
| Hong Kong | -11 |
| India | +8 |
| Indonesia | +7 |
| Korea, Republic of (South Korea) | +3 |
| Latin America ^b | +14 |
| Portugal | +1 |
| South Asia ^c | +10 |
| Southeast Asia ^d | -16 |
| Taiwan | +5 |
| Turkey | -15 |
| United Kingdom | -9 |
| United States | -16 |
| Western Europe ^e | 0 |
| Others ^f | -2 |

Table 2. Net Buyer Impact on Locations

*Positive numbers reflect better purchasing practices, while negative numbers reflect worse purchasing practices.

^a EEMEA: Bulgaria, Egypt, Ethiopia, Greece, Israel, Jordan, Lithuania, Macedonia, Mauritius, Morocco, Romania, Tunisia, United Arab Emirates except for Turkey, which submitted the 4th number of ratings and so is listed separately.

^b Latin America: Argentina, Belize, Brazil, Colombia, El Salvador, Honduras, Mexico, Nicaragua, Peru

^c South Asia: Pakistan and Sri Lanka

^d Southeast Asia: Cambodia, Malaysia, Philippines, Singapore, Thailand, Vietnam

^e Western Europe: Belgium, Denmark, Germany, Italy, Netherlands, San Marino, Spain

^f Others: Australia, Canada, Japan, Samoa

³ For simplicity, in reporting significant differences that were found at the question level, we have chosen to include only differences between countries that were found to experience significantly different purchasing practices at the category/subcategory level.

Better Retailer/Brand Purchasing Practices: Bangladesh



About the Ratings:

- **43** suppliers submitted ratings
- **87.8%** submitted by factory owners
- **201** total factories owned; employing a total of **385,848** workers during high season and **375,433** workers during low season

➤ 13 unique retailers and brands rated, headquartered in:

- Asia Pacific: **16.3%**
- Europe/UK: **34.9%**
- North America: **46.5%**
- South Asia: **2.3%**

WHAT ARE THE PURCHASING PRACTICES RETAILERS/BRANDS USE WITH SUPPLIERS IN BANGLADESH?

Retailers and brands rated by suppliers headquartered in Bangladesh were reported to have better practices in Planning and Forecasting (compared to retailer/brand practices in two other locations), Incentives for Compliant Production (compared with seven other locations), and Management of the Purchasing Process (compared to retailer/brand practices in three other locations). Practices of retailers and brands sourcing from Bangladesh suppliers were mixed in Cost and Cost Negotiation, with suppliers there being treated better than one location and worse than one other and Monthly Order Variation (retailers and brands practices in Bangladesh were better than two locations, and worse than one other).

Highlights for Bangladesh show a higher percentage of suppliers receive forecasts further in advance, which contributes to better visibility. This is coupled with a comparatively more stable ordering pattern across the months. Yet, forecasting is inaccurate, and a negative outcome of this is the high percentage left with

unutilized capacity or empty production lines that can be difficult to fill at the last minute.

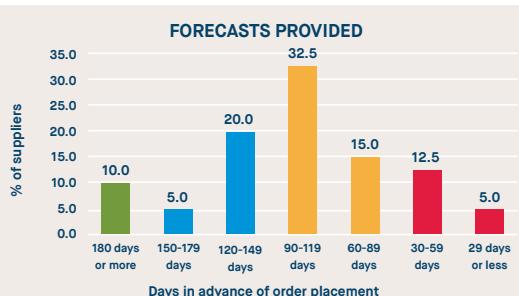
These practices reflect Bangladesh's known reputation and value for providing low-cost commodity products in long production runs. It is important to note the relatively higher rate of suppliers that report they receive incentives for compliant production, which encourages suppliers to ensure workplace conditions are improved.

Disturbing statistics include the low percentage of Bangladesh suppliers reporting most orders were priced for compliant production, and the frequent use of cost negotiation strategies that place high pressure on suppliers' business, and subsequently workers, in one of the lowest-priced production centers in the world. **The strategies most frequently used raise questions about how suppliers can cope with the rising wages in the area and support views that open-book costing is sometimes misused.**

KEY FINDINGS

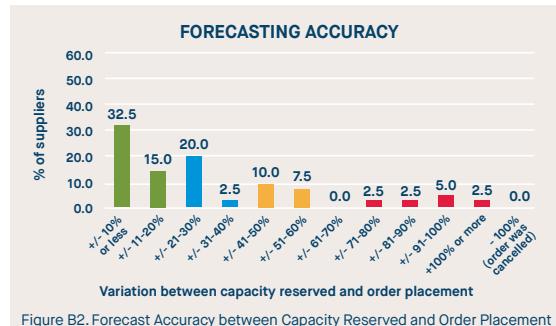
RETAILER/BRAND PLANNING AND FORECASTING PRACTICES IN BANGLADESH

- **93.0%** of suppliers in Bangladesh receive forecasts
 - Suppliers receiving regular forecast updates and significant differences from other locations:



- **35.0%** of suppliers received forecasts 120 days or more in advance of order placement

- **93.0%** of retailers and brands reserved capacity in advance of production
 - 47.5% of actual orders within 20% of capacity reserved



› Outcomes of inaccurate forecasting:

- Suppliers left with unutilized capacity and significant differences from other locations:

BANGLADESH
55.0%

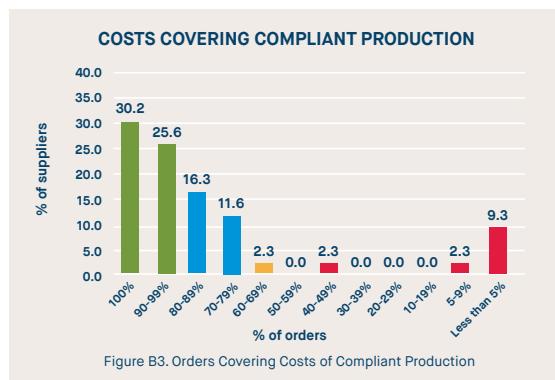
TURKEY
30.8%

• Of these suppliers in Bangladesh:

- 36.4% had to accept last-minute, low price orders to fill capacity
- 31.8% were left with unused capacity
- 45.0% left with excess materials. Of these:
 - 5.6% reported retailers and brands paid for the excess materials
 - 83.3% were asked to hold materials for use in future orders
 - 5.6% reported retailers and brands took no responsibility for excess materials

RETAILER/BRAND COST AND COST NEGOTIATION PRACTICES IN BANGLADESH

- › 55.8% reported most orders (90% or more) were priced for compliant production



- › Number of negotiation strategies placing high pressure on supplier business and significant differences from other locations:

BANGLADESH
Mean=3.0 (SD=3.6)

WESTERN EUROPE
Mean=1.2 (SD=2.0)

› Most frequently reported high-pressure strategies:

- Demanding level prices be maintained from year to year, no consideration for inflation: 37.2%
- Sharing competitors' bids/pressure to meet other competitors across different countries: 32.6%
- Requiring supplier to meet specific elements of other suppliers' cost structure: 30.2%
- Take it or leave it – meet the target cost or supplier cannot win the order: 27.9%
- Demanding across the board price cuts from previous orders/years: 25.6%

RETAILER/BRAND SOURCING AND ORDER PLACEMENT PRACTICES IN BANGLADESH

- › Suppliers reporting incentives are received for compliant production and significant differences from other locations:

| BANGLADESH | HONG KONG | TAIWAN | TURKEY | UNITED STATES | UNITED KINGDOM | SOUTHEAST ASIA | WESTERN EUROPE |
|--------------|--------------|--------------|--------------|---------------|----------------|----------------|----------------|
| 62.8% | 37.2% | 34.8% | 35.0% | 18.5% | 35.0% | 40.5% | 39.4% |

- Larger volume and consistent minimum volume of production per month most frequently reported incentives: 30.2% each

- › Monthly Order Variation (Order Risk-to-Reward) and significant differences from other locations (lower percentage is best):

| BANGLADESH | TURKEY | WESTERN EUROPE | KOREA |
|--------------|--------------|----------------|--------------|
| 65.8% | 88.9% | 89.5% | 41.5% |

- Suppliers reporting monthly order (ORR) variation negatively impacted workplace conditions and significant differences from other locations:

| BANGLADESH | WESTERN EUROPE |
|--------------|----------------|
| 44.2% | 18.9% |

RETAILER/BRAND PRACTICES IN MANAGEMENT OF THE PURCHASING PROCESS IN BANGLADESH

- › Suppliers receiving TNA/terms that allow enough time for all processes and significant differences from other locations:

| BANGLADESH | UNITED STATES | SOUTHEAST ASIA |
|--------------|---------------|----------------|
| 93.0% | 76.7% | 79.5% |

- › 95.3% of retailers and brands nominated raw materials suppliers
- Retailers and brands managing those relationships with nominated suppliers and significant differences from other locations:

| BANGLADESH | KOREA | SOUTHEAST ASIA |
|--------------|--------------|----------------|
| 87.8% | 64.7% | 67.6% |

- › 48.8% of retailers and brands missed deadlines

- Number of missed deadlines reported: Mean=1.9 (SD=1.7)
- No specific deadlines were reported as missed by 25% or more suppliers

Better Retailer/Brand Purchasing Practices: Latin America



About the Ratings:

- **19** suppliers submitted ratings
- **89.5%** submitted by factory owners
 - **35** total factories owned; employing a total of **37,195** workers during high season and **32,200** workers during low season

➤ 5 unique retailers and brands rated, headquartered in:

- Europe/UK: **15.8%**
- North America: **84.2%**

WHAT ARE THE PURCHASING PRACTICES RETAILERS/BRANDS USE WITH SUPPLIERS IN LATIN AMERICA?

Retailers and brands rated by suppliers headquartered in Latin America reported better practices in Planning and Forecasting (compared to retailer/brand practices in six other locations), Cost and Cost Negotiation (compared to retailer/brand practices in one other location), Monthly Order Variation (compared to five other locations), and Management of the Purchasing Process (compared to two other locations).

Latin America's experience of better purchasing practices is supported by retailers/brands reserving capacity, which helps provide visibility to orders that are coming despite late forecasts. However, those forecasts are relatively more accurate and fewer suppliers are left with unutilized capacity. **Month-to-month order variability is surprisingly low, given Latin America's proximity to the U.S. market and its position as a provider of "fast fashion".** Yet, it would be valuable to understand why relatively few suppliers are rewarded with incentives for compliant production.

KEY FINDINGS

RETAILER/BRAND PLANNING AND FORECASTING PRACTICES IN LATIN AMERICA

➤ Suppliers receiving forecasts and significant differences from other locations:



- Suppliers receiving regular forecast updates and significant differences from other locations:



➤ 22.3% of suppliers received forecasts 120 days or more in advance of order placement

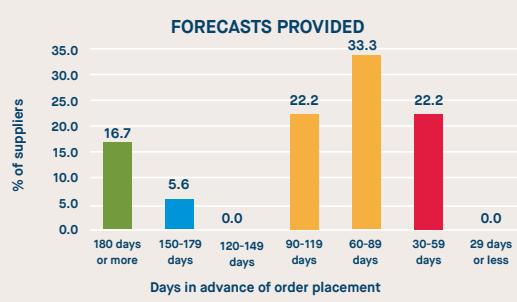


Figure LA1. Days Forecasts Provided in Advance of Order Placement

➤ Retailers and brands reserving capacity in advance of production and significant differences from other locations:



- Actual orders within 20% of capacity reserved and significant differences from other locations:

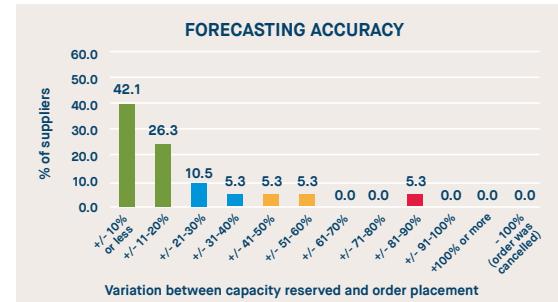


Figure LA2. Forecast Accuracy between Capacity Reserved and Order Placement

› **Outcomes of inaccurate forecasting:**

- Suppliers left with unutilized capacity and significant differences from other locations:

LATIN AMERICA
26.3%

EMEA
59.1%

- Of these suppliers in Latin America:

- 20.0% had to accept last-minute, low price orders to fill capacity
- 60.0% were left with unused capacity
- 31.6% left with excess materials. Of these:
 - 33.3% reported retailers and brands paid for the excess materials
 - 50.0% were asked to hold materials for use in future orders

RETAILER/BRAND COST AND COST NEGOTIATION PRACTICES IN LATIN AMERICA

- › **Suppliers reporting most orders (90% or more) were priced for compliant production and significant differences from other locations:**

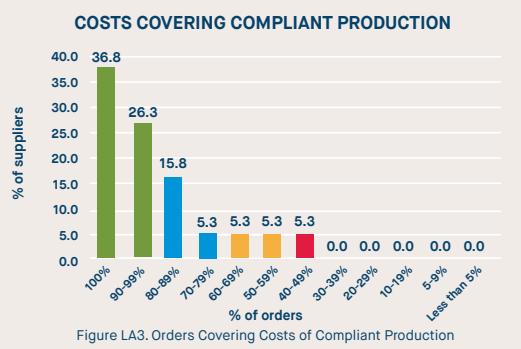
LATIN AMERICA
63.1%

SOUTHEAST ASIA
35.9%

- › Number of negotiation strategies placing high pressure on supplier business: Mean=2.4 (SD=3.0)

› **Most frequently reported high-pressure strategies:**

- Requiring supplier to meet specific elements of other suppliers' cost structure: 31.6%
- Asking for price commitments based on a larger volume than the actual quantity ordered: 31.6%
- Sharing competitors' bids/pressure to meet other competitors across different countries: 26.3%
- Constantly calling/emailing, asking for a lower price, multiple rounds of negotiation, or other fatigue producing tactics: 26.3%
- Demanding level prices be maintained from year to year, no consideration for inflation: 26.3%



RETAILER/BRAND SOURCING AND ORDER PLACEMENT PRACTICES IN LATIN AMERICA

- › 37.5% of suppliers report incentives are received for compliant production

- Consistent minimum volume of production per month most frequently reported incentive: 21.1%

- › **Monthly Order Variation (Order Risk-to-Reward) and significant differences from other locations (lower percentage is best):**

LATIN AMERICA
49.0%

HONG KONG
81.3%

TURKEY
88.9%

PORTUGAL
88.9%

UNITED KINGDOM
92.5%

WESTERN EUROPE
89.5%

- Suppliers reporting monthly order (ORR) variation negatively impacted workplace conditions and significant differences from other locations:

LATIN AMERICA
47.4%

PORTUGAL
13.6%

WESTERN EUROPE
18.9%

RETAILER/BRAND PRACTICES IN MANAGEMENT OF THE PURCHASING PROCESS IN LATIN AMERICA

- › 89.5% of suppliers received TNA/terms that allow enough time for all processes

- › 47.4% of retailers and brands missed deadlines

- Number of missed deadlines reported: Mean=2.0 (SD=1.4)
- No specific deadlines were reported as missed by 25% or more suppliers

- › 73.7% of retailers and brands nominated raw materials suppliers

- 71.4% of retailers and brands managing those relationships with nominated suppliers

Worst Retailer/Brand Purchasing Practices: Hong Kong



KEY FINDINGS

About the Ratings:

- **122** suppliers submitted ratings
- **76.7%** submitted by factory owners
- **266** total factories owned; employing a total of **410,058** workers during high season and **374,571** workers during low season

➢ **57** unique retailers and brands rated, headquartered in:

- Asia/Pacific: **4.1%**
- Europe/UK: **48.4%**
- North America: **47.5%**

WHAT ARE THE PURCHASING PRACTICES RETAILERS/BRANDS USE WITH SUPPLIERS IN HONG KONG?

Retailers and brands rated by suppliers headquartered in Hong Kong reported worse practices in Planning and Forecasting (compared to retailer/brand practices in six other locations), Monthly Order Variation (compared with four other locations), and Incentives for Compliant Production (compared with three other locations). Practices of retailers and brands sourcing from Hong Kong suppliers were mixed in Cost and Cost Negotiation, with Hong Kong treated better than one location and worse than one other, and Management of the Purchasing Process (retailer and brand practices in Hong Kong were better than three locations, and worse than one other).

Hong Kong suppliers receive forecasts later and are not regularly updated on changes, which creates challenges in production planning. Additionally, few receive incentives for compliant production. Monthly order variation is high. While most suppliers are provided enough time for all processes initially, a high rate of missed deadlines erodes time needed for production.

These practices align with Hong Kong's reputation as extremely flexible and able to deliver whatever product is needed for any customer.

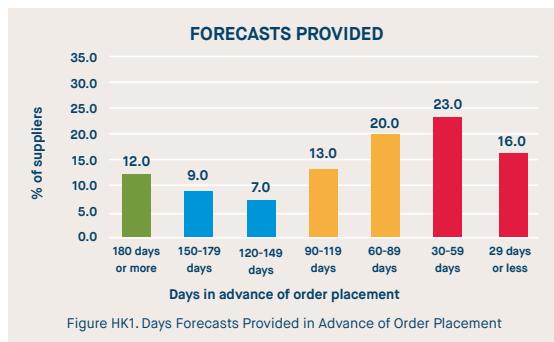
RETAILER/BRAND PLANNING AND FORECASTING PRACTICES IN HONG KONG

➢ Suppliers receiving forecasts and significant differences from other locations:

- Suppliers receiving regular forecast updates and significant differences from other locations:

| HONG KONG | CHINA | INDIA | TAIWAN | BANGLADESH | LATIN AMERICA |
|--------------|--------------|--------------|--------------|--------------|---------------|
| 54.0% | 72.5% | 82.5% | 82.0% | 95.7% | 73.3% |

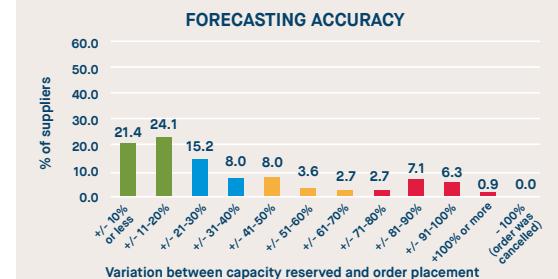
➢ 28.0% of suppliers received forecasts 120 days or more in advance of order placement



➢ 91.8% of retailers and brands reserved capacity in advance of production

- Actual orders within 20% of capacity reserved and significant differences from other locations:

| HONG KONG | INDIA | SOUTH ASIA |
|--------------|--------------|--------------|
| 45.5% | 67.2% | 86.7% |



› Outcomes of inaccurate forecasting:

- Suppliers left with unutilized capacity and significant differences from other locations:

HONG KONG
46.4%

SOUTH ASIA
13.3%

- Of these suppliers in Hong Kong:

- 19.2% had to accept last-minute, low price orders to fill capacity
- 46.2% were left with unused capacity

- Suppliers left with excess materials and significant differences from other locations:

HONG KONG
34.8%

INDIA
14.8%

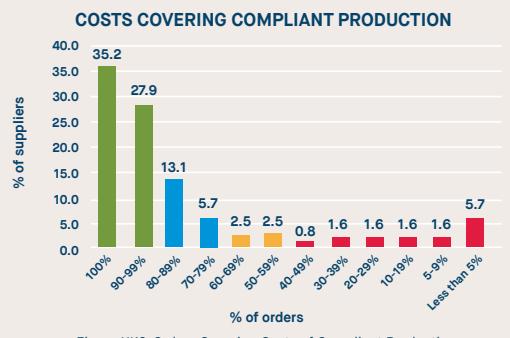
- Of these suppliers in Hong Kong:
 - 28.2% reported retailers and brands paid for the excess materials
 - 41.0% were asked to hold materials for use in future orders
 - 25.6% reported retailers and brands took no responsibility for excess materials

RETAILER/BRAND COST AND COST NEGOTIATION PRACTICES IN HONG KONG

› Suppliers reporting most orders (90% or more) were priced for compliant production and significant differences from other locations:

HONG KONG
63.1%

SOUTHEAST ASIA
35.9%



› Number of negotiation strategies placing high pressure on supplier business and significant differences from other locations:

HONG KONG
Mean=2.8 (SD=3.1)

WESTERN EUROPE
Mean=1.2 (SD=2.0)

› Most frequently reported high-pressure strategies:

- Take it or leave it—meet the target cost or supplier cannot win the order: 36.1%
- Demanding level prices be maintained from year to year, no consideration for inflation: 35.2%
- Comparing suppliers only on price instead of a full range of attributes: 27.9%

RETAILER/BRAND SOURCING AND ORDER PLACEMENT PRACTICES IN HONG KONG

› Suppliers reporting incentives are received for compliant production and significant differences from other locations:

HONG KONG
37.2%

CHINA
56.7%

INDIA
53.1%

BANGLADESH
62.8%

- Larger volume most frequently reported incentive: 19.7%

› Monthly Order Variation (Order Risk-to-Reward) and significant differences from other locations (lower percentage is best):

HONG KONG
81.3%

TAIWAN
63.0%

KOREA
41.5%

LATIN AMERICA
49.0%

SOUTHEAST ASIA
47.5%

- 63.1% report that monthly order (ORR) variation negatively impacted workplace conditions

RETAILER/BRAND PRACTICES IN MANAGEMENT OF THE PURCHASING PROCESS IN HONG KONG

› Suppliers receiving TNA/terms that allow enough time for all processes and significant differences from other locations:

HONG KONG
95.1%

KOREA
83.8%

UNITED STATES
76.7%

SOUTHEAST ASIA
79.5%

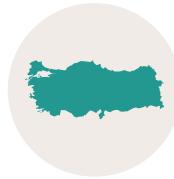
› Retailers and brands missing deadlines and significant differences from other locations:

HONG KONG
62.3%

WESTERN EUROPE
35.1%

- Number of missed deadlines reported: Mean=2.8 (SD=3.3)
 - No specific deadlines were reported as missed by 25% or more suppliers
- 88.5% of retailers and brands nominated raw materials suppliers
 - 75.0% of retailers and brands managing those relationships with nominated suppliers

Worst Retailer/Brand Purchasing Practices: Turkey



About the Ratings:

- **47** suppliers submitted ratings
- **86.0%** submitted by factory owners
 - **78** total factories owned; employing a total of **46,761** workers during high season and **43,483** workers during low season

➤ **18** unique retailers and brands rated, headquartered in:

- Europe/UK: **59.6%**
- North America: **40.4%**

WHAT ARE THE PURCHASING PRACTICES RETAILERS/BRANDS USE WITH SUPPLIERS IN TURKEY?

While retailers and brands rated by suppliers headquartered in Turkey reported better practices in Cost and Cost Negotiation (compared to retailer/brand practices in one other location), this better performance was overshadowed by worse practices reported in Planning and Forecasting (compared to six other locations), Monthly Order Variation (compared with seven other locations), Incentives for Compliant Production (compared with two other locations), and Management of the Purchasing Process (compared with two other locations).

Suppliers from Turkey receive forecasts and capacity bookings less frequently and their retailer/brand customers provide forecasts late. Yet, even with their later forecasts, the accuracy rates of the retailers/brands are low. Monthly order variation

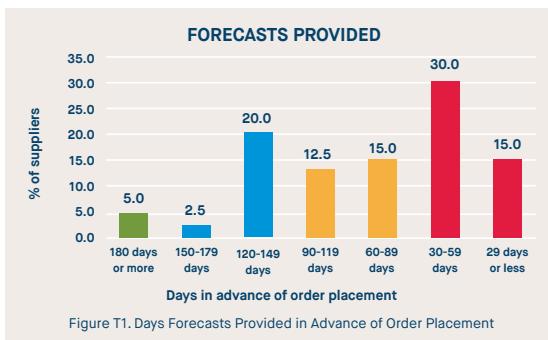
is high compared to many other locations. One positive is that, the fast fashion, short run, business model that suppliers in Turkey are known to support results less frequently in unutilized capacity.

Low percentages of suppliers' report that most of their customers' orders are priced for compliant production. Likewise, relative few indicate they receive incentives for compliant production.

Suppliers are surely feeling the interrelated strains of their customers' late and poor forecasting, low prices, and high order variability, which may make it difficult for them to address high-profile concerns about subcontracting and precarious labor.

RETAILER/BRAND PLANNING AND FORECASTING PRACTICES IN TURKEY

- **85.1%** of suppliers in Turkey receive forecasts
 - 70.0% report receiving regular forecast updates
- **27.5%** of suppliers received forecasts **120 days or more** in advance of order placement

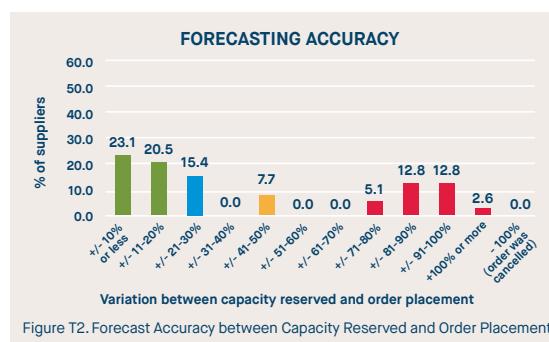


- Retailers and brands reserving capacity in advance of production and significant differences from other locations:

| TURKEY | TAIWAN | LATIN AMERICA |
|--------------|--------------|---------------|
| 83.0% | 97.9% | 100.0% |

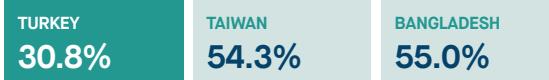
- Actual orders within 20% of capacity reserved and significant differences from other locations:

| TURKEY | INDIA | LATIN AMERICA | SOUTH ASIA |
|--------------|--------------|---------------|--------------|
| 43.6% | 67.2% | 68.4% | 86.7% |



➤ **Outcomes of inaccurate forecasting:**

- Suppliers left with unutilized capacity and significant differences from other locations:



- Of these suppliers in Turkey:

- 33.3% had to accept last-minute, low price orders to fill capacity
- 50.0% were left with unused capacity
- 30.8% left with excess materials. Of these:
 - 25.0% reported retailers and brands paid for the excess materials
 - 58.3% were asked to hold materials for use in future orders
 - 8.3% reported retailers and brands took no responsibility for excess materials

RETAILER/BRAND COST AND COST NEGOTIATION PRACTICES IN TURKEY

➤ 48.9% reported most orders (90% or more) were priced for compliant production

➤ Number of negotiation strategies placing high pressure on supplier business: Mean=2.4 (SD=2.9)

➤ **Most frequently reported high-pressure strategies:**

- Demanding level prices be maintained from year to year, no consideration for inflation: 31.9%
- Sharing competitors' bids/pressure to meet other competitors across different countries: 27.7%
- Asking for price commitments based on a larger volume than the actual quantity ordered: 25.5%

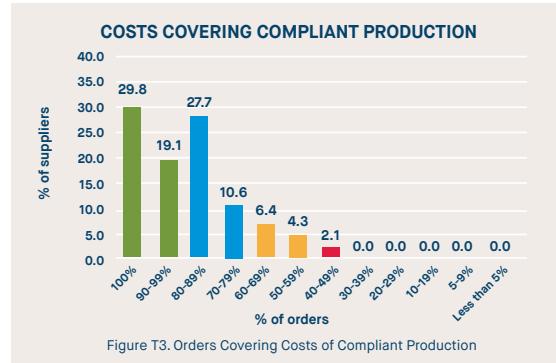


Figure T3. Orders Covering Costs of Compliant Production

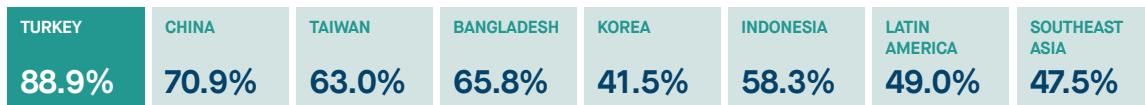
RETAILER/BRAND SOURCING AND ORDER PLACEMENT PRACTICES IN TURKEY

➤ **Suppliers reporting incentives are received for compliant production and significant differences from other locations:**

- Larger volume most frequently reported incentive: 12.8%



➤ **Monthly Order Variation (Order Risk-to-Reward) and significant differences from other locations (lower percentage is best):**



- Suppliers reporting monthly order (ORR) variation negatively impacted workplace conditions and significant differences from other locations:



RETAILER/BRAND PRACTICES IN MANAGEMENT OF THE PURCHASING PROCESS IN TURKEY

➤ 93.6% of suppliers received TNA/terms that allow enough time for all processes

➤ **Retailers and brands missing deadlines and significant differences from other locations:**



- Number of missed deadlines reported: Mean=2.8 (SD=2.1). Most frequently reported missed deadlines:
 - Comments on fit/proto samples: 36.2%
 - Trims and artwork sample approvals: 27.7%

➤ **93.6% of retailers and brands nominated raw materials suppliers**

- Retailers and brands managing those relationships with nominated suppliers and significant differences from other locations:



Worst Retailer/Brand Purchasing Practices: United States



KEY FINDINGS

About the Ratings:

- **30** suppliers submitted ratings
- **37.9%** submitted by factory owners
 - **40** total factories owned; employing a total of **24,747** workers during high season and **19,333** workers during low season

➢ **9** unique retailers and brands rated, headquartered in:

- North America: **100.0%**

WHAT ARE THE PURCHASING PRACTICES RETAILERS/BRANDS USE WITH SUPPLIERS IN THE UNITED STATES?

While retailers and brands rated by suppliers headquartered in the United States reported better practices in Cost and Cost Negotiation (compared to retailer/brand practices in one other location), this better performance was overshadowed by worse practices reported in Planning and Forecasting (compared to two other locations), Incentives for Compliant Production (compared with five other locations), and Management of the Purchasing Process (compared with ten other locations).

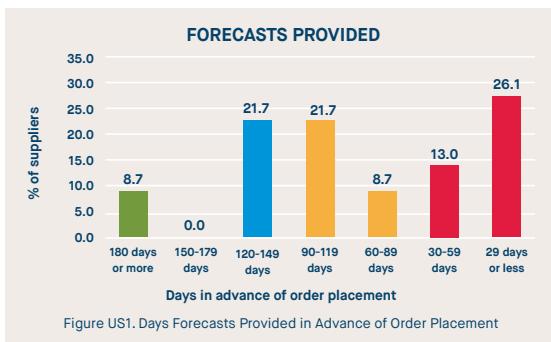
Not surprisingly, given the industry's market position as a "local" solution for U.S. fast fashion, U.S.-based suppliers less frequently receive forecasts or capacity reservations in advance of order placement. Furthermore, fewer suppliers report that TNA/terms of the agreement give enough time

for all processes, and with half of the suppliers reporting missed deadlines, time for production is eroded. We know that suppliers often prefer not to check boxes on our survey that indicate they are out of compliance to their customers' codes of conduct or the law. Lower rates of reported impacts of order variability on workers suggests that this hesitation is especially prevalent in the litigious U.S. environment.

Retailers/brands contracting with suppliers in the United States frequently use cost negotiation strategies reported to place high pressure on suppliers' businesses. Additionally, compared to other locations, suppliers in the U.S. are seldom incentivized for compliant production.

RETAILER/BRAND PLANNING AND FORECASTING PRACTICES IN THE UNITED STATES

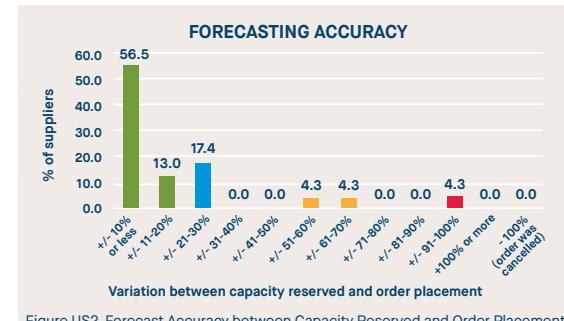
- **76.7%** of suppliers in the United States receive forecasts
 - 73.9% report receiving regular forecast updates
- **30.4%** of suppliers received forecasts 120 days or more in advance of order placement



- Retailers and brands reserving capacity in advance of production and significant differences from other locations:



- 69.5% of actual orders within 20% of capacity reserved

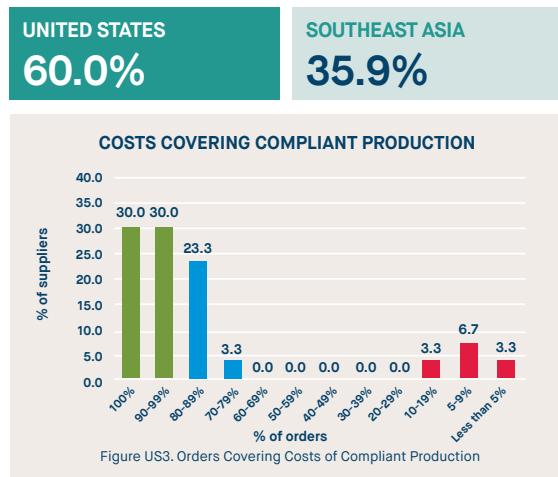


- › Outcomes of inaccurate forecasting:
- 34.8% left with unutilized capacity. Of these:
 - 12.5% had to accept last-minute, low price orders to fill capacity
 - 75.0% were left with unused capacity

- 26.1% left with excess materials. Of these:
 - 83.3% were asked to hold materials for use in future orders
 - 16.7% reported retailers and brands took no responsibility for excess materials

RETAILER/BRAND COST AND COST NEGOTIATION PRACTICES IN THE UNITED STATES

- › Suppliers reporting most orders (90% or more) were priced for compliant production and significant differences from other locations:



› Number of negotiation strategies placing high pressure on supplier business: Mean=3.1 (SD=3.9)

› Most frequently reported high-pressure strategies:

- Take it or leave it – meet the target cost or supplier cannot win the order: 33.3%
- Comparing suppliers only on price instead of a full range of attributes: 33.3%
- Demanding level prices be maintained from year to year, no consideration for inflation: 33.3%
- Allowing only very short times for response to price demands: 30.0%
- Asking for price commitments based on a larger volume than actual quantity ordered: 30.0%
- Requiring supplier to meet specific elements of other suppliers' cost structure: 26.7%

RETAILER/BRAND SOURCING AND ORDER PLACEMENT PRACTICES IN THE UNITED STATES

- › Suppliers reporting incentives are received for compliant production and significant differences from other locations:



- Larger volume most frequently reported incentive: 16.7%

› Monthly Order Variation (Order Risk-to-Reward) = 65.0%

- 30.0% report that monthly order (ORR) variation negatively impacted workplace conditions

RETAILER/BRAND PRACTICES IN MANAGEMENT OF THE PURCHASING PROCESS IN THE UNITED STATES

- › Suppliers receiving TNA/terms that allow enough time for all processes and significant differences from other locations:



› 50.0% of retailers and brands missed deadlines

- Number of missed deadlines reported: Mean=3.1 (SD=4.5)
- No specific deadlines were reported as missed by 25% or more suppliers

› 66.7% of retailers and brands nominated raw materials suppliers

- 70.0% of retailers and brands managing those relationships with nominated suppliers

Worst Retailer/Brand Purchasing Practices: Southeast Asia



About the Ratings:

- 39 suppliers submitted ratings
- 71.4% submitted by factory owners
 - 93 total factories owned; employing a total of 210,262 workers during high season and 204,602 workers during low season

➤ 17 unique retailers and brands rated, headquartered in:

- Asia/Pacific: 5.1%
- Europe/UK: 33.3%
- North America: 61.5%

WHAT ARE THE PURCHASING PRACTICES RETAILERS/BRANDS USE WITH SUPPLIERS IN SOUTHEAST ASIA?

Retailers and brands rated by suppliers headquartered in Southeast Asia reported better practices in Monthly Order Variation (compared with nine other locations). Most results showed worse retailer and brand practices in the region. In Cost and Cost Negotiation practices of retailers and brands were worse in Southeast Asia (compared to all but two locations). Additionally, Southeast Asia suppliers were less often incentivized for production compliance with their retailers and brands' codes of conduct (compared to one location). Furthermore, retailer/brand practices in Management of the Purchasing Process were worse in Southeast Asia (compared with their practices in 10 other locations).

More suppliers in Southeast Asia reported receiving forecasts further in advance of production, but frequent inaccurate forecasting left them with unutilized capacity. This was despite relatively low monthly order variation. It may be that the unutilized capacity is associated with production challenges caused by TNA/terms of agreement that less frequently provide enough time for all processes and are further exacerbated by higher rates of missed deadlines.

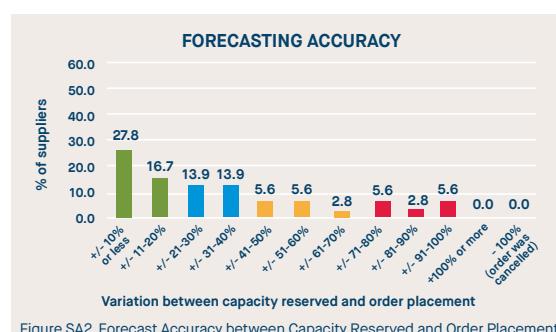
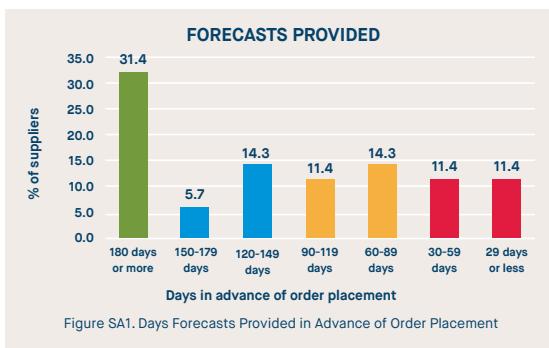
As a location where many countries are sought out for their low-cost labor, the very low percentage of orders priced to cover compliant production is surprising, as is the frequent use of cost negotiation strategies placing high pressure on suppliers' businesses. This begs the question of when is low-cost, low enough?

KEY FINDINGS

RETAILER/BRAND PLANNING AND FORECASTING PRACTICES IN SOUTHEAST ASIA

- 89.7% of suppliers in Southeast Asia receive forecasts
 - 77.1% report receiving regular forecast updates
- 51.4% of suppliers received forecasts 120 days or more in advance of order placement

- 92.3% of retailers and brands reserved capacity in advance of production
 - 45.5% of actual orders within 20% of capacity reserved



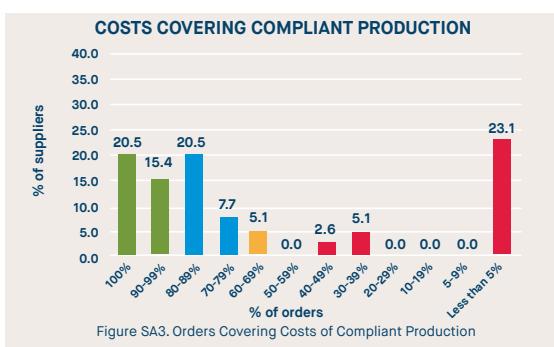
➤ Outcomes of inaccurate forecasting:

- 61.1% left with unutilized capacity. Of these:
 - 27.3% had to accept last-minute, low price orders to fill capacity
 - 54.5% were left with unused capacity
- 47.2% left with excess materials. Of these:
 - 29.4% were asked to hold materials for use in future orders
 - 35.3% reported retailers and brands took no responsibility for excess materials

RETAILER/BRAND COST AND COST NEGOTIATION PRACTICES IN SOUTHEAST ASIA

› Suppliers reporting most orders (90% or more) were priced for compliant production and significant differences from other locations:

| SOUTHEAST ASIA | HONG KONG | INDIA | KOREA | UNITED STATES | PORTUGAL | INDONESIA | UNITED KINGDOM | EEMEA | LATIN AMERICA | WESTERN EUROPE |
|----------------|-----------|-------|-------|---------------|----------|-----------|----------------|-------|---------------|----------------|
| 35.9% | 63.1% | 69.6% | 64.8% | 60.0% | 68.2% | 66.7% | 71.5% | 77.7% | 63.1% | 59.4% |



› Most frequently reported high-pressure strategies:

- Comparing suppliers only on price instead of a full range of attributes: 41.0%
- Requiring supplier to meet specific elements of other suppliers' cost structure: 41.0%
- Demanding level prices be maintained from year to year, no consideration for inflation: 41.0%
- Asking for price commitments based on a larger volume than actual quantity ordered: 35.9%
- Sharing competitors' bids/pressure to meet other competitors across different countries: 33.3%
- Take it or leave it—meet the target cost or supplier cannot win the order: 30.8%
- Allowing only very short times for response to price demands: 28.2%

› Number of negotiation strategies placing high pressure on supplier business and significant differences from other locations:

| SOUTHEAST ASIA | CHINA | INDIA | PORTUGAL | INDONESIA | UNITED KINGDOM | WESTERN EUROPE |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Mean=3.5 (SD=3.3) | Mean=2.0 (SD=2.5) | Mean=1.6 (SD=2.6) | Mean=1.9 (SD=2.6) | Mean=1.8 (SD=2.7) | Mean=1.9 (SD=2.4) | Mean=1.2 (SD=2.0) |

RETAILER/BRAND SOURCING AND ORDER PLACEMENT PRACTICES IN SOUTHEAST ASIA

› Suppliers reporting incentives are received for compliant production and significant differences from other locations:

- Larger volume most frequently reported incentive: 28.2%

SOUTHEAST ASIA

40.5%

BANGLADESH

62.8%

› Monthly Order Variation (Order Risk-to-Reward) and significant differences from other locations (lower percentage is best):

| SOUTHEAST ASIA | CHINA | HONG KONG | INDIA | TURKEY | PORTUGAL | UNITED KINGDOM | EEMEA | WESTERN EUROPE | OTHERS |
|----------------|-------|-----------|-------|--------|----------|----------------|-------|----------------|--------|
| 47.5% | 70.9% | 81.3% | 74.7% | 88.9% | 88.9% | 92.5% | 76.6% | 89.5% | 87.6% |

- Suppliers reporting monthly order (ORR) variation negatively impacted workplace conditions and significant differences from other locations:

SOUTHEAST ASIA

53.8%

INDIA

26.1%

TURKEY

31.9%

PORTUGAL

13.6%

WESTERN EUROPE

18.9%

RETAILER/BRAND PRACTICES IN MANAGEMENT OF THE PURCHASING PROCESS IN SOUTHEAST ASIA

› Suppliers receiving TNA/terms that allow enough time for all processes and significant differences from other locations:

| SOUTHEAST ASIA | CHINA | HONG KONG | INDIA | BANGLADESH | PORTUGAL | WESTERN EUROPE |
|----------------|-------|-----------|-------|------------|----------|----------------|
| 79.5% | 93.9% | 95.1% | 97.1% | 93.0% | 95.5% | 100.0% |

› Retailers and brands missing deadlines and significant differences from other locations:

| SOUTHEAST ASIA | CHINA | INDIA | WESTERN EUROPE |
|----------------|-------|-------|----------------|
| 61.5% | 34.2% | 33.3% | 35.1% |

- Number of missed deadlines reported: Mean=3.5 (SD=3.6). Most frequently reported missed deadlines:
- Hand-off of detailed style information for design proto samples (e.g., initial TechPack or detailed sketch and material descriptions): 25.6%

- Comments on fit/proto samples: 28.2%
- Release of purchase order: 25.6%

› 87.2% of retailers and brands nominated raw materials suppliers

- Retailers and brands managing those relationships with nominated suppliers and significant differences from other locations:

| SOUTHEAST ASIA | INDIA | BANGLADESH |
|----------------|-------|------------|
| 67.6% | 87.9% | 87.8% |

SO WHAT? WHAT SHOULD BE DONE WITH THE KNOWLEDGE OF THESE LOCATIONAL DIFFERENCES IN RETAILER/BRAND PURCHASING PRACTICES?

Few of the findings Better Buying™ has presented here will come as a surprise to experienced industry professionals. The challenges suppliers are facing in their customers' purchasing practices mirror the sourcing strategies that have been perfected since global trade surged in the latter part of the 20th century. These global strategies view the world's suppliers of apparel, footwear, and household textiles as a vast network from which to pick and choose, based on known location strengths and capabilities.

For retailers and brands, supply chains of the future will need to be designed to meet volatile market demands and provide continuity of supply despite the policy noise. These supply chains will also need to contribute positively to the environment and people making our products.

These strategies and their associated challenging purchasing practices are the product of decades of cooperative business relationships between buyers and their suppliers. These strategies have been supported by suppliers themselves, and the market positions they and their industry associations have pursued. Bangladesh suppliers, for example, are receiving better practices related to monthly order stability and challenging pricing precisely because the industry there has developed the capacity to satisfy needs for low-cost, high-volume production of core products. Hong Kong suppliers face late forecasts, volatile monthly volumes, and price and calendar pressures because for decades they have demonstrated the ability to provide any product for any customer at any time.

But can these practices continue in a new environment where retailers and brands are struggling to cater to an increasingly fickle consumer market all the while coping with a volatile trade climate? Scores of business failures, mountains of inventory, and looming new increases in tariffs indicate they cannot.

For retailers and brands, supply chains of the future will need to be designed to meet volatile market demands and provide continuity of supply despite the policy noise. These supply chains will also need to contribute positively to the environment and people making our products. Suppliers we talk with

understand the myriad of contextual pressures facing the industry they care deeply about—they wish to support their customers in meeting these needs.

Better Buying™ believes that the winners in the future will be the retailers/brands and their suppliers that come together in new, truly strategic partnerships that draw on the core competencies and strengths each brings to the table and where the benefits they achieve together are shared fairly.

Better Buying™ believes that the winners in the future will be the retailers/brands and their suppliers that come together in new, truly strategic partnerships that draw on the core competencies and strengths each brings to the table and where the benefits they achieve together are shared fairly. This scenario will likely involve sticking with suppliers for the long-term, rather than jumping from location to location in search of the best trade deal or lowest cost. Suppliers can be trusted to choose the best production location and will benefit by getting to keep their skilled workforce and treat them fairly. Working more strategically with suppliers will help retailers/brands decrease operating costs and helps maintain the product quality expected by their customers.

Suppliers and their industry associations also have leadership roles to play in redesigning their industries for the future. Having comprehensive, empirical data about the practices their locations face, and comparative data about other production locations can support industry associations in making critical decisions about how to stabilize their industries and businesses, and plan strategically.

For example, as Bangladesh contemplates supporting suppliers in setting up lines for shorter, quicker production, it needs to carefully plan prevention of potential negative consequences. They should pursue strategies that balance monthly volume stability with the added value of shorter, quick-turn orders in ways that benefit the location's suppliers, workers, and environmental initiatives.

Having comprehensive, empirical data about the practices their locations face, and comparative data about other production locations can support industry associations in making critical decisions about how to stabilize their industries and businesses, and plan strategically.

As retailers and brands seek to achieve even shorter lead times, better quality, and best price products, under the best trade conditions, they must engage their supply chain partners in new, more efficient, and more mutually profitable ways. And suppliers, in collaboration with their industry associations, must ensure the resulting partnerships are designed to meet their needs for a sustainable future.

Better Buying™ supports retailers/brands and their suppliers in making this transition, by providing expanded transparency between supply chain partners and facilitating dynamic, solutions-oriented feedback providing change processes that deliver meaningful social, environmental, and business impacts. With robust data gathered from suppliers around the world, we track industry-level improvements, changing experiences at the location level, and progress made by individual retailers/brands. We turn next to a section that shares what can be learned by individual retailers/brands that engage with Better Buying™.

THE AGGREGATE DATA TELLS US A LOT, BUT WHAT DO INDIVIDUAL COMPANIES LEARN FROM WORKING WITH BETTER BUYING™?

The Better Buying™ Index Reports released publicly are but one element of the work we are doing to support companies and the industry in making changes that nurture sustainable partnerships with suppliers that allow social, environmental, and economic performance goals to be achieved. Each company that engages with Better Buying™ receives an individualized report that outlines the company's purchasing practices performance against the industry benchmark and a benchmark of a subset of retailers and brands with similar types of business. Those reports provide detailed information about the responses to each question and draw on our growing body of knowledge to recommend what purchasing practices should be changed first and how to change those.

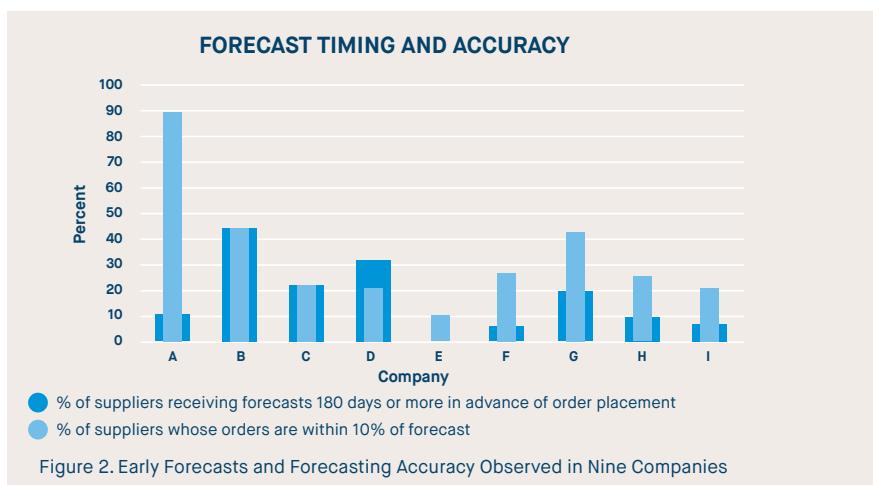
Increasingly, Better Buying™ is asked to share one or two most important changes that need to be made by all retailers and brands. But detailed solutions cannot be advised because the right ones will depend on the challenging practices faced by the specific company which can differ substantially.

In this section, we share a few examples of what is learned when looking at individual companies' purchasing practices. We use examples related to Planning and Forecasting and Cost and Cost Negotiation.

Figure 1 shows the average scores for Planning and Forecasting that were received by nine companies engaging with us during the last ratings cycle. The best score in this category, 3 stars, was achieved by Company A while the worst score, 0 stars, was received by Company I.

Diving in deeper (Figure 2), we find that Company A was giving forecasts to only 10% of suppliers 180 days or more in advance, which is the most desirable situation for suppliers (see the dark blue bar). Company A's forecasting was highly accurate (indicated by the light blue bar), with 89% of their suppliers reporting that actual orders were within 10% of the capacity reserved for the retailer/brand. Compare that with Company I, that was giving slightly fewer forecasts out that early (just 7%) but achieving the highest level of accuracy with only 21% of suppliers.

What is happening internally, that results in such different forecasting accuracy? Better Buying™ is working with retailers/brands and their suppliers to understand these types of situations and develop solutions to give better, more accurate visibility to suppliers so together they can more efficiently meet market demands.



Now let's look at Companies B and C (see Figure 2) using the same forecasting-related data. Interestingly, these two companies are quite a bit alike in terms of market, business model and size, and types of products sold. Company C asked Better Buying™ recently whether the fact that they give forecasts to a larger percentage of their suppliers 180 days or further in advance of order placement, as compared with the industry benchmark, was the reason why

the company received worse than average performance on forecast accuracy. That seems logical, but that relationship is not supported when we see that Company B is giving an even larger percentage of forecasts 180 days or more in advance, and their accuracy rate is much higher than Company C's. Clearly, there are some critical company differences in forecasting that must be investigated further to find the right and best way to improve performance.

Looking at another example (Figure 3), this time with just eight different companies and their scores on Cost and Cost Negotiation (these are the same companies used in the Planning and Forecasting example except that we dropped Company I from this analysis), we can see in the chart that Company A is again performing best with a high score of 4.5 stars in this category of purchasing practices. This time Company E is performing the worst, having achieved only 1 star.

Examining these company-specific results more closely (see Figure 4), we see in the dark blue bar, that 78% of Company A's suppliers reported that most of the orders received from the retailer/brand covered the costs of compliant production, which means the product was priced to cover everything that the retailer/brand was asking for and additional expenses did not arise during production. In stark contrast, just 49% of Company E's suppliers report this level of pricing for compliant production.

As Better Buying™ has reported in previous ratings cycles, we continue to find a negative correlation between the number of cost negotiation strategies suppliers report that retailers and brands use that place high pressure on their businesses, and the percent of orders priced to cover compliant production.⁴ However, once again, this plays out differently for specific retailers/brands and their suppliers.

This time we compare Companies B and H. As seen in the light blue bars, 64% of Company B's suppliers reported that the retailer/brand used high-pressure negotiating strategies; whereas, only 54% of Company H's suppliers reported these types of pressures. Yet, 80% of Company B's suppliers, compared to only 61% of Company H's suppliers, reported that most of their orders for the respective retailers and brands were priced for compliant production. What

accounts for these unexpected results that indicate more high-pressure negotiating strategies do not always lead to less compliant prices?

As it turns out, the type of strategy most frequently used differs between the companies shown here. For Company B, the most frequently reported high-pressure strategy was requiring suppliers to meet specific elements of other suppliers' cost structures. In contrast, suppliers



Figure 3. Average Scores for Eight Companies in Cost and Cost Negotiation



Figure 4. Order Priced to Cover Compliant Production and High-Pressure Negotiation Strategies in Eight Companies

⁴ r=-.195, p=.000

reported Company H most frequently used the strategy of demanding level prices be maintained from year to year, with no consideration for inflation. While suppliers report that both strategies place high pressure on their businesses, not taking into consideration the inflationary pressures on wages, raw materials, costs, energy, and other cost elements seems to have a more damaging impact on the final pricing.

What must suppliers do when such low percentages of orders are priced to cover everything their retailer/brand customer is asking for? How is product quality impacted? Does this financial duress of suppliers put workers at risk? In the long term, isn't the retailer/brand going to face hidden costs and less competitive pricing with future orders?

The results reported in this section provide examples of how purchasing practices vary by company, demonstrating that the path to improvements will be different for each company. A "one-size-fits-all" approach may rarely provide optimum solutions for retailers/brands and their supply chains. The industry-level findings shared in Better Buying™ Index Reports are extremely useful for understanding where the industry is on a collective path to improvement. However, it is the individual company reports provided to retailers and brands engaging with us where these findings are customized to each company's unique business situation. We invite

more retailers and brands to engage with us to see what practices they might change to achieve their economic, social, and environmental goals.

NEW RESULTS RELATED TO YEARS OF BUSINESS RELATIONSHIP AND BETTER BUYING™ SCORES

In Better Buying™ Index Report, Spring 2018, we shared the lack of a statistically significant relationship between the number of years retailers/brands and their suppliers had been in business together and Better Buying™ scores. Given relatively small numbers of ratings submitted during that first regular ratings cycle in Q4 2017, we had used a conservative approach in analyzing this relationship, testing only the overall Better Buying™ score.

Now that we have more data to work with, we have analyzed this relationship again, but looked at years of relationship and how those are associated with each of the seven purchasing practices categories. We have discovered some new relationships, that while modest, are important to share. Specifically, we found that the number of years retailers/brands and their suppliers have been in a business relationship is positively related to Better Buying™ scores in Design and Development, but negatively related to scores in Cost and Cost Negotiation.⁵

In other words, the longer retailers/brands and suppliers are in a business relationship together, suppliers experience better practices in Design and Development. Yet, these longer business relationships result in worse Cost and Cost Negotiation practices between retailers/brands and their suppliers.

Specifically, in Design and Development, longer business relationships are associated with better adoption rates of products developed for the retailer/brand. This is logical because over time, the supplier would come to better understand what their customer is looking for and perhaps benefit from feedback explaining the hits and misses in their development. However, suppliers in longer business relationships with retailers/brands experience more high-pressure cost negotiation strategies.⁶ This is not at all logical. Unfortunately, it is also not surprising. All the relationships are weak but reflect trends worth following as more data are collected.

The longer retailers/brands and suppliers are in a business relationship together, suppliers experience better practices in Design and Development. Yet, these longer business relationships result in worse Cost and Cost Negotiation practices between retailers/brands and their suppliers.

⁵ Years of relationship correlated with Design and Development ($r=.088$, $p=.013$) and Cost and Cost Negotiation ($r=-.125$, $p=.000$).

⁶ See Table A7 in the Appendix.

5. Conclusions and Recommendations

CONCLUSIONS AND RECOMMENDATIONS

| CONCLUSION | RECOMMENDATION |
|---|---|
| <p>1. In the same way that purchasing practices used with suppliers in different locations have developed from cooperative business relationships, new strategies that benefit all can be designed by retailers, brands, and their suppliers through truly strategic partnerships.</p> | <ul style="list-style-type: none"> Retailers and brands should engage with Better Buying™ to facilitate solutions-oriented improvements in collaboration with their suppliers and track meaningful impacts that result from those changes. Industry associations should encourage their suppliers to fully participate with Better Buying™ by submitting ratings of all their customers; thus, supporting evidence-based insights from which new approaches can be strategized. |
| <p>2. Fulfilling retailer/brand commitments for improved purchasing practices requires information about performance on the practices most important to suppliers and monitoring those over time to demonstrate progress.</p> | <ul style="list-style-type: none"> Retailers and brands wishing to demonstrate leadership in tackling challenging purchasing practices, should engage with Better Buying™ for deep analysis of their performance and support in building solutions with their suppliers on the basis of specific information about their companies' practices and Better Buying's growing body of collective information about "better" industry practices. The insights and expertise of suppliers are critical inputs for any retailer/brand to improve purchasing practices. By submitting ratings of all customers, and participating in Better Buying's new feedback loops, collective wisdom will expand and Better Buying™ will be better able to support improved purchasing practices. |

Changes to supply chain practices will take time. With the use of the BBPPI, Better Buying™ hopes to spur a 'race to the top' among retailers and brands eager to increase operational efficiency, protect their reputations and profits, and avoid lost sales. Buyers and suppliers will therefore be able to maintain operational and financial stability while meeting quality, environmental, and workplace standards.

**Better Buying™ is
Better Business, Better
Environmental Performance,
and Better Workplace
Conditions.**

Appendix: Methodology

The Better Buying™ Index Report Spring 2018 detailed how the BBPPI was created and how the seven categories of purchasing practices are measured:⁸

1. Planning and Forecasting
2. Design and Development
3. Cost and Cost Negotiation
4. Sourcing and Order Placement
5. Payment and Terms
6. Management of the Purchasing Process
7. Win-Win Sustainable Partnership

The BBPPI is unique because it is supplier-centric and focuses on empowering and amplifying their voices in support of improved purchasing practices and, therefore, improved financial, social, and environmental performance. Suppliers volunteer to submit ratings of their customers (i.e., retailers and brands) either as an initiative they take on themselves, or at the invitation of buyers that have engaged with Better Buying™.

Suppliers register on the Better Buying™ platform by creating a basic profile and assigning the individuals that will input data. Ratings for each retailer and brand are created separately. The supplier chooses to ‘create a new rating’, selects the company they are rating, and uploads a document to demonstrate a business relationship within the last year. They are then asked to complete a questionnaire specific

to their business relationships with that buyer. Suppliers are encouraged to rate as many of their customers as possible. The proprietary scoring system is built into the data platform and upon submitting the rating suppliers can instantly see the star ratings earned by their customer.

Prior to analyzing supplier data, Better Buying™ carries out a data verification and cleaning process; proof of business relationship documents are reviewed, and the plausibility of data is checked. After verification, Better Buying™ carries out additional analysis of the aggregated data.

At the completion of a ratings cycle, data are analyzed and aggregated by Better Buying™ and suppliers receive the scorecard of each company they rated. Scorecards can be used by suppliers for benchmarking purchasing practices, and for the development of supplier business strategy and business planning in the future.

ABOUT BETTER BUYING™ DATA COLLECTION

As well as approaching suppliers directly to solicit participation, 29 retailers and brands took leadership roles in the Q4 2018 ratings cycle (highlighted in bold in Table A1) by providing their full (or partial) supplier lists and supplier participation invitations. Better Buying™ used the information

and invitation letter to contact suppliers and urged them to take the opportunity to give honest and anonymous feedback. Response rates averaged 33.0%; they ranged from 0% for a very small brand/retailer to 66.0% for a large retailer only surveying its strategic suppliers. Several retailers and brands were encouraged to participate by multi-stakeholder initiatives with an increasing commitment to responsible purchasing practices.

PARTICIPATION IN Q4 2018 RATINGS CYCLE

A total of 948 ratings were submitted in the Q4 2018 cycle of BBPPI data collection.

Of those, 31 ratings were rejected during the data verification and cleaning phase (the majority were duplicates). An additional 115 ratings were of retailers and brands whose largest orders were for products other than apparel, footwear, or household textiles; those were omitted from this report but used in a benchmark and individualized company reports for a few retailers and brands with 5 or more of those ratings.

In total, 802 verified ratings were used in this benchmark report.

⁸ https://betterbuying.org/wp-content/uploads/2018/05/4159_better_buying_report_final.pdf

What retailers and brands were rated?

A total of 71 retailers and brands were rated (see Table A1). Each was classified into one of four buyer types according to information from *Standard & Poor's NetAdvantage Database and Business Insights: Global*, which use Standard Industrial Classification (SIC) and the North American Industry Classification System (NAICS) to categorize companies for investment research. Three classifications were taken from the *NetAdvantage and Business Insights: Global Database*, while 'General Retail' has been developed by Better Buying™ to correctly capture another group of retailers. The four buyer types include:

- **Apparel, Accessories, & Luxury Goods:** buying companies that develop, source, and then wholesale their products to retailers, but may also have direct retail sales. Companies in this category may also own manufacturing facilities.
- **Apparel Retail:** buying companies that sell products they source and develop primarily through their own stores.
- **Department Stores:** buying companies that sell multiple brands in their retail stores, and who may also develop and source private label products.
- **General Retail:** buying companies that sell multiple brands in their stores and may also develop private label products. These retailers stock food, general merchandise, housewares, and other categories making them distinct from apparel retail and department stores.

(Opposite page)

Table A1. Retailers and brands rated during Q4 2018 by buyer type

*Note. 'N' refers to the number of ratings submitted. Companies in bold font engaged with Better Buying™ to invite suppliers to participate. ** refers to retailers and brands that engaged with Better Buying™ but did not receive minimum number of ratings to receive an individual report.*

| APPAREL, ACCESSORIES AND LUXURY GOODS (N=393) | APPAREL RETAIL (N=176) | DEPARTMENT STORES (N=8) | GENERAL RETAIL (N=225) |
|--|-----------------------------------|---|------------------------------------|
| adidas AG | Benetton SpA | Debenhams Retail Plc | Bass Pro Shops |
| AMES Australasia | Bonmarché Limited | Nordstrom, Inc. | Blancheporte |
| Bestseller A/S | Burberry Limited | Internet Services Australia 1 Pty Limited T/A The Iconic | Carrefour |
| Brooks Sports, Inc. | Charles Tyrwhitt Shirts Ltd. | | HEMA |
| Celio Sourcing Limited | Destination Maternity Corporation | | John Lewis |
| Eileen Fisher Inc. | FatFace | | Kmart Australia Limited |
| Expresso Fashion | Frankonia Handels GmbH & Co. KG | | The Kroger Co. |
| Fashion Pool GmbH | Hobbs Ltd. | | QVC Inc |
| G-Star RAW C.V. | J. Crew Group Inc. | | Target Corporation |
| Helly Hansen AS | JP Boden Ltd. | | Tesco Stores Limited |
| Hugo Boss | LPP S.A. | | The White Company (UK) Ltd. |
| Just Brands | Otto Group | | |
| Karen Millen Fashions Limited | Peek & Cloppenburg KG NORTH | | |
| Levi Strauss & Co. | Peek & Cloppenburg KG WEST | | |
| Mammut Sports Group AG | Suitsupply | | |
| Masai Clothing Company ApS | The Cato Corporation | | |
| Mountain Equipment Co-op | The Edinburgh Woollen Mill Ltd. | | |
| Nike Inc. | The Talbots Inc. | | |
| No Ordinary Designer Label Ltd. | THE TJX COMPANIES INC. | | |
| O'Neill Europe BV* | WE Europe BV | | |
| Puma | White Stuff | | |
| PVH Corp. | | | |
| Rapha Racing Ltd. | | | |
| Reformation | | | |
| Reiss Ltd. | | | |
| Rohan Designs Ltd. | | | |
| Schijvens Confectiefabriek Hilvarenbeek B.V.* | | | |
| Seasalt Limited | | | |
| Sugartown Worldwide LLC | | | |
| Uber A/S | | | |
| Under Armour, Inc. | | | |
| Vetta | | | |
| VF Corporation | | | |
| W. L. Gore & Associates GmbH | | | |
| Whistles Ltd. | | | |
| Wilson | | | |

The majority of ratings submitted in Q4 2018 were of retailers and brands headquartered in Europe/United Kingdom, which reflected a similar pattern as in previous ratings cycle (see Table A2).

Table A2. Location of rated retailers and brands

Note. To determine the location of buying companies, Better Buying™ uses information provided by suppliers and adjusts it to harmonize findings across multiple ratings.

| REGION AND COUNTRY | FREQUENCY (N=71) | % |
|--------------------|------------------|------|
| Asia Pacific | 3 | 4.2 |
| Australia | 3 | 4.2 |
| South Asia | 1 | 1.4 |
| Bangladesh | 1 | 1.4 |
| North America | 23 | 32.4 |
| Canada | 1 | 1.4 |
| United States | 22 | 31.0 |
| Europe/UK | 44 | 62.0 |
| Denmark | 2 | 2.8 |
| France | 2 | 2.8 |
| Germany | 8 | 11.3 |
| Italy | 1 | 1.4 |
| Netherlands | 7 | 9.9 |
| Norway | 2 | 2.8 |
| Poland | 1 | 1.4 |
| Switzerland | 2 | 2.8 |
| United Kingdom | 19 | 26.8 |

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 Q4 2018 were submitted by 715 suppliers across 52 countries (see Table A3). Supplier participation increased by 124.1% from the previous ratings cycle (319 from 38 countries).

Over 78% of suppliers were factory owners that collectively employ nearly 3.6 million workers in their 2,252 factories. The average number of factories the suppliers owned = 4.1, (range = 1 to 56). The average number of customers was 40.2. On average, suppliers had been in a business relationship with the retailers and brands they rated for 9.3 years, with the range from less than one year to 42 years.

| COUNTRY/REGION | | FREQUENCY (N=715) | % | |
|---|----------------------|----------------------|------|-----|
| Bangladesh | | 41 | 5.7 | |
| China | | 189 | 26.4 | |
| | Bulgaria | 1 | 0.1 | |
| | Egypt | 3 | 0.4 | |
| | Ethiopia | 1 | 0.1 | |
| | Greece | 2 | 0.3 | |
| | Israel | 3 | 0.4 | |
| | Jordan | 4 | 0.6 | |
| | Lithuania | 1 | 0.1 | |
| | Macedonia | 2 | 0.3 | |
| | Mauritius | 2 | 0.3 | |
| | Morocco | 1 | 0.1 | |
| | Romania | 2 | 0.3 | |
| | Tunisia | 2 | 0.3 | |
| | United Arab Emirates | 2 | 0.3 | |
| EEMEA (Eastern Europe/ Central and Western Asia, Middle East, Africa) | | 86 | 12.0 | |
| Hong Kong | | 61 | 8.5 | |
| India | | 19 | 2.7 | |
| Indonesia | | 30 | 4.2 | |
| Korea, Republic of (South Korea) | | 2 | 0.3 | |
| | Argentina | 1 | 0.1 | |
| | Belize | 3 | 0.4 | |
| | Brazil | 1 | 0.1 | |
| | Colombia | 5 | 0.7 | |
| | El Salvador | 1 | 0.1 | |
| | Honduras | 1 | 0.1 | |
| | Mexico | 16 | 2.2 | |
| | Nicaragua | 2 | 0.3 | |
| | Peru | 21 | 2.9 | |
| Latin America | | 9 | 1.3 | |
| Portugal | | 6 | 0.8 | |
| South Asia | | Cambodia | 1 | 0.1 |
| | | Malaysia | 3 | 0.4 |
| | | Philippines | 1 | 0.1 |
| | | Singapore | 9 | 1.3 |
| | | Thailand | 5 | 0.7 |
| | | Vietnam | 38 | 5.3 |
| Southeast Asia | | 43 | 6.0 | |
| Taiwan | | 21 | 2.9 | |
| Turkey | | 29 | 4.1 | |
| United Kingdom | | Belgium | 1 | 0.1 |
| United States | | Denmark | 3 | 0.4 |
| | | Germany | 4 | 0.6 |
| | | Italy | 11 | 1.5 |
| | | Netherlands | 10 | 1.4 |
| | | San Marino | 1 | 0.1 |
| | | Spain | 3 | 0.4 |
| Western Europe/UK | | Australia | 3 | 0.4 |
| | | Canada | 2 | 0.3 |
| | | Japan | 2 | 0.3 |
| | | Samoa | 2 | 0.3 |
| Others | | | | |

Table A3. Location of supplier headquarters

Note: "N" represents number of unique suppliers submitting ratings, not the total 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 A4 is applied. A rating of 0 stars indicates the worst performance and 5 stars indicates the best.

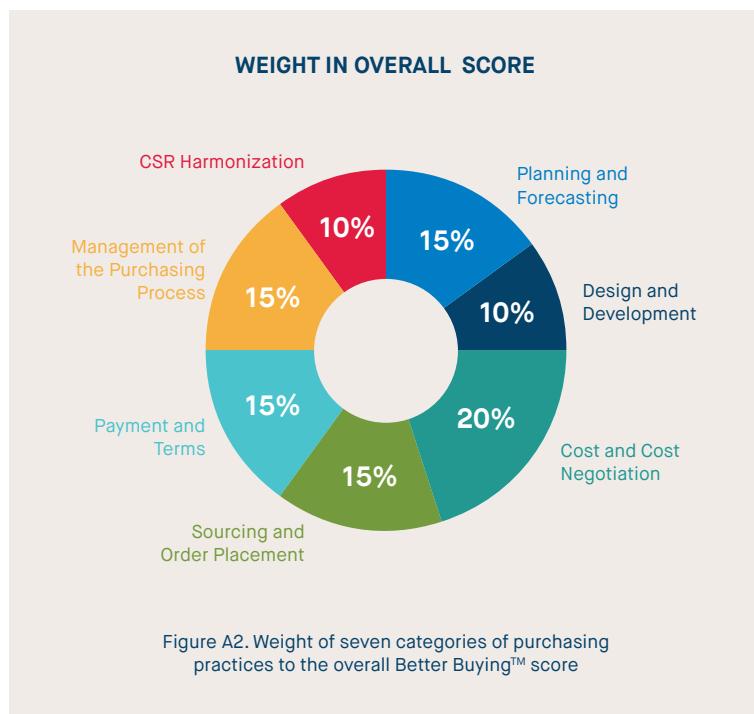
Better Buying™ uses the weighting system outlined in Figure A2 to determine the weight of each purchasing practices category to the overall score.

Basic descriptive statistical analysis is carried out for each question. Means (M) for the purchasing practices categories are based on a scale from 0 to 100, and smaller means reflect poorer purchasing practices while larger means reflect better purchasing practices. Standard deviation (SD) reflects the variability of scores around the mean and gives an indication of the spread of buyer responses to a question or rating category. A larger SD indicates a wider range of responses and scores.

Analysis of variance (ANOVA) was used to test for characteristic differences of the retailers and brands rated and suppliers submitting ratings, and correlation analysis examined the relationship between measures.

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

Table A4. Stars and corresponding numerical scores



SUPPORT TABLES FOR KEY FINDINGS

Table A5 is a high-level summary of the process we used to generate Buyer Net Impact scores and determine which locations to profile. The names of each location analyzed are in the first column, and then where suppliers headquartered in that location reported better practices than others, the list of those locations are highlighted in green. Where suppliers from the location

listed in the first column reported worse practices than others, those locations are highlighted in red. If no location is listed as receiving better or worse purchasing practices from their buyers, then the results were not statistically different.

For example, India reported better practices from the retailers/brands those suppliers rated in four categories/sub-categories: Planning and Forecasting, Cost and Cost

Negotiation, Receiving Incentives, and Management of the Purchasing Process. The locations highlighted in green under each category/subcategory are the locations that reported significantly worse practices than India. India's results also showed that their retailer/brand customers performed worse than with suppliers in a few other locations when it comes to Monthly Order Variation; these locations are highlighted in the red portion of the table.

Table A5. High-level summary of significant differences by location.

| LOCATION | PLANNING & FORECASTING | COST & COST NEGOTIATION | SOURCING & ORDER PLACEMENT | | MANAGEMENT OF THE PURCHASING PROCESS | NET BUYER IMPACT |
|------------|---|--|---|--|---|------------------|
| | | | INCENTIVES FOR COMPLIANT PRODUCTION | MONTHLY ORDER VARIATION | | |
| Bangladesh | Treated better than: 1. Hong Kong 2. Turkey | Treated better than: 1. Southeast Asia | Treated better than: 1. Hong Kong 2. Taiwan 3. Turkey 4. United States 5. United Kingdom 6. Southeast Asia 7. Western Europe | Treated better than: 1. Turkey 2. Western Europe | Treated better than: 1. Korea 2. United States 3. Southeast Asia | +13 |
| | | Treated worse than: 1. Western Europe | | Treated worse than: 1. Korea | | |
| China | Treated better than: 1. Hong Kong | Treated better than: 1. Southeast Asia | Treated better than: 1. Hong Kong 2. Taiwan 3. Turkey 4. United States | Treated better than: 1. Turkey 2. Western Europe | Treated better than: 1. Taiwan 2. Turkey 3. Korea 4. United States 5. Southeast Asia | +8 |
| | Treated worse than: 1. South Asia | Treated worse than: 1. India 2. Western Europe | | Treated worse than: 1. Korea 2. Southeast Asia | | |

| LOCATION | PLANNING & FORECASTING | COST & COST NEGOTIATION | SOURCING & ORDER PLACEMENT | | MANAGEMENT OF THE PURCHASING PROCESS | NET BUYER IMPACT |
|---|---|--|---|--|--|------------------|
| | | | INCENTIVES FOR COMPLIANT PRODUCTION | MONTHLY ORDER VARIATION | | |
| Eastern Europe/ Middle East, Africa (EEMEA) (except Turkey) ¹ | Treated better than: 1. Southeast Asia | Treated better than: 1. United States | | | Treated better than: 1. Korea 2. United States 3. Southeast Asia | 0 |
| | Treated worse than: 1. Taiwan 2. Latin America 3. South Asia | | | Treated worse than: 1. Korea 2. Southeast Asia | | |
| Hong Kong | Treated better than: 1. Southeast Asia | | | | Treated better than: 1. Korea 2. United States 3. Southeast Asia | -11 |
| | Treated worse than: 1. China 2. India 3. Taiwan 4. Bangladesh 5. Latin America 6. South Asia | Treated worse than: 1. Western Europe | Treated worse than: 1. China 2. India 3. Bangladesh | Treated worse than: 1. Taiwan 2. Korea 3. Latin America 4. Southeast Asia | Treated worse than: 1. Western Europe | |
| India | Treated better than: 1. Hong Kong 2. Turkey 3. United Kingdom | Treated better than: 1. China 2. Southeast Asia | Treated better than: 1. Hong Kong 2. United States | | Treated better than: 1. Korea 2. United States 3. Southeast Asia | +8 |
| | | | | Treated worse than: 1. Korea 2. Southeast Asia | | |
| Indonesia | | Treated better than: 1. Southeast Asia | | Treated better than: 1. Turkey 2. United Kingdom 3. Western Europe | Treated better than: 1. Korea 2. United States 3. Southeast Asia | +7 |

APPENDIX

| LOCATION | PLANNING & FORECASTING | COST & COST NEGOTIATION | SOURCING & ORDER PLACEMENT | | MANAGEMENT OF THE PURCHASING PROCESS | NET BUYER IMPACT |
|----------------------------------|---|---|--|---|---|------------------|
| | | | INCENTIVES FOR COMPLIANT PRODUCTION | MONTHLY ORDER VARIATION | | |
| Korea, Republic of (South Korea) | | Treated better than: 1. Southeast Asia | Treated better than: 1. United States | Treated better than: 1. China 2. Hong Kong 3. India 4. Turkey 5. Bangladesh 6. Portugal 7. United Kingdom 8. EEMEA 9. Western Europe 10. Others | | +3 |
| | | | | | Treated worse than: 1. China 2. Hong Kong 3. India 4. Bangladesh 5. Portugal 6. Indonesia 7. EEMEA 8. South Asia 9. Western Europe | |
| Latin America ² | Treated better than: 1. Hong Kong 2. Turkey 3. United States 4. United Kingdom 5. EEMEA 6. Western Europe | Treated better than: 1. Southeast Asia | | Treated better than: 1. Hong Kong 2. Turkey 3. Portugal 4. United Kingdom 5. Western Europe | Treated better than: 1. United States 2. Southeast Asia | +14 |
| Portugal | | Treated better than: 1. Southeast Asia | | | Treated better than: 1. Korea 2. United States 3. Southeast Asia | +1 |
| South Asia ³ | Treated better than: 1. China 2. Hong Kong 3. Turkey 4. United States 5. United Kingdom 6. EEMEA 7. Western Europe | | | Treated worse than: 1. Korea 2. Latin America 3. Southeast Asia | Treated better than: 1. Korea 2. United States 3. Southeast Asia | +10 |

| LOCATION | PLANNING & FORECASTING | COST & COST NEGOTIATION | SOURCING & ORDER PLACEMENT | | MANAGEMENT OF THE PURCHASING PROCESS | NET BUYER IMPACT |
|-----------------------------|--|---|---|--|--|------------------|
| | | | INCENTIVES FOR COMPLIANT PRODUCTION | MONTHLY ORDER VARIATION | | |
| Southeast Asia ⁴ | | | Treated better than: 1. China 2. Hong Kong 3. India 4. Turkey 5. Portugal 6. United Kingdom 7. EEMEA 8. Western Europe 9. Others | Treated worse than: 1. Bangladesh | Treated worse than: 1. China 2. Hong Kong 3. India 4. Bangladesh 5. Portugal 6. Indonesia 7. EEMEA 8. Latin America 9. South Asia 10. Western Europe | -16 |
| | | | | | | |
| Taiwan | Treated better than: 1. Hong Kong 2. Turkey 3. United Kingdom 4. EEMEA | Treated better than: 1. Southeast Asia | | Treated better than: 1. Hong Kong 2. Turkey 3. United Kingdom 4. Western Europe | | +5 |
| | | | Treated worse than: 1. China 2. Bangladesh | | Treated worse than: 1. China 2. Western Europe | |
| Turkey | Treated worse than: 1. India 2. Taiwan 3. Bangladesh 4. Latin America 5. South Asia | Treated better than: 1. Southeast Asia | | | -15 | |
| | | | Treated worse than: 1. China 2. Bangladesh | Treated worse than: 1. China 2. Taiwan 3. Bangladesh 4. Korea 5. Indonesia 6. Latin America 7. Southeast Asia | | |

APPENDIX

| LOCATION | PLANNING & FORECASTING | COST & COST NEGOTIATION | SOURCING & ORDER PLACEMENT | | MANAGEMENT OF THE PURCHASING PROCESS | NET BUYER IMPACT |
|-----------------------------|---|--|--|--|--|------------------|
| | | | INCENTIVES FOR COMPLIANT PRODUCTION | MONTHLY ORDER VARIATION | | |
| United Kingdom | | Treated better than: 1. Southeast Asia | | | | -9 |
| | Treated worse than: 1. India 2. Taiwan 3. Latin America 4. South Asia | | Treated worse than: 1. Bangladesh | Treated worse than: 1. Taiwan 2. Korea 3. Indonesia 4. Latin America 5. Southeast Asia | | |
| United States | | Treated better than: 1. Southeast Asia | | | | -16 |
| | Treated worse than: 1. Latin America 2. South Asia | | Treated worse than: 1. China 2. India 3. Bangladesh 4. Korea 5. EEMEA | | Treated worse than: 1. China 2. Hong Kong 3. India 4. Bangladesh 5. Portugal 6. Indonesia 7. EEMEA 8. Latin America 9. South Asia 10. Western Europe | |
| Western Europe ⁵ | | Treated better than: 1. China 2. Hong Kong 3. Bangladesh 4. Southeast Asia | | | Treated better than: 1. Hong Kong 2. Taiwan 3. Turkey 4. Korea 5. United States 6. Southeast Asia | 0 |
| | Treated worse than: 1. Latin America 2. South Asia | | Treated worse than: 1. Bangladesh | Treated worse than: 1. China 2. Taiwan 3. Bangladesh 4. Korea 5. Indonesia 6. Latin America 7. Southeast Asia | | |
| Others ⁶ | | | | Treated worse than: 1. Korea 2. Southeast Asia | | -2 |

¹EEMEA: Bulgaria, Egypt, Ethiopia, Greece, Israel, Jordan, Lithuania, Macedonia, Mauritius, Morocco, Romania, Tunisia, United Arab Emirates except Turkey, which submitted the 4th largest number of ratings and so is listed separately.

²Latin America: Argentina, Belize, Brazil, Colombia, El Salvador, Honduras, Mexico, Nicaragua, Peru

³South Asia: Pakistan and Sri Lanka

⁴Southeast Asia: Cambodia, Malaysia, Philippines, Singapore, Thailand, Vietnam

⁵Western Europe: Belgium, Denmark, Germany, Italy, Netherlands, San Marino, Spain

⁶Others: Australia, Canada, Japan, Samoa

| LOCATION | OVERALL | PLANNING & FORECASTING | DESIGN & DEVELOPMENT | COST & COST NEGOTIATION | SOURCING & ORDER PLACEMENT | PAYMENT & TERMS | MANAGEMENT OF THE PURCHASING PROCESS | WIN-WIN SUSTAINABLE PARTNERSHIP |
|---|---------------|--------------------------------|----------------------|---|--|----------------------------------|--------------------------------------|---|
| | | | | | Incentives for Complaint Production ¹ | Monthly Order Variation | | |
| F | 1.497 | 1.956 | 1.117 | 1.798 | 2.214 | 3.059 | .870 | 3.147 |
| p | .094 | .014* | .334 | .028* | .004* | .000* | .605 | .000* |
| Bangladesh (n=43) | 65.67 (11.48) | 59.30 ^a (23.74) | 65.12 (14.21) | 64.65 ^a (33.51) | 62.80% ^a | 65.84 ^a (58.07) | 56.28 (28.79) | 92.67 ^a (13.60) |
| China (n=196) | 65.74 (12.65) | 55.36 ^b (28.68) | 65.26 (18.46) | 66.25 ^b (30.52) | 56.70% ^b | 70.93 ^b (49.84) | 62.60 (27.02) | 93.83 ^b (15.10) |
| EEMEA (except Turkey) (n=27) | 64.52 (11.37) | 47.04 ^c (28.33) | 62.96 (22.03) | 73.33 ^c (26.89) | 56.50% ^c | 76.56 ^c (60.72) | 64.15 (26.41) | 90.56 ^c (20.63) |
| Hong Kong (n=122) | 62.71 (13.43) | 48.85 ^{abd} (29.36) | 66.89 (15.41) | 66.89 ^d (31.38) | 37.20% ^{abd} | 81.25 ^d (53.21) | 61.00 (31.37) | 90.53 ^d (15.45) |
| India (n=69) | 68.39 (13.06) | 58.99 ^{de} (31.24) | 70.22 (19.35) | 75.36 ^{be} (30.16) | 53.10% ^{de} | 74.65 ^e (54.68) | 65.35 (26.77) | 93.41 ^e (14.64) |
| Indonesia (n=21) | 68.33 (9.37) | 57.38 (20.95) | 71.67 (18.73) | 73.10 ^f (34.51) | 47.40% | 58.29 ^f (36.99) | 66.76 (24.43) | 92.14 ^f (12.80) |
| Korea, Republic of (South Korea) (n=37) | 65.00 (13.52) | 58.11 (19.52) | 66.76 (12.20) | 66.89 ^g (28.20) | 48.40% ^f | 41.46 ^{abdeg} (27.50) | 69.49 (23.10) | 81.62 ^{abcdefg} (23.25) |
| Latin America (n=19) | 69.00 (12.05) | 67.63 ^{cdf} (22.63) | 71.05 (21.77) | 72.89 ^h (26.16) | 37.50% | 49.00 ^{dh} (38.80) | 63.68 (27.64) | 91.05 ^h (20.04) |
| Portugal (n=22) | 67.86 (11.95) | 60.45 (30.27) | 70.23 (15.31) | 77.73 ⁱ (28.73) | 41.20% | 88.86 ^{ghi} (66.56) | 68.82 (31.75) | 92.50 ^{gi} (18.57) |
| South Asia (n=16) | 69.25 (11.75) | 70.31 ^{bcdg} (19.87) | 70.94 (17.44) | 67.50 (32.40) | 38.50% | 59.69 (61.35) | 67.00 (26.60) | 92.50 ^{si} (13.90) |
| Southeast Asia (n=39) | 61.62 (14.87) | 55.90 (28.10) | 69.10 (18.84) | 50.64 ^{abcdefghijklmn} (38.39) | 40.50% ^a | 47.46 ^{bcdeij} (40.91) | 60.26 (26.94) | 80.90 ^{abcdefghijklmn} (23.89) |
| Taiwan (n=47) | 65.00 (13.12) | 60.43 ^{cdh} (24.65) | 69.15 (17.24) | 66.17 ^j (30.91) | 34.80% ^{ab} | 63.04 ^{dk} (56.91) | 62.79 (27.42) | 87.45 ^{bl} (22.60) |
| Turkey (n=47) | 63.02 (10.44) | 47.55 ^{aefgh} (29.34) | 65.74 (19.03) | 71.81 ^k (20.94) | 35.00% ^{ab} | 88.94 ^{abfgijk} (57.87) | 64.34 (25.82) | 88.19 ^{bm} (14.94) |
| United Kingdom (n=21) | 65.62 (12.53) | 44.76 ^{efgh} (32.19) | 58.81 (21.62) | 74.29 (32.72) | 35.00% ^a | 92.52 ^{ghijk} (63.43) | 70.76 (22.03) | 90.00 (19.69) |
| United States (n=30) | 61.27 (18.19) | 50.33 ^{fg} (31.18) | 65.33 (20.47) | 67.00 ^m (32.45) | 18.50% ^{bccef} | 65.03 (45.80) | 58.40 (26.85) | 81.17 ^{abcdefhijn} (25.14) |
| Western Europe (n=37) | 67.51 (8.32) | 48.65 ^{fg} (27.98) | 70.81 (17.14) | 78.65 ^{abdn} (22.99) | 39.40% ^a | 89.54 ^{abfgijk} (59.40) | 70.62 (24.44) | 97.57 ^{dgklnn} (5.73) |
| Others (n=9) | 63.11 (9.17) | 53.89 (24.59) | 65.56 (9.83) | 68.33 (19.37) | 50.00% | 87.56 ^{gj} (63.01) | 56.44 (24.35) | 91.67 (14.58) |
| | | | | | | | | 55.56 (46.67) |

Table A6. Better Buying™ scores and significant differences by location

Note. Scores in a column that contain the same superscript are significantly different from each other.

¹ To test differences in Incentives for Compliant Production, we used 0/1 coding, but for clarity have presented the frequency of those suppliers reporting they received incentives.
*p<.05

| QUESTION | YEARS OF RELATIONSHIP (r) | p |
|--|---------------------------|------|
| Design and Development | | |
| -adoption rate | .095* | .009 |
| -accuracy of tech packs | .035 | .317 |
| Cost and Cost Negotiation | | |
| -% of orders priced for compliant production | -.058 | .102 |
| -# of high-pressure negotiation strategies | .174* | .000 |

Table A7. Correlation of Years of Business Relationship and Specific Purchasing Practices

Note. * $p < .05$ is significantly different

