



Better Buying™

Index Report 2023

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



ABOUT BETTER BUYING INSTITUTE

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

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

BETTER BUYING'S VISION

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

BETTER BUYING'S MISSION

Better Buying's mission is to support:

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

More at www.betterbuying.org.

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KEY



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



Best Practices

1. Introduction



7th

annual ratings cycle



26

subscriber companies



24

previously engaged

The 2021 Better Buying Purchasing Practices Index™ highlighted the improvements in purchasing practices being made by Better Buying's subscribers, despite global supply chain disruption and shocks due to the COVID-19 pandemic.

In the aftermath of COVID-19, the Russo-Ukrainian War has significantly contributed to inflationary pressures worldwide, impeding post-pandemic recovery and impacting on apparel, footwear, and household textile supply chains in multiple ways.

One of the primary consequences is the escalation of production costs. Inflation drives up the prices of raw materials, labor, transportation, and essential components. Confronted with higher price tags, consumers curb their spending. This uncertainty in consumer demand has resulted in decreased sales and company inventory backlogs.

Despite these challenges, data from the 2023 Better Buying Purchasing Practices Index™ (BBPPI) reveals consistent efforts by Better Buying™ subscriber companies to

maintain or improve responsible purchasing practices, especially in the categories of Cost and Cost Negotiation and Payment and Terms.

A total of 26 buyer companies engaged in Better Buying's seventh annual ratings cycle during Q2 2023. Twenty-four of these companies had engaged with Better Buying™ during previous rating cycles and thus could track their improvements over time. Each subscriber company received a full Excel-based report of its performance in each of Better Buying™'s seven categories of purchasing practices, compared against an industry benchmark of aggregated responses.

A new question was added in the 2023 BBPPI ratings cycle to measure the formal commitment of buyers to their suppliers which, where they exist, are known to significantly improve suppliers' ability to pay living wages and make the necessary investments to improve conditions for workers, reduce negative environmental impacts, and optimize production for better quality and speed.



1,241

ratings



33

buyer companies
including 26 Better Buying™
subscribers

KEY TAKEAWAYS

1. The overall Softgoods score has remained unchanged, at 66, for 3 consecutive ratings cycles, but individual category scores reveal a more mixed and nuanced picture of global brands' and retailers' purchasing practices.
2. In spite of the combined effects of the ongoing impact of COVID-19, and the global inflation accelerated by the war in Ukraine, nearly all Better Buying™ subscribers have continuously improved in some of the seven categories of purchasing practices.
3. The majority of Better Buying™ subscribers have improved their Cost and Cost Negotiation and Payment and Terms scores, both of which directly impact the financial sustainability of suppliers and their ability to provide living wages, ensure decent working conditions, and reduce carbon emissions.
4. While on average, scores have improved in some categories, performance varies from subscriber to subscriber.
5. Suppliers report that too few buyers are providing them with long-term, formal commitments to ongoing business. 72.6% reported formal commitments of less than a year, revealing a large gap between required, and actual practice for supplier stability and long-term business sustainability.



2. Scores and Ratings

OVERALL PERFORMANCE

A total of 1,241 Softgoods ratings were submitted for 33 buyer companies, including 1,230 ratings for 26 Better Buying™ subscribers. Twenty-four of these subscribers participated in two ratings cycles (Q2 2022 and Q2 2023) and were able to track year-over-year changes in their scores.¹



BETTER BUYING PURCHASING PRACTICES INDEX™ 2023 SCORECARD



¹ The BBPPI asks suppliers to rate their buyer's performance over the past 12 months.

Table 1 presents Softgoods' overall scores and scores for different categories across three years (2021, 2022, and 2023), reflecting a snapshot of post-COVID-19 purchasing practices. The overall score has remained unchanged at 66 points for three years, but in detail, we see a mix of ups and downs in each category. First, comparing 2021 and 2022, the scores for the three categories

(Planning and Forecasting, Sourcing and Order Placement, and Payment and Terms) increased, whereas the scores for two categories (Cost and Cost Negotiation and Win-Win Sustainable Partnership) decreased.² Next, when comparing 2022 and 2023, the categories with the highest score (Management of the Purchasing Process) and the lowest score (Sourcing and Order Placement) were the same

as in 2022. Scores stayed the same in one category (Sourcing and Order Placement), declined in three categories (Planning and Forecasting, Design and Development, and Win-Win Sustainable Partnership), and improved in the remaining three categories (Cost and Cost Negotiation, Payment and Terms, and Management of the Purchasing Process).³







PURCHASING PRACTICES CATEGORIES	SCORES		
	2021 (n=918)	2022 (n=1,257)	2023 (n=1,241)
 Overall	66	66 (0)	66 (0)
 Planning and Forecasting	61	62 (+1)	59 (-3)
 Design and Development	74	74 (0)	73 (-1)
 Cost and Cost Negotiation	72	70 (-2)	73 (+3)
 Sourcing and Order Placement	26	28 (+2)	28 (0)
 Payment and Terms	66	68 (+2)	70 (+2)
 Management of the Purchasing Process	90	90 (0)	91 (+1)
 Win-Win Sustainable Partnership	77	74 (-3)	72 (-2)

Table 1: Overall Better Buying™ Purchasing Practices Category Scores and Increase/Decrease in Points from the Previous Year

Note: () indicates increase/decrease from the previous year

² T-test results: Sourcing and Order Placement, t = 3.054, p = .002 (2-tailed); There is no statistical significance in other BBPPI categories.

³ T-test results: Planning and Forecasting, t = 2.853, p = .004 (2-tailed); Cost and Cost Negotiation, t = 2.063, p = .039 (2-tailed); Payment and Terms, t = 2.361, p = .018 (2-tailed); There is no statistical significance in other BBPPI categories.

YEAR-OVER-YEAR IMPROVEMENTS AND DECLINES

Table 2 shows the score changes for 18 repeat Better Buying™ subscribers in the 2021–2022 period, and the score changes for 24 repeat subscribers in the 2022–2023 period.

PURCHASING PRACTICES CATEGORIES	YEAR-OVER-YEAR	IMPROVEMENTS AND DECLINES				
		SUBSCRIBERS WITH SCORE INCREASE %	SUBSCRIBERS WITH NO CHANGES %	SUBSCRIBERS WITH SCORE DECLINE %	MAXIMUM INCREASE SCORE	MAXIMUM DECLINE SCORE
Overall	2021 – 2022	66.7% (12)	5.6% (1)	27.8% (5)	7	-3
	2022 – 2023	29.2% (7)	29.2% (7)	41.7% (10)	5	-6
Planning and Forecasting	2021 – 2022	44.4% (8)	5.6% (1)	50.0% (9)	13	-11
	2022 – 2023	25.0% (6)	0% (0)	75.0% (18)	6	-18
Design and Development	2021 – 2022	66.7% (12)	11.1% (2)	22.2% (4)	9	-6
	2022 – 2023	29.2% (7)	8.3% (2)	62.5% (15)	6	-6
Cost and Cost Negotiation	2021 – 2022	61.1% (11)	11.1% (2)	27.8% (5)	11	-12
	2022 – 2023	62.5% (15)	4.2% (1)	33.3% (8)	18	-10
Sourcing and Order Placement	2021 – 2022	61.1% (11)	11.1% (2)	27.8% (5)	18	-8
	2022 – 2023	41.7% (10)	8.3% (2)	50.0% (12)	8	-9
Payment and Terms	2021 – 2022	38.9% (7)	16.7% (3)	44.4% (8)	10	-8
	2022 – 2023	54.2% (13)	12.5% (3)	33.3% (8)	6	-11
Management of the Purchasing Process	2021 – 2022	66.7% (12)	11.1% (2)	22.2% (4)	5	-6
	2022 – 2023	50.0% (12)	20.8% (5)	29.2% (7)	12	-4
Win-Win Sustainable Partnership	2021 – 2022	38.9% (7)	0% (0)	61.1% (11)	19	-23
	2022 – 2023	33.3% (8)	4.2% (1)	62.5% (15)	17	-20

Table 2: Subscribers' Year-over-Year Improvements and Declines in Category Scores

Note: 18 repeat subscribers in 2021–2022 and 24 repeat subscribers in 2022–2023. () is the number of subscribers.

In 2022, the COVID-19 pandemic, which has continued since the end of 2019, was becoming an endemic, and the intensity of inflation increased globally, resulting in uncertainty in consumer demand. Despite many challenges, Better Buying™ subscribers who have worked to improve their purchasing practices by participating in evaluation cycles of more than two years have achieved many meaningful improvements. The overall scores of 12 Better Buying™ repeat subscribers, more than half of the total, increased compared to 2021.

Twelve subscribers increased their scores in the categories of Design and Development and Management of the Purchasing Process. The category with the largest increase in average score was Sourcing and Order Placement, with an average increase of 2 points compared to the previous year. Win-Win Sustainable Partnership was the category with the largest average decline, with 11 subscribers dropping their scores, and an average decline of 2.7 points. However, there was a subscriber who increased its score in this category by 19 points.

In the BBPPI 2023 cycle, the overall score for the entire Softgoods industry was 66 points, the same as the previous year. By category, scores for Cost and Cost Negotiation, Payment and Terms, and Management of the Purchasing Process increased. On the other hand, the scores of Planning and Forecasting and Win-Win Sustainable Partnership decreased, and Planning and Forecasting decreased by 3 points compared to the previous year. 38.2% of suppliers this year selected Planning and Forecasting as the area most in need of improvement.

The number of buyer companies that were repeat subscribers (having participated in at least two consecutive ratings cycles) was 24 for the BBPPI 2023, an increase of 6 compared to 2022. Of these, 15 subscribers had participated for three consecutive years, enabling long-term tracking of their purchasing practices. Looking at the rise and fall of the BBPPI 2023 overall score by subscriber, 7 out of 24 Better Buying™ subscribers achieved an increase, 10 decreased, and 7 were the same as the previous year. The increase in scores was especially noticeable in the categories of Cost and Cost Negotiation and Payment and Terms. In Cost and Cost Negotiation, the scores of 15 subscribers increased, and the average score increase was 3 points. Surprisingly, one subscriber achieved a significant score increase of 18 points in this category. In the Payment and Terms section, the scores of 13 subscribers increased. One subscriber achieved an increase of 8 points between 2021 and 2022 in the category, and achieved an additional increase of 6 points in 2023, showing that it is making continuous efforts to improve purchasing practices.

BETTER BUYING™ INSIGHT



15 out of 24

subscribers increased their score for Cost and Cost Negotiation in 2023, compared with 2022, with one subscriber increasing their score by 18 points in this category.

BEST PRACTICE

Highest score increases by Better Buying™ subscribers, by category.



19 points

Win-Win Sustainable Partnership



18 points

Cost and Cost Negotiation

BETTER BUYING™ INSIGHT



13 out of 24

subscribers increased their score for Payment and Terms in 2023.

One subscriber company was unable to sustain the significant improvement achieved in 2022 and experienced the most substantial score decline in 2023 in a specific category, indicating inconsistent performance. Occasionally, a company, while directing efforts towards enhancement in one area, may experience declines in others. It is essential to recognize that averages may not accurately represent the diverse experiences of individual suppliers with their respective buyers.

BETTER BUYING™ INSIGHT



Sound financials enable suppliers to build strong supply chains, facilitate smooth cashflow, better working environments and the payment of living wages. The notable improvements in the Cost and Cost Negotiation and Payment and Terms categories may be because buyers are recognizing their responsibility to improve costing and payment practices and to facilitate sustainability achievements, even in times of uncertainty due to the global economic crisis.

BETTER BUYING™ INSIGHT



Planning and Forecasting showed the largest decline in the BBPPI 2023 cycle, potentially reflecting the difficulties buyers are facing in terms of responding flexibly and quickly within the current environment, where uncertainty about consumers' purchase demands and preferences continues.



3. Key Findings

PURCHASING PRACTICES IMPROVED

The crises faced by suppliers inevitably trickles down to workers. One supplier said, “Past the COVID-19 pandemic and the ongoing Ukraine-Russia conflict, the cost of fuel (oil, gas and electricity) and other commodities have already increased. In that case, life expenses are becoming more & more expensive. Finally, we have already raised wages for workers and kept factories running by paying high energy cost to avoid labor revolts and continue smooth production as

supplier.” As such, efforts are being made to maintain smooth operations and prevent conflicts with the workers in the midst of complex difficulties.

Buyers’ purchasing practices affect not only the financial soundness and sustainability of suppliers but also their ability to pay living wages and ensure decent working conditions. BBI subscribers are well aware of the challenges they face, and the results are reflected in the improved performance of various categories in the BBPPI 2023 cycle (see Table 3). Whether a practice was improved

or declined was determined by score changes for each practice in seven categories in 2022 versus 2023. Overall performance across all practices and categories showed that out of the total 46 practices, 29 showed improvement, 16 declined, and one practice had no change. The category with the most improvement is Payment and Terms, with eight of the practices covered by this category improving their performance.

CATEGORY	NUMBER OF PRACTICES MEASURED	PERFORMANCE IMPROVED	PERFORMANCE DECLINED	NO PERFORMANCE CHANGE
 Planning and Forecasting	9	7	2	0
 Design and Development	4	2	2	0
 Cost and Cost Negotiation	3	2	1	0
 Sourcing and Order Placement	7	3	4	0
 Payment and Terms	11	8	2	1
 Management of the Purchasing Process	7	5	2	0
 Win-Win Sustainable Partnership	5	2	3	0
Total (Overall)	46	29	16	1

Table 3: Comparison of Performance Improvements in Practices in 2022 and 2023

Note: One question in Planning and Forecasting changed in 2023 and was excluded from the comparison.

Many suppliers delivered positive messages about buyers' practices. One supplier said, "Buyer has very supportive payment terms and always pays on time. we are very happy with this and can offer better prices because of their payment practices." Another supplier said, "Buyer always proceeds payment on time. It's really good for us to receive and have enough money to invest for the next orders and other buyers."

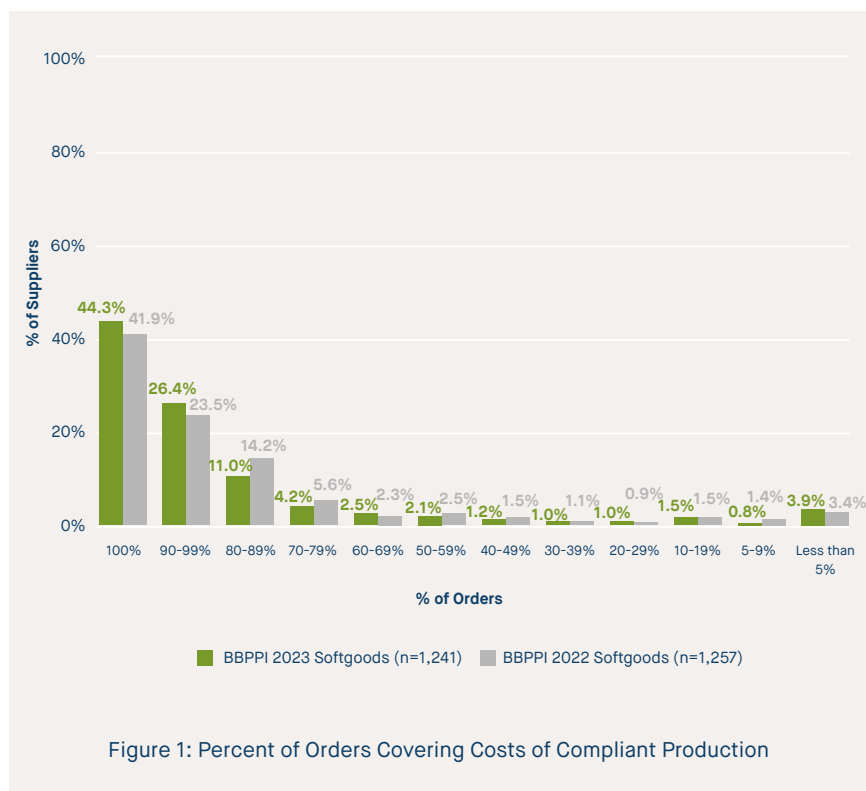
PRACTICES DIRECTLY AFFECTING SUPPLIER FINANCIAL SUSTAINABILITY

This section examines the analysis, results, and implications of BBPPI data in 2023, focusing on purchasing practices that affect suppliers' financial sustainability.

Cost Covering and On-time Payment

In the 2023 BBPPI data, 44.3% of suppliers reported that 100% of their buyers' orders covered all the costs required to produce the order (see Figure 1). This shows an increase compared to 41.9% in 2022. The proportion responding 90-99% also increased from 23.5% in 2022 to 26.4% in 2023. Additionally, 74.2% of suppliers reported that bulk production invoices were paid on time (see Figure 2). This is a 5.3% increase compared to 68.9% who responded 100% in 2022. The average number of delayed payment days was also 29.8 days, an improvement over the average of 33.5 days in 2022.

⁴ Fisher's Exact Test = 140.699, p = .002.



In 2023, 44.3% of suppliers reported that 100% of their buyers' orders covered all the costs required to produce the order, compared with 41.9% in 2022

The two practices in Figure 1 and Figure 2 not only support the financial sustainability of suppliers, but also lead to better partnerships and collaboration, ultimately contributing to both

buyers and suppliers achieving their sustainability goals. Looking at BBPPI data in 2023, 423 suppliers responded that buyers covered the costs of compliant production in all of their orders (n=550, 44.3%) and 100% of buyers paid bulk production invoices without delay (n=894, 74.2%). Interestingly, the analysis results indicated that the two practices were related⁴, which means buyers who cover 100 percent of the costs of compliant production are also likely to pay 100 percent of their bulk production invoices on time.

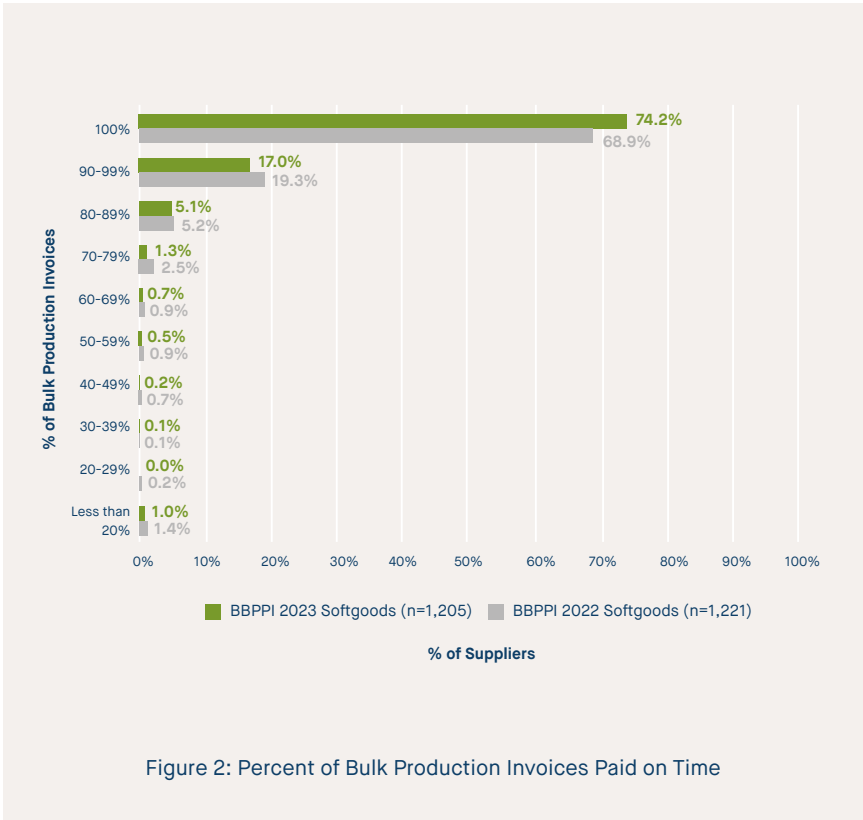


Figure 2: Percent of Bulk Production Invoices Paid on Time



The number of suppliers who agreed to payment terms of more than 91 days increased from 14% in 2022 to 22% in 2023. Longer payment periods have a negative impact on cashflow and increase the financial burden on suppliers.

The Better Buying™ Index Report, 2021 pointed out that buyers' payment terms have not recovered to pre-COVID-19 levels. Even to this day, there appears to be little improvement in this area. One supplier said "A buyer changed payment terms during the Pandemic, from 75 to 90 days. The Pandemic is over but the payment terms remain the same, other brands have payment terms between 30 to 60 days, which is more reasonable." Moreover, another supplier said "120 day payment term is too long and with heavy finance pressure for vendor. Recommend to consider shorten the payment days as general form industry team ex: 30-60 day." Shortening the payment term will facilitate the supplier's cash flow and be of great help to the supplier's financial soundness.

**BETTER BUYING™
INSIGHT**

The practices of buyers covering 100% of the costs of compliant production and the payment of bulk production invoices without delay are related, which means buyers who were compliant with the first practice also likely to be compliant with the second.

Payment Terms
Suppliers generally prefer short payment terms. However, suppliers reported that the number of buyers who agreed to short payment terms of less than 30 days decreased by 1.5% from 22.0% in 2022 to 20.5% in 2023. Moreover, the number of suppliers who agreed to payment terms of more than 91 days increased by 8% in 2023, from 14% in 2022 to 22% in 2023 (see Figure 3). Longer payment periods have a negative impact on suppliers' cash flow and increase financial burden.

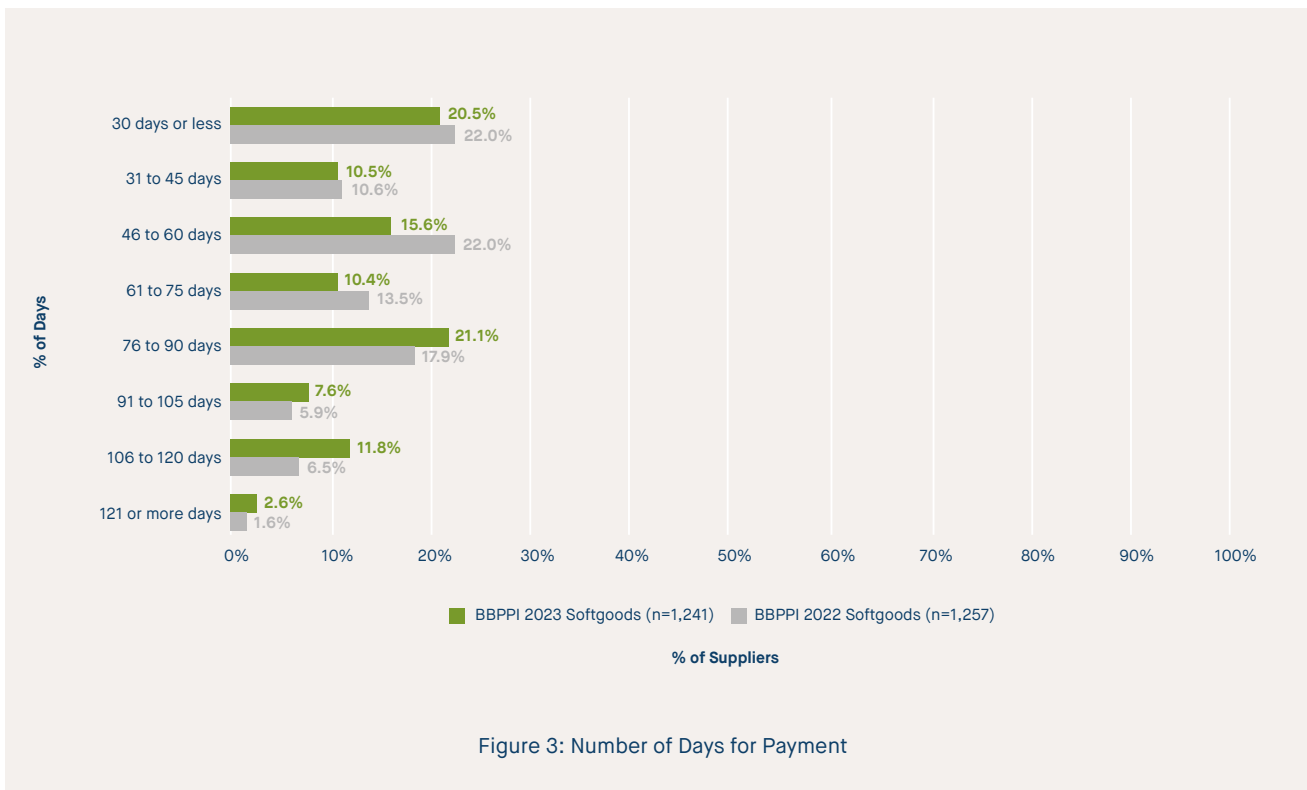


Figure 3: Number of Days for Payment

**BETTER BUYING™
INSIGHT**



Buyers' payment terms have not recovered to pre-COVID-19 levels. Even to this day, there appears to be little improvement in this area.



**SUPPLIER
INSIGHT**

"The Pandemic is over but the payment terms remain the same."



Payment for Sample Production

Buyers often ask suppliers to produce various samples with different designs and materials; then, when orders are received, additional samples are required to approve sizing, production quality, and colors. Suppliers spend a considerable amount of time and cost producing samples so they want to be paid a reasonable price for this. However, BBPPI data in 2023 revealed that the practice of paying for sample production needs improvement. There were several cases reporting delayed sample invoice payment. One supplier said, “The bulk payment practice with factoring company involved is very

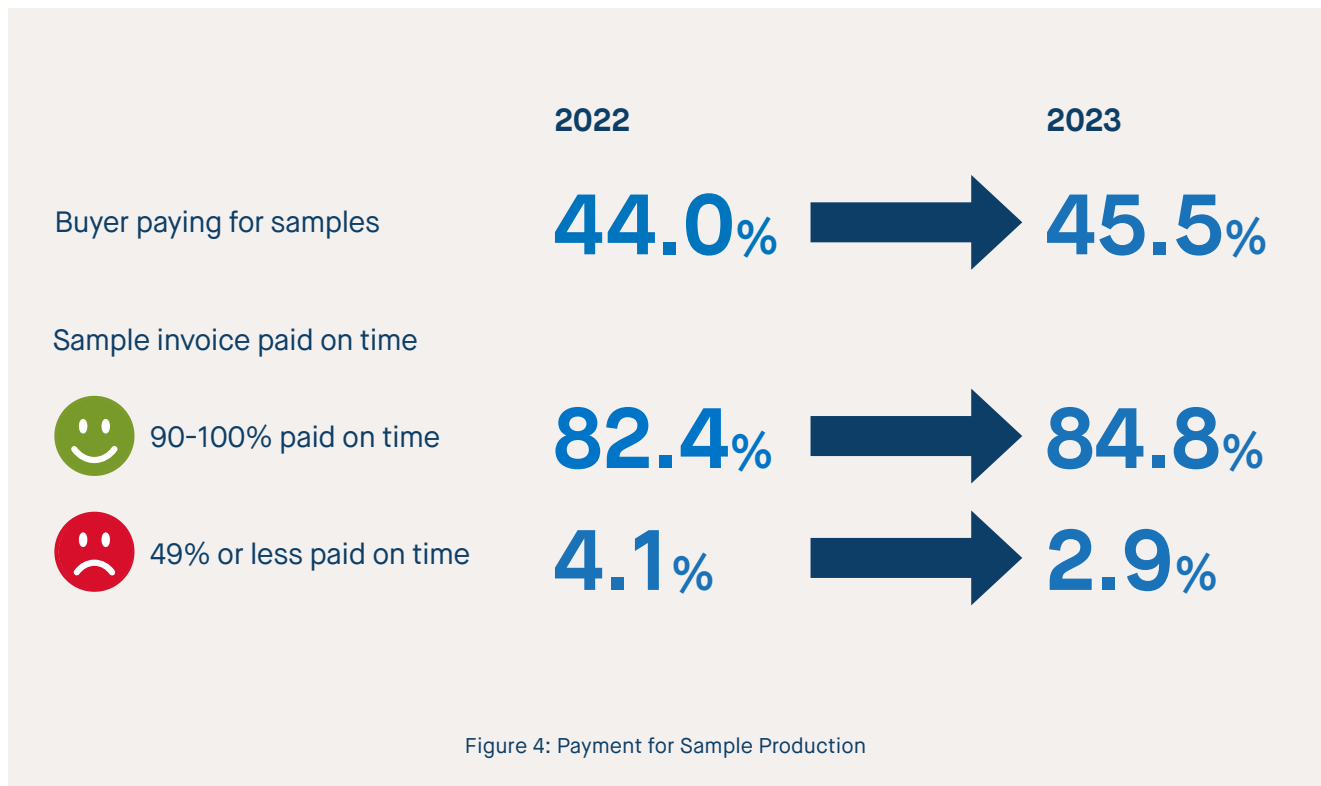
good, payments can be released on time. But the sample fees process is super long.”

There are concerning cases where no compensation for samples is paid at all. Some suppliers complained, “Too much of samples on testing are not paid” and “Lots of cost of development for sample purchasing but not paid.” In fact, according to BBPPI data in 2023, 54.5% of suppliers were not paid for samples. This is a slight improvement compared to the 56% response to non-payment of sample production in 2022, but more improvement is still needed.

BETTER BUYING™ INSIGHT



In 2023, 54.5% of suppliers were not paid for samples, down slightly from 2022 (56%). But more improvement is still needed.



OTHER PRACTICES AFFECTING SUPPLIERS FINANCIAL SUSTAINABILITY

Inflation Triggered by War in Ukraine

Several suppliers expressed difficulties due to the crisis caused by the war in Ukraine, which has led to rises in raw material and energy prices. Regardless of the geographic location of the war, multiple suppliers are being affected. The chain reaction of simultaneous adverse events is having a direct and indirect impact on workers' living wages. One supplier said, "It has brought a mammoth economic catastrophe for supplier though the war has taken place a far away from supplier country. But the remnants of the war have already affected on oil, gas & other commodities cost which effects has already imposed to supplier's country as well."



SUPPLIER INSIGHT

"It [the war in Ukraine] has brought a mammoth economic catastrophe for supplier though the war has taken place a far away from supplier country. But the remnants of the war have already affected on oil, gas & other commodities cost which effects has already imposed to supplier's country as well."

While suppliers are struggling to secure funds and labor to overcome the crisis, buyers are also experiencing difficulties in supply chain management and procurement. Improving buyers' purchasing practices can help prevent or reduce supplier losses. The BBPPI 2023 data reveals that the areas that need improvement include, first, more accurate forecasts, and second, price negotiations that reflect inflation.

Accurate Forecasting

Accurate forecasting not only increases the efficiency of production processes from raw material procurement, production scheduling, and finished product delivery, but also helps suppliers maintain a stable workforce and improve working conditions by minimizing idle lines. Despite this, purchasing practices in Planning and Forecasting in the BBPPI 2023 cycle showed an overall lower performance compared to the previous year.

The number of suppliers reporting a gap of less than 10% between the capacity reserved and the actual purchase order quantity decreased from 35.5% in 2022, compared to 28.7% in 2023, which is encouraging. Better Buying™ recommends reducing the gap to at least 20% or less. Regular communication about orders between buyers and suppliers helps improve forecasting accuracy. The percentage of suppliers reporting regular forecast updates by buyers increased by 2.5%, from 78.4% in 2022 to 80.9% in 2023. One supplier said, "We recommend increasing

the frequency of communication (minimally, having a status call every 4-8 weeks, depending on the program/needs) and discussing proposed adjustments to the forecast and plan. This will help us with production production planning and utilizing capacity effectively."

SUPPLIER INSIGHT



"We recommend increasing the frequency of communication (minimally, having a status call every 4-8 weeks, depending on the program/needs) and discussing proposed adjustments to the forecast and plan. This will help us with production planning and utilizing capacity effectively."

Inaccurate forecasting leads to unutilized capacity, placing a significant burden on suppliers. Best practice is for the buyer to pay for any unutilized capacity (see Figure 5), but the rate of reported compensation payments for unutilized capacity was just 1.2% in 2023, down slightly from 1.5% in 2022. As an alternative, it is recommended that the buyer discuss with suppliers whether advancing their order will contribute to resolving unutilized capacity. One supplier said, "We do hope customer can provide more accurate Forecast to us, so that fty can better planning for the production capacity and material prepositioning. If the FC is not accurate, we do hope customer can pay for the unutilized capacity, then fty can reserve enough capacity for the customer to meet market demand."

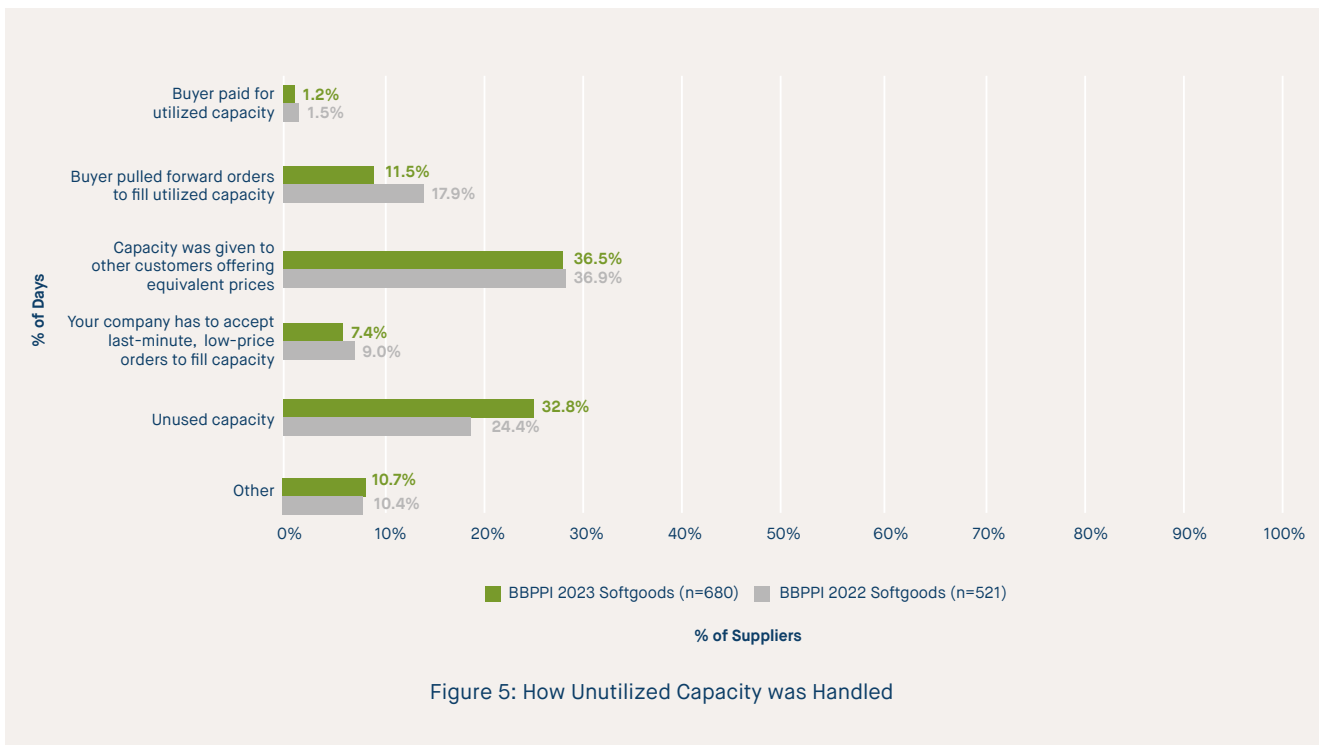


Figure 5: How Unused Capacity was Handled

Cost and Price Negotiation

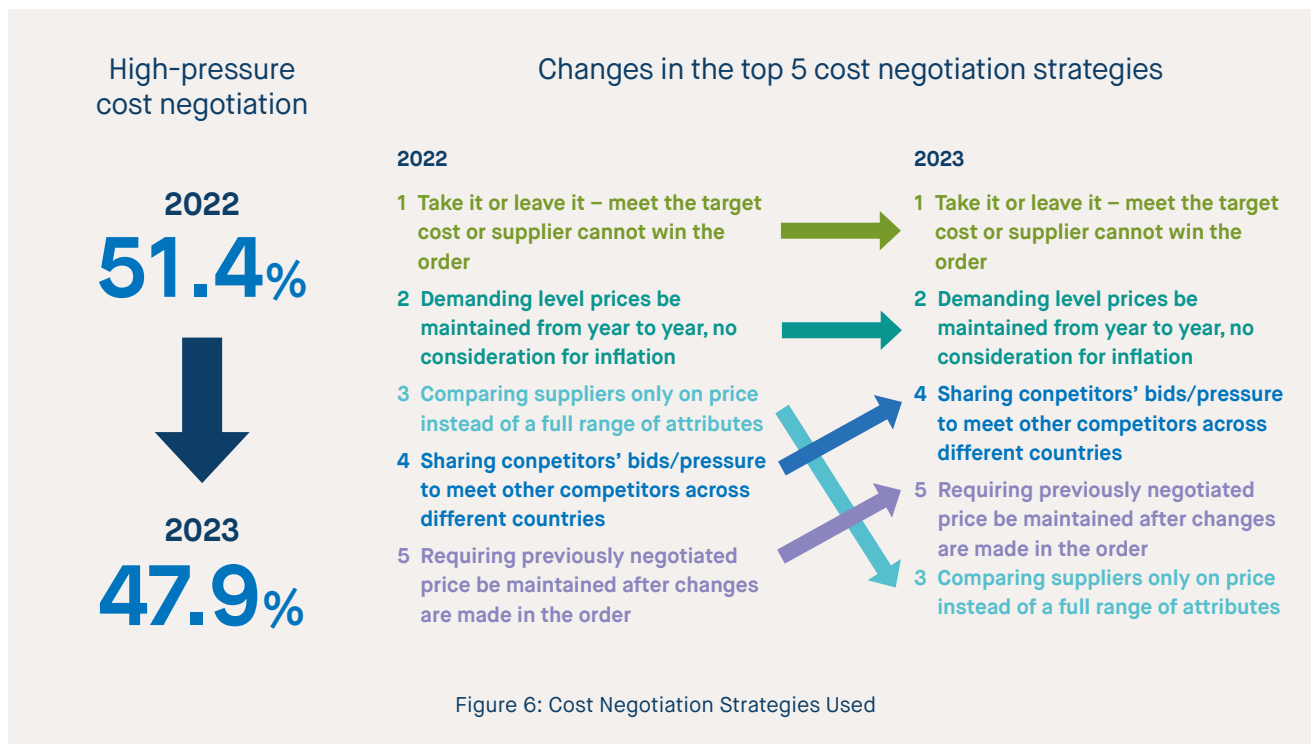
Amicable agreements on costs and payment practices between buyers and suppliers lead to lower production costs, improved cashflow, and reduced financial risk, and directly facilitate better wages and working conditions. According to BBPPI 2023 data, 47.9% of suppliers reported that buyers used negotiation strategies that place high-pressure on suppliers during the costing negotiation process, which is a 3.5% decrease from 51.4% in 2022. One supplier said “The current situation is complicated by inflation and shortage of raw materials. The buyer is aware of this and understands the situation, so far negotiations have been good for both

parties. Let’s hope that this continues as new negotiations are coming” and requested continued cooperation from buyers. However, there were also voices saying that attempts to negotiate with buyers to cover increasing wages were difficult. “An increase in wages should be reflected. The buyer asks to keep making charges the same as in previous seasons and years. For small units, we need higher charges, but it is not allowed. The wage in production has been increased by year, but the target cost from the buyer is not close to the real labor cost.”

SUPPLIER INSIGHT



“An increase in wages should be reflected. The buyer asks to keep making charges the same as in previous seasons and years. For small units, we need higher charges, but it is not allowed. The wage in production has been increased by year, but the target cost from the buyer is not close to the real labor cost.”



Buyers are also experiencing difficulties due to the uncertain economy. However, in times of uncertainty, it is necessary for buyers to apply appropriate pricing strategies and practices in a balanced manner by considering the impact of the cost negotiation results (e.g., wages and cost of raw materials). Without true partnership between buyers and suppliers, supplier sustainability will not be achieved.

Formal Commitments for Long-term Business Relationships

Stable company operations based on long-term and committed business relationships with buyers allow suppliers to focus on sound management activities and improved working conditions and wages. But multi-year commitments of the kind needed to support

supplier sustainability are still rare. One supplier commented: *“The forecasting (as in the provision of non-binding forecasts) from the buyer’s side is working well. At the end of the day there is no reliable long-term perspective though. Ideally, the buyer would provide formal commitments in the form of multi-year framework contracts/multi-year blanket orders.”*

In the BBPPI 2023 cycle, a new question ‘Has the buyer made formal commitments to give you a specific volume of production across multiple years of business?’ was added to track practices for long-term formal commitments. In response to the question, 72.6% reported formal commitments of less than 1 year, while 14.4% reported formal commitments of 3 years or more,

which can be considered a long-term partnership, showing a large gap between needed and actual practice.

One supplier stated, *“Due to macro situation and heavy inventory issue, buyer is unexpectedly decreasing buying units sharply and it’s getting unmanageable on vendor’s side. We need to reduce working hours and hiring workers for our supply chains due to severe order drop from projection to actual buying unit. Buyers need to more focus on improving how to make sustainable buying practice and protect their supply chains.”*

Without long-term formal commitments for continued business, suppliers are forced to search for more committed buyers and the buyer may lose key players in its supply chain.



INSIGHTS FROM SUPPLIER COMMENTS

In the BBPPI 2022 cycle and 2023 cycle, suppliers submitted 7,792 and 7,832 comments, respectively. Although BBI has included thoughts and suggestions from various suppliers in the previous BBPPI reports, not all comments could be incorporated, due to space constraints. For this report, BBI has

performed a topic modeling analysis to extract topics from suppliers' comments over the two ratings cycles and explore any changes in the issues raised. Topic modeling statistically calculates the frequency of words in supplier comments and identifies keywords with high weight for each topic.⁵

The distribution of keywords within the topic modeling analysis revealed 5 key themes:

1. Cost
2. Process of Pricing
3. Product Development and Business Relationships
4. Orders and Forecasts
5. Payment Practices

⁵ The algorithm used for topic modeling is Latent Dirichlet Allocation (LDA). During the data preprocessing process, all comments that were not suitable for topic extraction, such as 'NA', 'no suggestion,' and 'no poor practices,' were removed. After data preprocessing, the remaining data (comments) were 4,901 in BBPPI 2022 data and 4,329 in BBPPI 2023 data. Coherence score was used to evaluate a number of topics. A higher coherence score suggests that the topics are more meaningful and coherent, which can lead to better insights when analyzing text data.

TOPIC SUBJECTS	MAIN KEYWORDS	TOPIC PROPORTIONS BY THE YEAR		EXAMPLE COMMENTS
		2022	2023	
Topic 1: Cost	cost, actual, sample, use, compare, reduce, system, check, product, review	15.3%	16.4%	“Labor cost is increasing annually but buyer has not increased prices. Trying to negotiate prices back and forth. They should consider increasing price each year.”
Topic 2: Process of Pricing	price, buyer, supplier, material, vendor, target, consider, raw, increase, analyze	17.0%	17.4%	“Sharing a target price coherent with the region limitations regarding raw materials prices will be great. Develop more raw materials in the region.”
Topic 3: Product Development and Business Relationships	development, work, process, good, team, design, product, new, business, company	11.8%	12.2%	“If customer can select the specific colour pallet for the season, that will avoid the number of colour development and should be able to give the colour approval base on reading and not the physical visual which can be vary from eye to eye. Also on sustainable development , there should be specific idea on the development.”
Topic 4: Orders and Forecasts	order, production, forecast, capacity, provide, need, factory, plan, customer, month	46.1%	45.0%	“Provide advanced forecast to be able to book materials to utilize any open capacity to be able to continue production month to month. Share forecast on more frequency schedule to be able to adjust the forecast variance on production planning.”
Topic 5: Payment Practices	time, payment, term, day, long, lead, pay, change, shipment, due	9.8%	9.0%	“The buyer could be a good connection between us and the suppliers (which are imposed on us) in relation to the payment issue. they could help us get better payouts because we collect in 90 days.”
Total		100%	100%	

Table 5. Topic Changes between BBPPI 2022 and 2023

4. Conclusions and Recommendations

RESILIENCE THROUGH RESPONSIBLE FINANCIAL PRACTICES

Despite rising production costs and consumer demand uncertainty, BBI subscriber companies have continued to improve their purchasing practices, particularly in areas such as Cost and Cost Negotiation and Payment and Terms. In addition to these improvements, Better Buying™ recommends that buyers commit to covering all costs of compliant production, as this is critical to ensuring living wages, safe and healthy working conditions, and supplier financial sustainability.

IMPORTANCE OF FORMAL COMMITMENTS WITH SUPPLIERS

The introduction of a new question in the 2023 BBPPI survey highlights the critical role of formal commitments between buyers and suppliers. These commitments are not merely a contractual formality; they signify that a buyer shares responsibility with the supplier for the payment of better wages, improving working conditions, reducing environmental impacts, and optimizing production quality and speed. These formal relationships underscore buyers' responsibility to both their suppliers and the environment, shaping a more conscientious and sustainable future.

PROMOTE RESPONSIBLE PRACTICES THROUGHOUT THE SUPPLY CHAIN

In addition to maintaining responsible financial practices, buyers must champion other practices that reduce pressure on suppliers. These include implementing efficient methods for handling unused capacity and providing ongoing feedback to suppliers as demand changes. Investing in advanced forecasting tools and supply chain management systems can enhance accuracy, reduce uncertainties, and lead to cost savings in the long term, benefiting both buyers and suppliers.

HOLISTIC APPROACH TO ENHANCE SUPPLIER COLLABORATION AND FINANCIAL HEALTH

The financial health of the company and its suppliers is intricately linked. It is crucial to recognize that inefficiencies in other areas of the business, such as Design and Development, Management of the Purchasing Process, and Win-Win Sustainable Partnerships, also contribute to higher supplier costs. Addressing financial practices in isolation will not suffice; a holistic approach is necessary to enhance supplier collaboration and improve overall financial outcomes.

Appendix: Methodology

The BBPPI Report Spring 2018 detailed how the BBPPI was created and how the seven categories of purchasing practices are measured: Planning and Forecasting, Design and Development, Cost and Cost Negotiation, Sourcing and Order Placement, Payment and Terms, Management of the Purchasing Process, and Win-Win Sustainable Partnership.

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

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

Prior to analyzing supplier data, Better Buying™ reviews the documents provided by each supplier to verify that there is an existing business relationship with the buyer they rated and proceeds to clean and prepare the data.

Once the cycle closes, the data are analyzed and aggregated by Better Buying™ for subscribers' company reports and the annual BBPPI Report.

ABOUT BETTER BUYING™ DATA COLLECTION

The data presented in this report were collected during the Q2 2023 ratings cycle that ran between April 1 and June 16, 2023. A total of 26 buyer companies engaged with Better Buying™ through paid subscriptions (Table A1). In addition to providing a supplier list (full or partial) and invitation letter to Better Buying™, these subscribers directly approached their suppliers to solicit participation during the ratings cycle. Better Buying™ used the contact information and invitation letters provided by subscribers to contact their suppliers and urge them to take the opportunity to give honest and anonymous feedback about their buyers' practices. The overall response rate averaged 54.5% – a 1.2% increase from the Q2 2022 data collection cycle – and ranged from 25.7% for a very small subscriber to 90.3% for a large subscriber surveying only its strategic suppliers. Apart from reaching out to the subscribers' suppliers, Better Buying™ also requested other suppliers globally to submit ratings for their buyers with whom they had an active working relationship. As a result, Better Buying™ received ratings for 7 buyers who are not currently subscribed (Table A2).



SUBSCRIBER	HEADQUARTER COUNTRY	SUBSCRIBER	HEADQUARTER COUNTRY
Adidas AG	Germany	Macpac	New Zealand
Amer Sports	Finland	New Balance Athletics, Inc.	United States
BENETTON GROUP S.R.L.	Italy	Nike Inc.	United States
Colosseum Athletics Corporation	United States	Patagonia, Inc.	United States
Decathlon SA	France	PUMA	Germany
EILEEN FISHER, Inc.	United States	Ralph Lauren Corporation	United States
Fanatics Apparel, LLC	United States	Reformation	United States
Fast Retailing	Japan	Sainsbury's	United Kingdom
Kik Textiles and Non-Food GMBH	Germany	SanMar	United States
L.L. Bean, Inc.	United States	Target Corporation	United States
LT Apparel Group	United States	Under Armour	United States
lululemon	Canada	VF Corporation	United States

Table A1: Better Buying™ Subscribers Rated During 2023 Ratings Cycle

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

Amazon Services, Inc.
Columbia Footwear
Dick's Sporting Goods
Fat Face
Kmart Australia Limited
PVH Corporation
Walmart

Table A2: Non-Subscribers Rated During 2023 Ratings Cycle

PARTICIPATION IN 2023 RATINGS CYCLE

A total of 1,947 ratings were submitted in the 2023 ratings cycle. Of those, 230 ratings were rejected during the data verification and cleaning phase because these were either duplicate ratings or ratings from suppliers who did not demonstrate a business relationship with the rated buyer over the last one year. An additional 476 ratings were for buyers whose largest orders were for products other than apparel, footwear, and household textiles; those are classified as “hardgoods” ratings and are separately analyzed and reported on elsewhere.

A total of 1,701 verified (1,229 softgoods and 472 hardgoods) ratings were submitted for Better Buying™ subscribers. Non-subscribers received a total of 16 ratings (12 softgoods ratings and 4 hardgoods ratings). In this Index Report, a total of 1,241 softgoods ratings (including ratings submitted for non-subscribers) were used.

As shown in Table A3, out of the 33 buyers rated (26 subscribers and 7 non-subscribers), the largest number were headquartered in the North America region (48.2%).

REGION AND COUNTRY	FREQUENCY (n=33)	%
Asia Pacific	3	9.1%
Australia	1	3.0%
Japan	1	3.0%
New Zealand	1	3.0%
Europe/UK	8	24.2%
Germany	3	9.1%
Finland	1	3.0%
France	1	3.0%
Italy	1	3.0%
United Kingdom	2	6.1%
North America	22	66.7%
Canada	1	3.0%
United States	21	63.6%

Table A3: Location of Rated Buyers

Note: ‘n’ refers to the number of unique buyers rated.

ABOUT THE SUPPLIERS WHO SUBMITTED RATINGS

Better Buying™ always protects the anonymity of suppliers by withholding the raw data and identities of those who submit ratings. The ratings in 2023 were submitted by 1,501 suppliers across 61 countries (see Table A4).

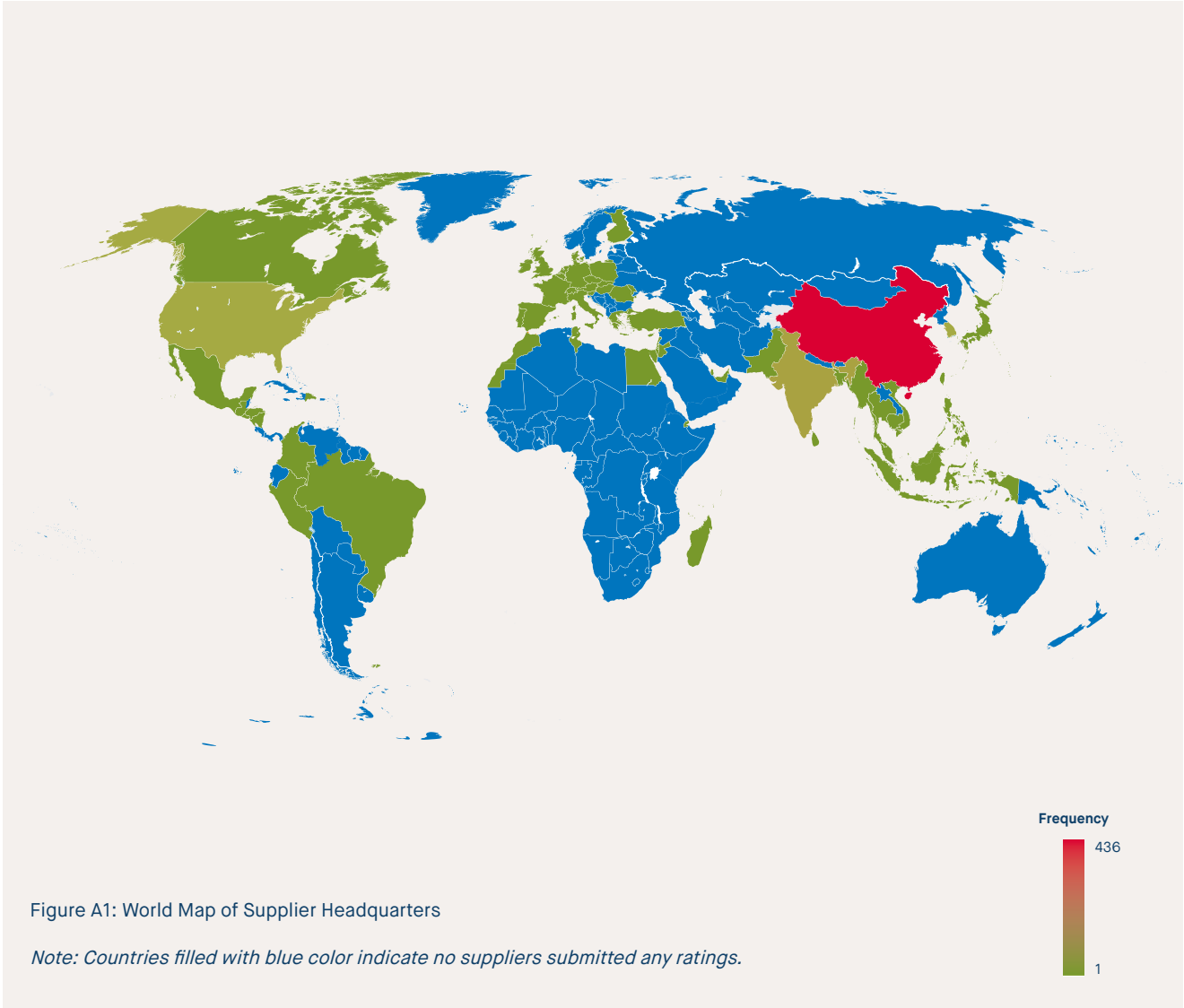
Eighty-two percent of suppliers were factory owners that collectively employ nearly 7.8 million workers in their 5,513 factories. The average number of factories the suppliers owned was 3.7. A majority of factory owners were OEM/Finished Goods/End Products Processing (Whole Package Producer/Assembler, 62.4%), followed by OEM/Finished Goods/End Products Processing (Final Product Assembly/Primary Contractor/CMT, 25.6%), and Intermediate Goods/ Sub-Component Assembly (7.7%). Most frequently suppliers reported having business with 10 buyers during the last year. On average, suppliers had been in a business relationship with the buyers they rated for 12.3 years, ranging from less than one year to 70 years.

REGION AND COUNTRY	FREQUENCY (n=1,501)	%
Asia Pacific (Australia, Japan, New Zealand, Samoa)	9	0.6%
Japan	8	0.5%
Samoa	1	0.1%
China/Hong Kong/Macao	598	39.8%
China	436	29.0%
Hong Kong	149	9.9%
Macao	13	0.9%
East Asia (all others except China/Hong Kong/Macao)	352	23.5%
Cambodia	3	0.2%
Indonesia	29	1.9%
Korea, Republic of (South Korea)	65	4.3%
Malaysia	3	0.2%
Myanmar	1	0.1%
Philippines	7	0.5%
Singapore	15	1.0%
Taiwan	129	8.6%
Thailand	16	1.1%
Vietnam	84	5.6%
EEMEA (Eastern Europe/Central and Western Asia, Middle East, Africa)	58	3.9%
Egypt	4	0.3%
Greece	1	0.1%
Israel	3	0.2%
Jordan	6	0.4%
Madagascar	1	0.1%
Mauritius	1	0.1%
Morocco	2	0.1%
Romania	4	0.3%
Tunisia	3	0.2%
Turkey	31	2.1%
United Arab Emirates	2	0.1%

Table A4: Location of Supplier Headquarters

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

REGION AND COUNTRY	FREQUENCY (n=1,501)	%
Latin America (Caribbean, Mexico, Central, and South America)	29	1.9%
Brazil	4	0.3%
Colombia	1	0.1%
Dominican Republic	1	0.1%
El Salvador	4	0.3%
Guatemala	4	0.3%
Honduras	2	0.1%
Mexico	4	0.3%
Nicaragua	2	0.1%
Peru	7	0.5%
South Asia	212	14.1%
Bangladesh	68	4.5%
India	97	6.5%
Pakistan	27	1.8%
Sri Lanka	20	1.3%
North America (United States and Canada)	83	5.5%
Canada	5	0.3%
United States	78	5.2%
Western Europe/ United Kingdom	160	10.7%
Austria	2	0.1%
Belgium	3	0.2%
Czech Republic	2	0.1%
Denmark	2	0.1%
Finland	1	0.1%
France	14	0.9%
Germany	7	0.5%
Hungary	1	0.1%
Ireland	2	0.1%
Italy	47	3.1%
Netherlands	7	0.5%
Poland	4	0.3%
Portugal	22	1.5%
Slovakia	1	0.1%
Slovenia	1	0.1%
Spain	6	0.4%
Switzerland	2	0.1%
United Kingdom	36	2.4%



HOW THE DATA ARE ANALYZED AND STARS AWARDED

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

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

NUMERICAL SCORE	STARS AWARDED
96-100 points	★ ★ ★ ★ ★
90-95 points	★ ★ ★ ★ ☆
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 A5: Stars and Corresponding Numerical Scores

