
ABOUT BETTER BUYING™

Better Buying Institute is a non-profit organization that conducts scientific research and education examining the way business between buyers and their suppliers is carried out on a day-to-day basis. We aim to transform the purchasing practices commonly used in the consumer goods sector, so that business relationships with suppliers support decent working conditions and reduce environmental impacts of production. Better Buying's programs provide retailers, brands, and suppliers with data-driven insights into purchasing-related activities. The transparency we deliver to supply chain relationships promotes sustainable partnerships and mutually beneficial financial and other outcomes. For more information, visit:

www.betterbuying.org.

Report written by Kelly Duncanson, strategic partnerships manager, Dr. Marsha A. Dickson, president and co-founder of Better Buying™, and Dipti Bhatt, research associate.

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1. Introduction

The 2020 Better Buying™ Index Report introduces company-level improvements in purchasing practices for 10 companies across two ratings cycles. These findings demonstrate how supplier feedback on buyer purchasing practices enables companies to develop and track the effectiveness of their strategies for improvement.

The Q4 2019 ratings cycle marked Better Buying's fourth annual ratings cycle since its initial piloting and inception. A total of 22 buyer companies engaged with Better Buying™, inviting suppliers to rate their performance on seven categories of purchasing practices. Each of these subscribers received individual company results in Better Buying's new Excel-based reporting format, including question-by-question reporting of their performance against the industry benchmark, custom recommendations for improvement from Better Buying™, and full qualitative feedback from their suppliers.

Numerical scores have also been included to enable more granular tracking of company improvements. Information about data collection methodology and participation is included in the Appendix. Since the Q4 2018 ratings cycle, new questions have been added to the Better Buying™ Purchasing Practices Index (BBPPI) in all categories except Management of the Purchasing Process. For this reason, we advise caution in comparing year-over-year changes in category scores and recommend focusing on changes in performance for individual practices.

2. Scores and Ratings

OVERALL INDUSTRY PERFORMANCE

A total of 873 supplier ratings for subscribers and non-subscribers were used in our analysis for this report. Figure 1 shows overall scores on the Better Buying™ Purchasing Practices Index (BBPPI) were highest on Management of the Purchasing Process (90) and lowest in Sourcing & Order Placement (31).

Of the 843 ratings, received for the 22 Better Buying™ subscribers, 10 had received reports from the previous ratings cycle and thus were able to compare their performance year-over-year. Based on their 2018 data, Better Buying™ made recommendations for the categories where each company should focus their improvement efforts in the coming year. Most companies were encouraged to work on Planning

& Forecasting or Cost & Cost Negotiation – in part due to subpar performance against the industry and buyer type benchmarks, but also because of the importance of these practices to suppliers' sustainability efforts.



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

Note. In Comparative Analysis chart, Grey bars show scores based on 2018 data and Green bars show scores based on 2019 data.

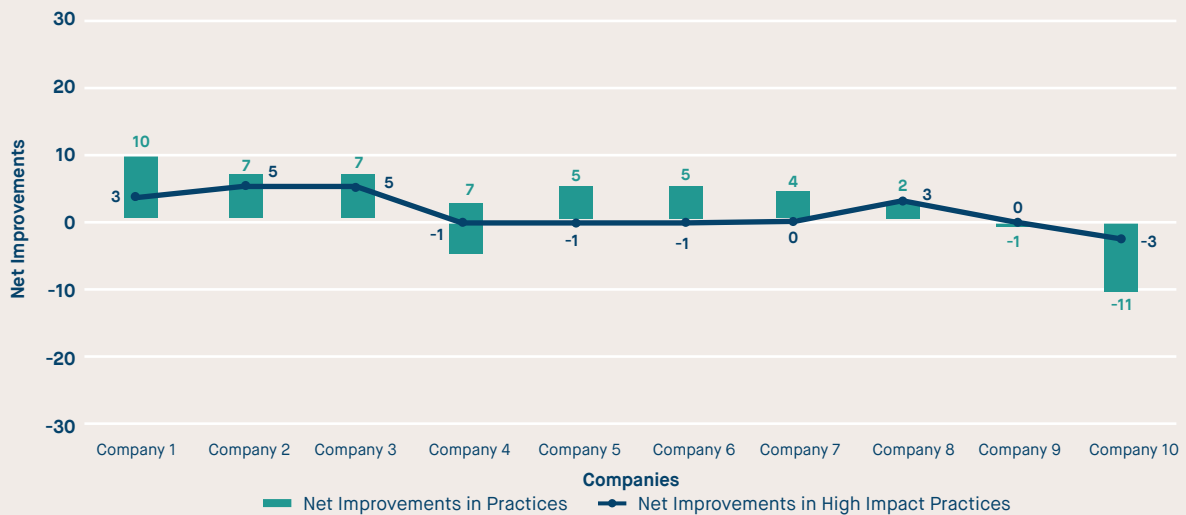


Figure 2. Net Improvements in Practices by Company

HOW DID WE DETERMINE WHERE IMPROVEMENTS WERE MADE?

In order to determine whether and how much each of the 10 companies improved their performance, we compared their 2019 and 2020 results¹ on each question in all seven categories of purchasing practices. Between the two most recent ratings cycles, new questions were added in all categories except Management of the Purchasing Process – these additions were not taken into consideration when determining each company’s year-over-year improvements.

We started by examining the companies’ “net” improvements across each of the seven categories. Each of the 10 companies had

practices where their performance improved and practices where their performance declined – examining net improvements allowed us to capture both types of change in their year-over-year performance. To do this, we looked at the percent of each company’s suppliers reporting a particular practice in 2019 versus 2020 to determine if the company had improved or not. Then, we subtracted the number of practices with declining performance from the number of practices with improvements to arrive at a net improvement per company across all seven categories – these overall net improvements are shown in Figure 2. The maximum net improvement for any one company was 10 out of 30 possible practices. Meanwhile, the company with the poorest performance had a net improvement

of -11 practices – meaning this company’s performance more often declined than improved across the 30 practices.

Some questions in the BBPPI are more heavily weighted than others due to the high degree of impact these practices have on suppliers’ sustainability efforts. There were nine “High Impact” questions included in the net improvement calculation, with two companies achieving a net improvement of five High Impact practices. Improving on High Impact practices, for example improving forecasting accuracy, requires a larger degree of transformation in a company’s purchasing practices, but such changes also have the potential for substantial sustainability benefits for buyers, suppliers, and workers.

¹ 2019 results are based on data collected during the Q4 2018 ratings cycle, while 2020 results are based on data collected during the Q4 2019 ratings cycle.

3. Key Findings

While improvements were made by at least one company in every category of purchasing practices, we decided to focus on the improvements in the two categories that were most frequently recommended as areas to improve for these 10 companies in 2019: Planning & Forecasting and Cost & Cost Negotiation. In addition, we'll highlight some impressive improvements in Payment & Terms and provide an overview of improvements in the remaining categories.

PLANNING AND FORECASTING

A total of eight practices were included in the net improvement calculation for Planning & Forecasting. As seen in Figure 3, all 10 companies improved in at least one or more of these practices, with two companies – Company 3 and Company 6 – improving in seven of the eight practices. However, only five of the 10 companies had a positive net improvement score, meaning their performance improved on more practices than it declined. The company with the lowest net improvement had declining performance in seven of the eight practices. The average net improvement across all 10 companies in Planning & Forecasting was +1.1.

All 10 companies improved in at least one or more Planning & Forecasting practices, with two companies improving in seven of the eight practices

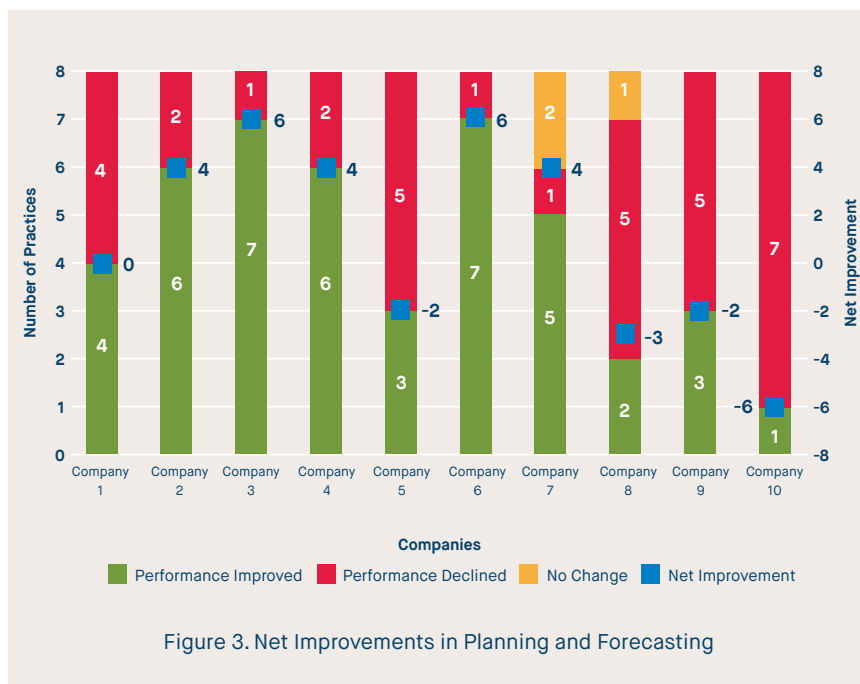


Figure 3. Net Improvements in Planning and Forecasting

Note. The number of practices companies improved/declined/showed no change are mapped to the left y-axis, while the companies' net improvement in this category is mapped to the right y-axis.

Planning & Forecasting practices are key for providing suppliers with the visibility they need to plan production responsibly and ensure safe conditions for workers – the specific improvements in each Planning & Forecasting practice in our analysis are shown in Figure 4. The most frequently reported improvements included increases in the percent of suppliers reporting that inaccurate forecasting did not lead to unutilized capacity or excess materials, as well as an increase in the number of suppliers receiving actual orders within 10%+/- of capacity reserved. The largest improvement seen on any practice in Planning & Forecasting was a 40.0% increase in the percent of one company's suppliers reporting

that their forecasts were regularly updated. Additionally, Company 4 had a 22.7% improvement in the percent of suppliers reporting they reserved capacity for the buyer they rated in advance of production – an additional method to provide suppliers visibility into upcoming production. Eight of the 10 companies had fewer suppliers left with unutilized capacity due to forecasting inaccuracies, and six of the 10 had fewer suppliers left with excess materials. Despite these improvements, fewer than half of the companies can say their suppliers see them as partners in business growth.

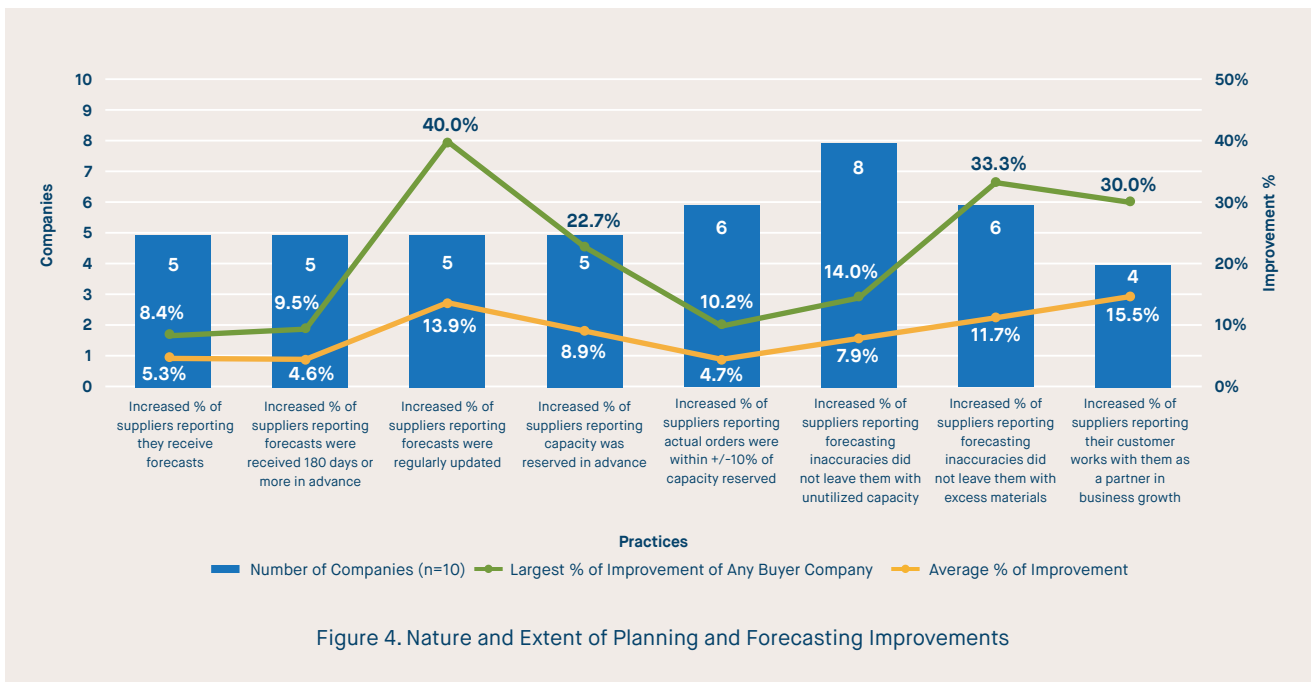


Figure 4. Nature and Extent of Planning and Forecasting Improvements

At an individual company level, we found meaningful improvements on the two High Impact Planning & Forecasting practices: providing forecasts 180 days or more in advance of production and forecasting accuracy. Company 3 had an 8.4% increase in the percent of suppliers reporting they received forecasts in advance of production, though only 5.0% received forecasts 180 days or more in advance. Meanwhile, even though Company 8 had a negative net improvement score in this category, 9.5% of Company 8's suppliers reported they received forecasts 180 days or more in advance of production – the largest improvement of any of the 10 companies on this practice (see Figure 5). Advance forecasts, especially those provided well in advance of production (180 days or more) help suppliers plan production efficiently without having to rely on subcontracting or overtime to handle unexpected orders.

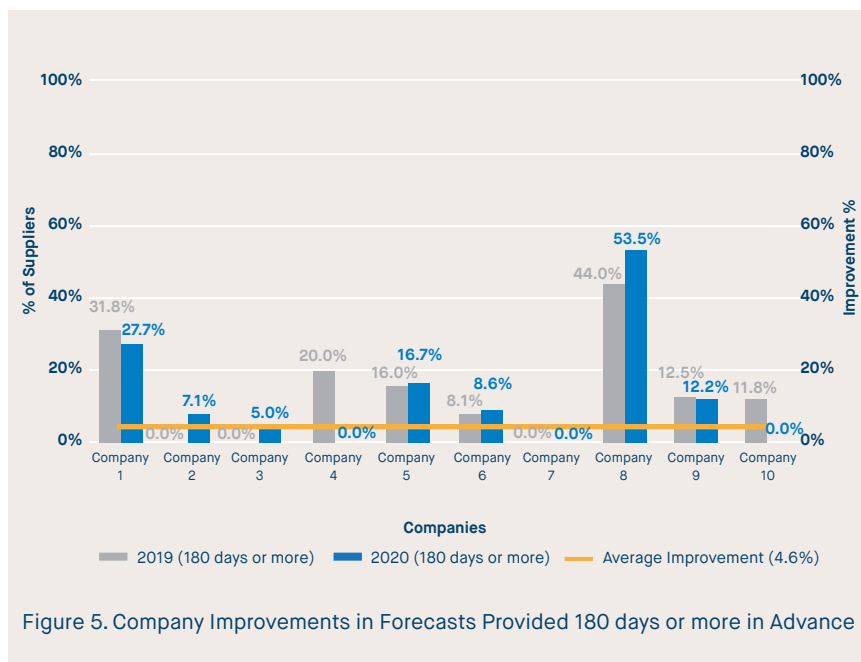


Figure 5. Company Improvements in Forecasts Provided 180 days or more in Advance

Six of the 10 companies had larger percentages of suppliers reporting the orders they received were within 10% of the capacity the buyer had reserved, a highly treasured outcome for suppliers.

Six of the 10 companies had larger percentages of suppliers reporting the orders they received were within 10% of the capacity the buyer had reserved, a highly treasured outcome for suppliers. Company 2, whose performance was among the best in terms of net improvements in Planning and Forecasting, had the largest improvement in forecasting accuracy (10.2%). This finding is displayed in Figure 6. Three of the four companies that had Planning & Forecasting as a recommended

focus area in 2019 improved on this practice. Improved forecasting accuracy not only yields benefits in terms of production efficiency and reduced financial pressure on suppliers, but it also helps suppliers maintain a more stable workforce and decrease their reliance on temporary labor to flex their production capacity with unexpected increases or decreases in orders. Suppliers that have a strong sense of upcoming business can make plans to retain a full-time workforce, complete with the employment benefits for workers that such full-time opportunities provide.

“To balance out wrong forecasts and delays in materials, development, etc., we double-book our capacity.”

PLANNING & FORECASTING WORKER IMPACT

When forecasts are not provided far enough in advance, suppliers are under increased pressure to meet shipping deadlines – resulting in higher stress for management and workers alike. Last-minute forecasts (less than 60 days in advance of production) make it especially challenging for suppliers to plan their production capacity, control costs, and maintain a stable, full-time workforce. Inaccurate forecasts also increase the potential for noncompliance, as suppliers resort to excessive overtime or unauthorized subcontracting when orders come in higher than projected or retrench workers to accommodate for times when orders come in lower than projected. One supplier described the challenges saying, “To balance out wrong forecasts and delays in materials, development, etc., we double-book our capacity.” Nothing about such situations is conducive to protecting or upholding workers’ rights. Furthermore, if a supplier does not have the visibility needed to plan future business, workers will not have access to reliable employment – resulting in more workers pushed deeper into the informal sector.

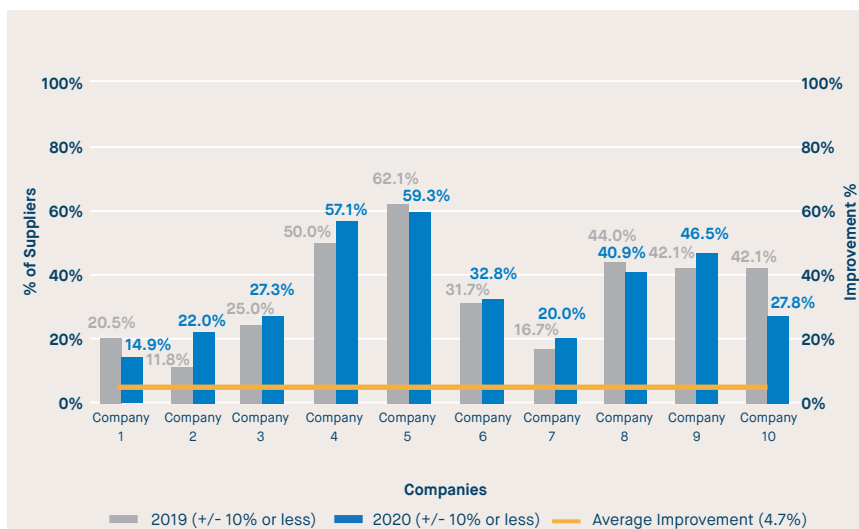


Figure 6. Company Improvements in Forecasting Accuracy within +/-10% Variance

COST AND COST NEGOTIATION

Two Cost & Cost Negotiation practices were included in the net improvement calculations: the percent of suppliers reporting 100% of their orders were priced for compliant production and the percent of suppliers reporting the use of high-pressure cost negotiation strategies. As seen in Figure 7, nine of the 10 companies improved in at least one practice, while four companies improved in both practices. The average net improvement across all 10 companies in this category is +0.7.

Half of the companies improved their performance in the percent of suppliers reporting all orders were priced to cover the costs of compliant production, a High Impact practice in this category (see Figure 8). Meanwhile, eight of the 10 companies improved by decreasing their use of high-pressure cost negotiation strategies, with a 30.7% decrease reported by one company's suppliers.

Nine of the 10 companies improved in at least one Cost & Cost Negotiation practice, while four companies improved in both practices

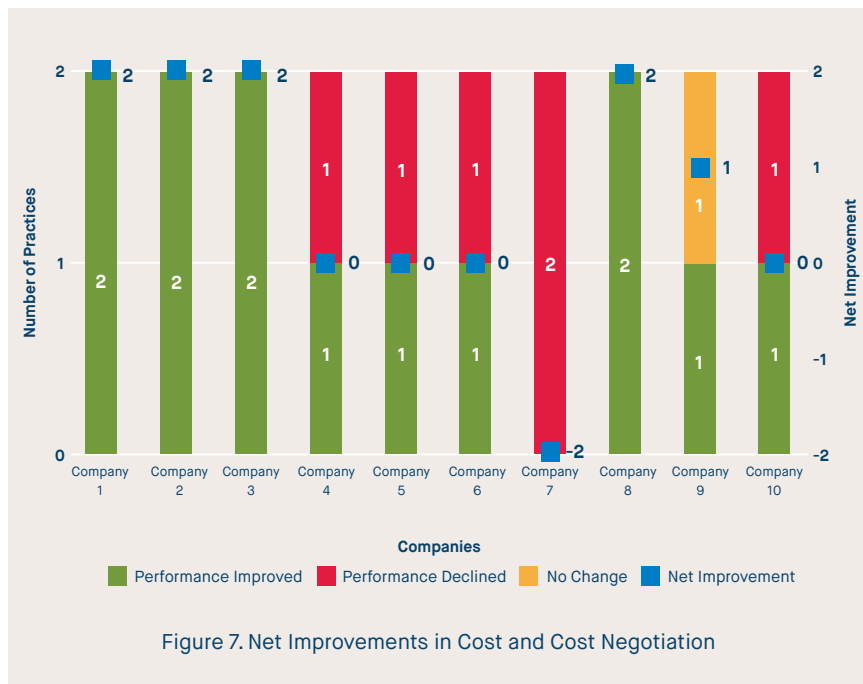


Figure 7. Net Improvements in Cost and Cost Negotiation

Note. The number of practices companies improved/declined/showed no change are mapped to the left y-axis, while the companies' net improvement in this category is mapped to the right y-axis.

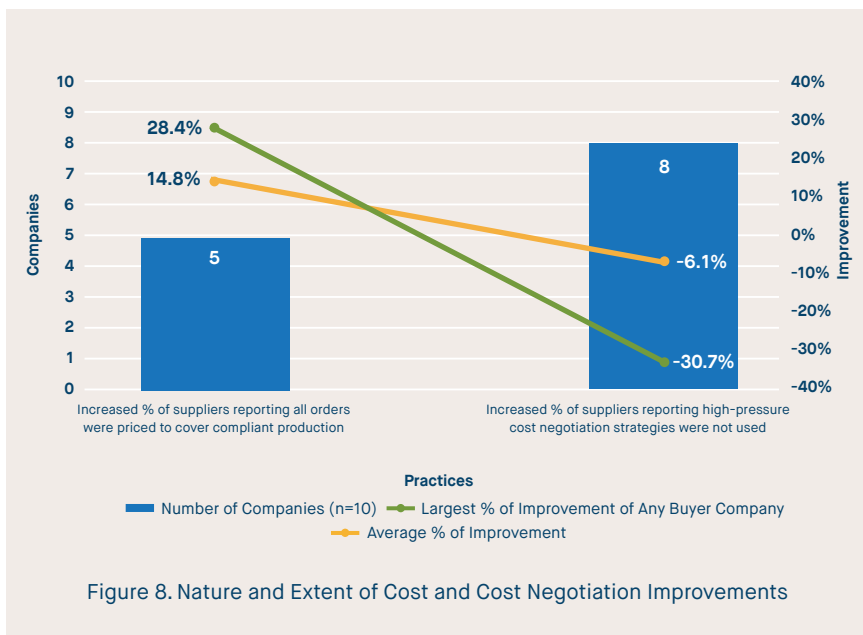


Figure 8. Nature and Extent of Cost and Cost Negotiation Improvements

Company 10 had the best performance overall on this practice, with 68.4% reporting all orders priced for compliant production – a 28.4% increase over the previous year

When determining improvements in the percent of orders priced for compliant production, we looked exclusively at whether a buyer had an increased percent of suppliers reporting 100% of orders priced for compliant production. This practice is critical not only for suppliers’ business survival, but for ensuring safe conditions for workers – protecting them from excessively low wages, unauthorized subcontracting, informal employment, and other precarious or abusive situations. Therefore, 80% or even 90% of orders priced for compliant production is not a sufficient substitute for 100% of orders priced this way. Company 10 had the best performance overall on this practice, with 68.4% reporting all orders priced for compliant production. This reflected a 28.4% increase over the previous year and the largest increase compared to the other nine companies (see Figure 9). All three companies that received Cost & Cost Negotiation as a recommended focus area in 2019 improved their performance in this practice in 2020.

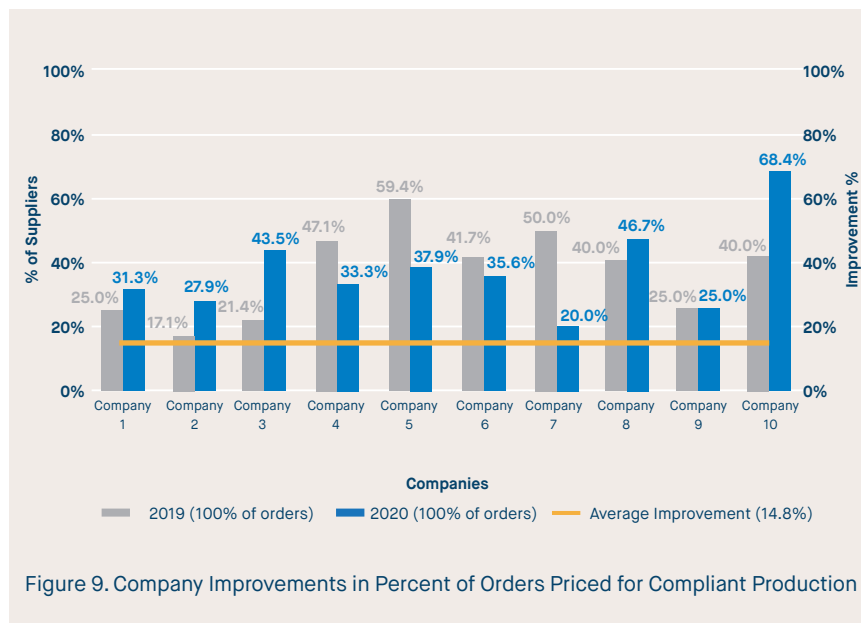


Figure 9. Company Improvements in Percent of Orders Priced for Compliant Production

Pricing orders for compliant production eliminates the need to cut corners on any area of a supplier’s sustainability efforts. With reduced financial pressure, suppliers are better able to provide workers with appropriate pay and benefits, adhere to daily and weekly working hour limits, and adopt environmentally friendly production practices. Decreasing the use of high-pressure cost negotiation strategies is integral to this work, and buyers that engage in dialogue with their suppliers are often able to unlock cost-savings without creating downward pressure on suppliers that can contribute to precarious conditions for workers. Eight of the 10 companies had more suppliers reporting that no high-pressure cost negotiation strategies were used, with average improvement of 6.1%. Four companies reduced their use of “demanding across

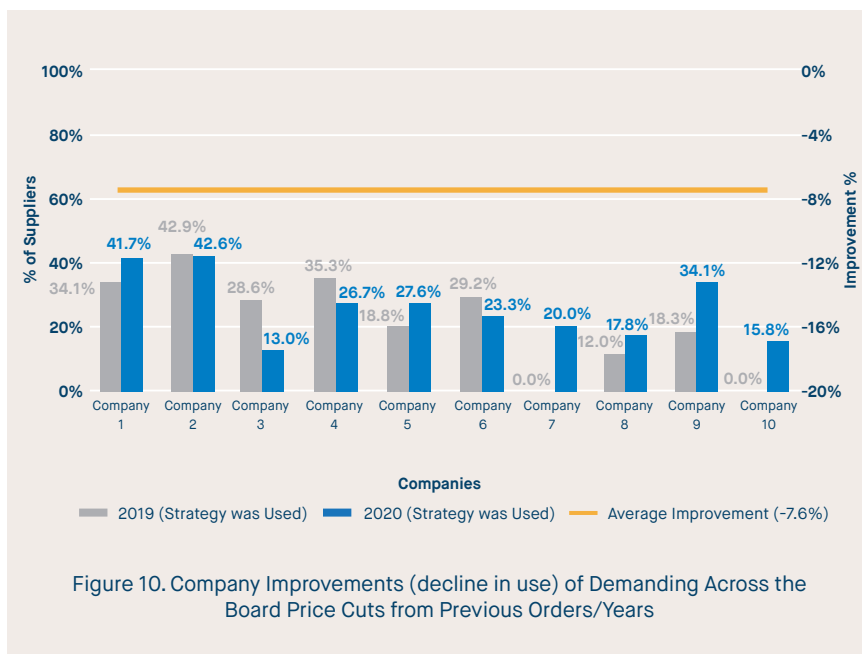
the board price cuts from previous orders/years,” with one company improving by 15.5% (see Figure 10). Meanwhile, five companies reduced their use of “demanding level prices be maintained from year to year, no consideration for inflation (see Figure 11).” These two strategies in particular make it difficult to comprehend how a supplier could cope or stay in business long-term, and thus the improvements made by these companies are important to highlight.

Buyers that engage in dialogue with their suppliers are often able to unlock cost-savings without creating downward pressure on suppliers that can contribute to precarious conditions for workers

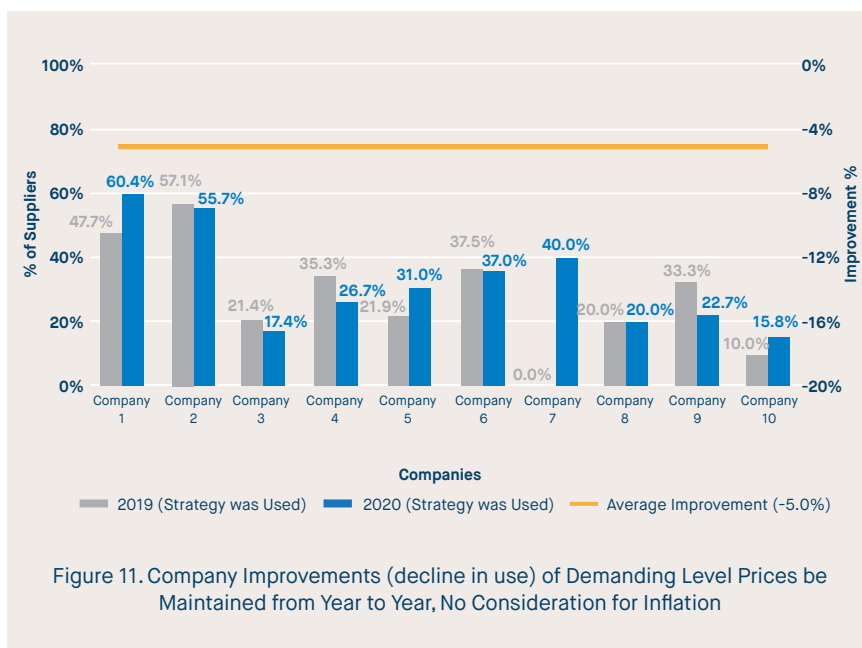
COST & COST NEGOTIATION WORKER IMPACT

Progress on living wages and broader social compliance is inextricably linked to the prices paid to suppliers for production. While paying higher prices is not the only way to ensure workers are paid decent wages, it is difficult to understand how workers could be insulated from continuous downward pressure on suppliers. Prices below the cost of compliant production incentivize the exact opposite of all that CSR teams are working to uphold: unauthorized subcontracting to facilities with little or no oversight, unsafe building conditions, withholding wages or benefits from workers, and more.

Prices below the cost of compliant production incentivize the exact opposite of all that CSR teams are working to uphold



Note. The companies' 2019 and 2020 performances are mapped to the left y-axis, while the average improvement is mapped to the right y-axis.



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PAYMENT & TERMS

Six Payment & Terms practices were incorporated into the net improvement calculations, including two High Impact practices: payment of bulk invoices on time and in full. As seen in Figure 12, all 10 companies improved in at least two of the six practices – Company 1 improved in all six practices. The average net improvement across all 10 companies for the Payment & Terms category was +1.5.

Eight of the 10 companies improved their performance on the percent of suppliers reporting they were promised payment for making samples, with Company 7 improving by 16.7% (see Figure 13). Half of these companies also improved in the percent of suppliers reporting 90-100% of these invoices were paid on time. Company 6 had a 9.1% improvement in the percent of suppliers reporting that payment terms were defined in bulk purchase

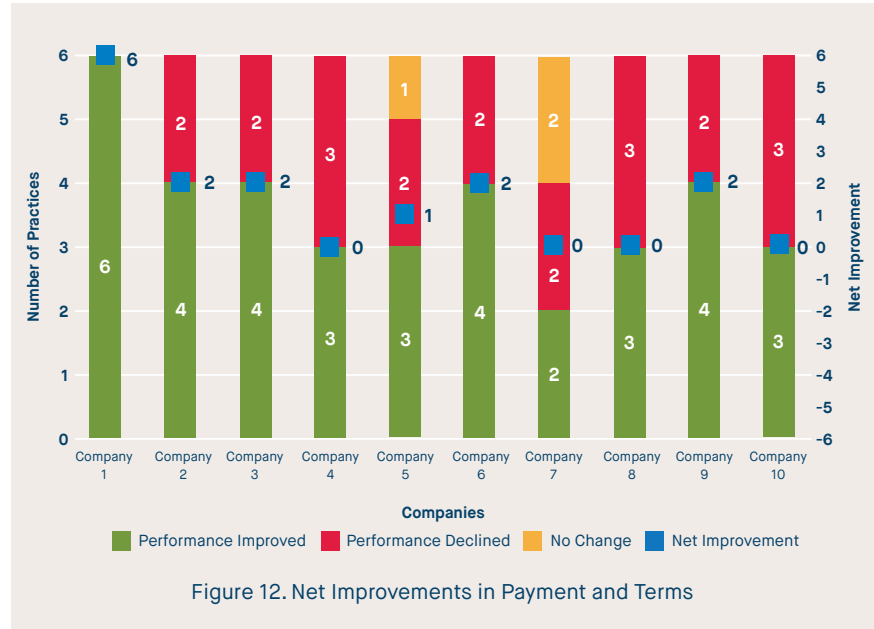


Figure 12. Net Improvements in Payment and Terms

Note. The number of practices companies improved/declined/showed no change are mapped to the left y-axis, while the companies' net improvement in this category is mapped to the right y-axis.

orders or other agreements. Finally, nine of the 10 companies improved in the percent of suppliers receiving advance payment or other favorable terms; Company 3 had the largest improvement of 32.3%.

All 10 companies improved in at least two of the six Payment & Terms practices

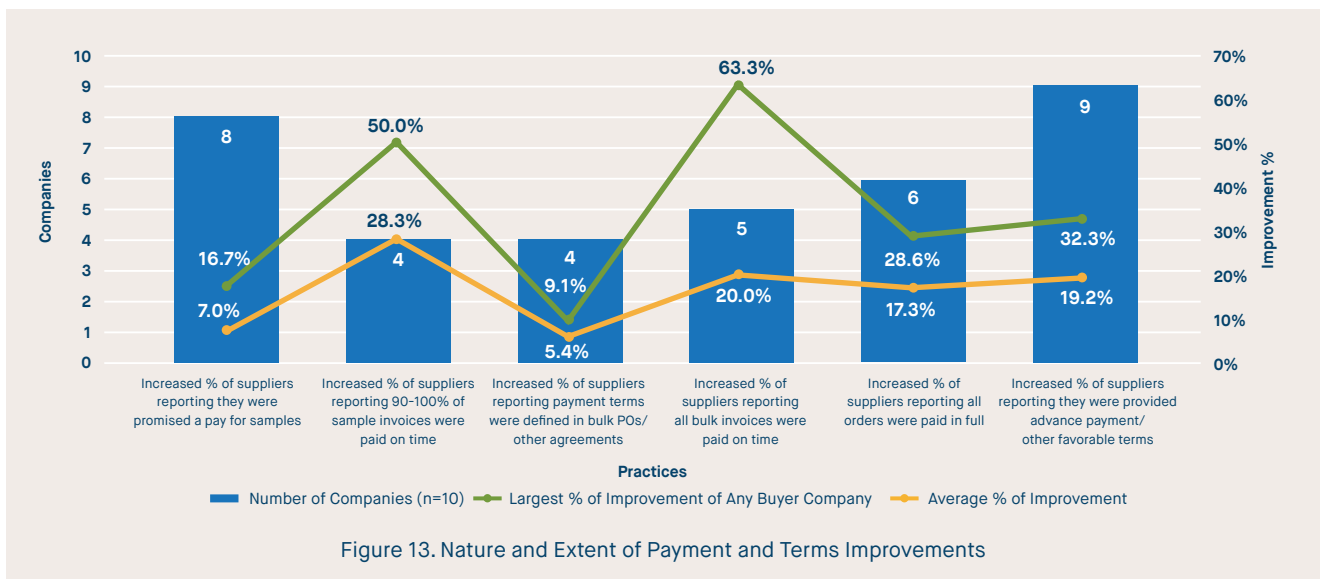


Figure 13. Nature and Extent of Payment and Terms Improvements

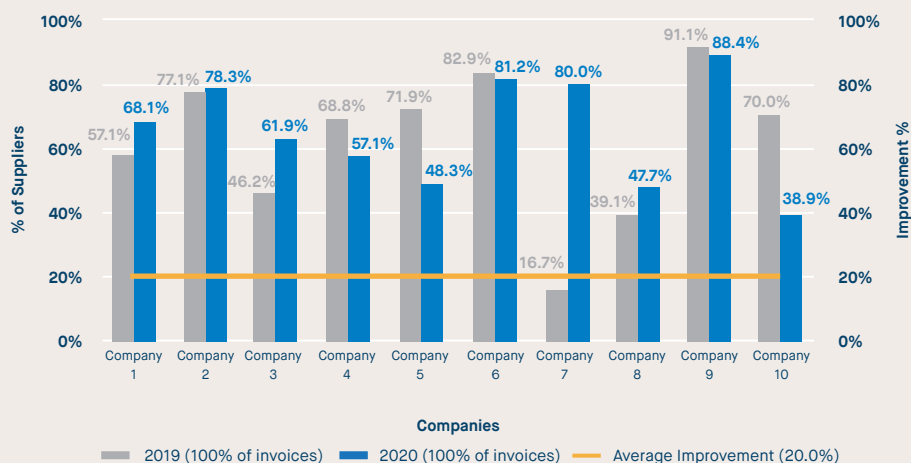


Figure 14. Company Improvements in Percent of Bulk Production Invoices Paid on Time

At least half of the 10 companies improved their performance on the two High Impact practices of payment for bulk invoices on time and in full, with large average improvement across all 10 companies for both practices (20.0% and 17.3%, respectively). The company whose recommended focus area in 2019 was Payment & Terms improved its performance on both High Impact practices in this category.

The timing of payment to suppliers directly links to cash flow and ability to make wage payments to workers, one reason why this is a High Impact practice in our analysis. For this reason, improvement in this practice was determined by whether there was an increased percent of suppliers reporting 100% of bulk invoices paid on time. Of the companies that improved their on-time payment of bulk

invoices, Company 7 had the largest improvement (63.3%) leading to 80% of their suppliers reporting on-time payment (see Figure 14). Four companies decreased their late payments by an average of 10 days, with the largest improvement being a decrease of 18 days for one company.

On-time payment is complemented by the second High Impact Payment & Terms practice: payment in full. Here, we also set the bar high for determining improvements, looking exclusively at the change in the percent of suppliers reporting 100% of bulk invoices paid in full. Company 4 improved its performance on this practice by 28.6%, resulting in 93.3% of its suppliers reporting all their bulk invoices were paid in full (see Figure 15). Company 10 leads the group with 94.7% of their suppliers reporting the same.

Four companies decreased their late payments by an average of 10 days, with the largest improvement being a decrease of 18 days for one company.

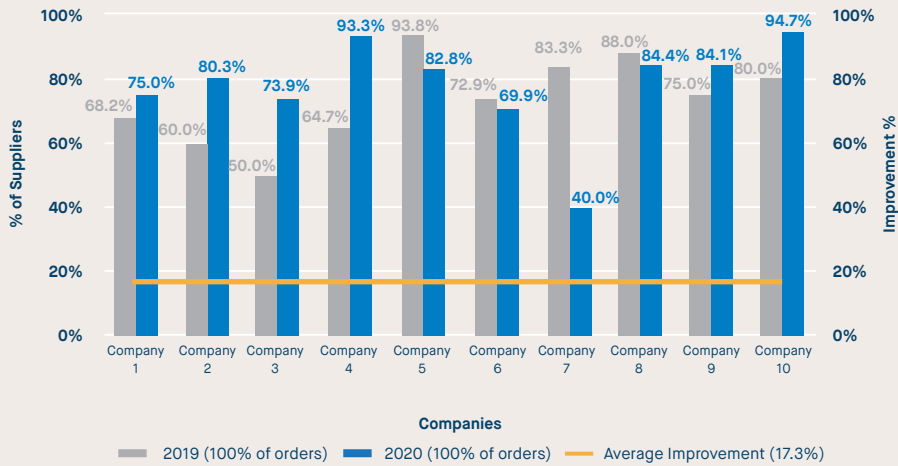


Figure 15. Company Improvements in Percent of Bulk Production Invoices Paid in Full

Each of the practices in the Payment & Terms category can have a positive impact on suppliers and workers, yet none of them can take the place of payment on time and in full for bulk purchase orders. Better Buying™ recommends a continued focus on these two practices not only because of their importance for

suppliers' cash flow and ability to pursue all aspects of sustainability, but also because these are contractual obligations for buyers. Paying invoices on time and in full are not optional or "nice to have" practices to be employed at a buyer's convenience, even though they are often treated as such.

PAYMENT & TERMS WORKER IMPACT

Supplier cash flow is a complex calculus involving payment to vendors for the required materials, payment to workers for their labor, sometimes high interest rate borrowing, and waiting until after finished goods are shipped to be paid by their buyer. This model already stretches suppliers' cash flow and costs of doing business to incredible lengths, meaning that unexpected delays or reductions

in payment create significant risks that workers will not be paid in full or on time. Not only does this increase workers' dissatisfaction with their employers, but it puts their (often already precarious) livelihoods at risk. Any buyer with commitments around decent wages should ensure payment on time and in full are top priorities in order to avoid such clear consequences.

Paying invoices on time and in full are not optional or "nice to have" practices to be employed at a buyer's convenience, even though they are often treated as such.

OTHER IMPROVEMENTS

The 10 companies also improved their performance on High Impact and other practices in the remaining purchasing practices categories measured in the Better Buying™ Purchasing Practices Index, including:

- A 4.7% average improvement in tech pack accuracy, which, though positive, suggests there is yet more work to be done in this area
- Nine companies had an increased percent of suppliers reporting that incentives were provided for CSR/compliance performance, with Company 9's performance improving for 30.3% of their suppliers
- Half of the companies improved their adherence to critical milestones in the purchasing process; Company 2 improved by 12.0% on this practice
- Half of the companies improved their management of raw materials suppliers
- All 10 companies improved their performance on audit harmonization. Company 8 had a 31.8% improvement on this practice

Improving purchasing practices is challenging work. This year's findings demonstrate how tracking purchasing practices performance year-over-year can help identify where problems lie and evaluate the effectiveness of company efforts to improve. The 22 buyers participating in the latest ratings cycle shared that they are using their Better Buying™ Company Reports to engage with senior leadership, set KPIs for product and sourcing teams, develop purchasing practices trainings, and build awareness across their business teams of how purchasing practices impact suppliers and workers. Building off their reports, four companies are now engaged in Learning Loops: a continuous, two-way improvement process between buyers and their suppliers. Through this collaborative process, buyers are working together with their suppliers to identify practices that are ripe for improvement, brainstorm the changes they could make, and track the success of those changes with KPIs that matter to both buyers and suppliers.

WHAT ABOUT COVID-19?

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

4. Conclusions and Recommendations

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

Appendix: Methodology

The Better Buying™ Index Report, Spring 2018 detailed how the Better Buying™ Purchasing Practices Index (BBPPI) was created and how the seven categories of purchasing practices are measured:² 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 their voices in support of improved purchasing practices and, therefore, improved financial, social, and environmental performance throughout supply chains. 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 relationships 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 business relationship documents provided by each supplier to verify ratings and proceeds to clean and prepare the data. Once the cycle closes, the data are analyzed and aggregated by Better Buying™ for subscribers' company reports and the annual Better Buying™ Index Report.

ABOUT BETTER BUYING™ DATA COLLECTION

The data presented in this report were collected during the Q4 2019 ratings cycle that ran between October 1 and December 15, 2019. For the first-time, Better Buying™ engaged with 22 buyer companies through paid subscription (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 the invitation letter to contact suppliers and urge them to take the opportunity to give honest and anonymous feedback. The response rate averaged 43.5% - a 10.5% increase from the Q4 2018 cycle - and ranged from 12.8% for a very small subscriber to 95.8% 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 25 buyers who are not currently subscribed (Table A2).

² https://betterbuying.org/wp-content/uploads/2018/05/4159_better_buying_report_final.pdf

SUBSCRIBER	HEADQUARTER COUNTRY	SUBSCRIBER	HEADQUARTER COUNTRY
Amazon Services, Inc.	United States	Nike Inc.	United States
Columbia Sportswear Company	United States	Outerstuff LLC	United States
Dick's Sporting Goods	United States	Puma	Germany
EILEEN FISHER, Inc.	United States	Reformation	United States
Fanatics Apparel Inc.	United States	SanMar	United States
Fat Face	United Kingdom	Target Australia Pty Ltd.	Australia
G-Star RAW C.V.	Netherlands	Target Corporation	United States
Gap Inc.	United States	Under Armour	United States
Kmart Australia Limited	Australia	Vetta, LLC	United States
L.L. Bean, Inc.	United States	White Stuff	United Kingdom
Levi Strauss & Co.	United States		

Table A1. Better Buying™ Subscribers Rated during Q4 2019 Ratings Cycle

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

Benetton SpA	Mammut Sports Group AG	Springfield
C&A Sourcing Limited	Marks and Spencer plc	The Cato Corporation
Destination Maternity Corporation	Mountain Equipment Co-op	Tommy Hilfiger USA Inc.
El Corte Inglés	O'Neill Europe BV	Uber A/S
Frankonia Handels GmbH & Co. KG	Primark	VF Corporation
Helly Hansen AS	PVH Corp	W. L. Gore & Associates GmbH
Hennes & Mauritz	QVC Inc	Walmart
Ikea Supply AG	Ralph Lauren Corporation	
JP Boden & Co Ltd.	Rapha Racing Limited	

Table A2. Non-Subscribers Rated during Q4 2019 Ratings Cycle

PARTICIPATION IN Q4 2019 RATINGS CYCLE

A total of 1,122 ratings were submitted in the Q4 2019 ratings cycle. Of those, 15 duplicate ratings were rejected during the data verification and cleaning phase. An additional 234 ratings were of 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 1,075 verified (843 softgoods and 232 hardgoods) ratings were submitted for Better Buying™ subscribers. Non-subscribers received a total of 32 ratings (30 softgoods ratings and 2 hardgoods ratings). In this index report, a total of 873 softgoods ratings (including ratings submitted for non-subscribers) were used.

As shown in Table A3, out of the 47 buyers rated (22 subscribers and 25 non-subscribers), the largest percent were headquartered in the North America region (48.9%).

REGION AND COUNTRY	FREQUENCY (n=47)	%
Asia Pacific	2	4.3%
Australia	2	4.3%
China/Hong Kong	1	2.1%
Hong Kong	1	2.1%
Europe/UK	21	44.7%
Germany	3	6.4%
Holland	1	2.1%
Ireland	1	2.1%
Italy	1	2.1%
Netherlands	2	4.3%
Norway	2	4.3%
Spain	2	4.3%
Sweden	1	2.1%
Switzerland	2	4.3%
United Kingdom	6	12.8%
North America	23	48.9%
Canada	1	2.1%
United States	22	46.8%

Table A3. Location of Rated Buyers

Note. ‘n’ refers to the number of unique buyer companies 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 Q4 2019 were submitted by 784 suppliers across 46 countries (see Table A4). Supplier participation increased by 9.7% from the previous ratings cycle (715 from 52 countries).

Seventy-six percent of suppliers were factory owners that collectively employ nearly 3.7 million workers in their 2,425 factories. The average number of factories the suppliers owned was 4.1, (range = 1 to 56). A majority of factory owners were cut-make-trim manufacturers (58.1%), followed by original brand manufacturers (24.8%), and original equipment manufacturers (17.1%). The average number of buyers these suppliers had during the last year was 43.8, (SD = 268.6). On average, suppliers had been in a business relationship with the buyers they rated for 9.7 years, ranging from less than one year to 60 years.

REGION AND COUNTRY	FREQUENCY (n=784)	%
Asia Pacific (Australia, Japan, New Zealand)	8	1.0%
Japan	5	0.6%
All Others	3	0.4%
China/Hong Kong/Macao	280	35.7%
China	171	21.8%
Hong Kong/Macao	109	13.9%
East Asia (all others except China and Hong Kong, Korea, Taiwan, Singapore, Vietnam, etc.)	138	17.6%
Indonesia	9	1.1%
Korea, Republic of (South Korea)	44	5.6%
Singapore	8	1.0%
Taiwan	43	5.5%
Thailand	5	0.6%
Vietnam	22	2.8%
All Others	7	0.9%
EEMEA (Eastern Europe/Central and Western Asia, Middle East, Africa)	32	4.1%
Egypt	6	0.8%
Turkey	14	1.8%
All Others	12	1.5%
Latin America (Caribbean, Mexico, Central, and South America)	32	4.1%
El Salvador	9	1.1%
Honduras	5	0.6%
Mexico	5	0.6%
All Others	13	1.7%
North America (United States and Canada)	77	9.8%
South Asia (Bangladesh, Pakistan, India, Sri Lanka)	168	21.4%
Bangladesh	58	7.4%
India	75	9.6%
Pakistan	22	2.8%
Sri Lanka	13	1.7%
Western Europe/UK	49	6.3%
Italy	7	0.9%
Netherlands	5	0.6%
United Kingdom	30	3.8%
All Others	7	0.9%

Table A4. Location of Supplier Headquarters

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

HOW THE DATA ARE ANALYZED AND STARS AWARDED

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

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

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: 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.

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

