Better Buying Partnership Index™ Report, 2022

Partnership Quality in Global Supply Chains

INTRODUCTION

For the first time, Better Buying™ reports findings from the Better Buying Partnership Index™ (BBPI). Created on the basis of supplier input in 2018 and piloted in 2020, this tool offers a new perspective on buyer-supplier relationships by examining those relationships through the lens of partnership quality. Using just 12 subjective measures, the BBPI opens up new opportunities to learn about the impacts of purchasing practices by enabling suppliers in a range of industries and supply chain tiers to participate. To learn more about the BBPI, visit our Guide to the Better Buying Partnership Index™ here.

KEY TAKEAWAYS

1. The 2022 BBPI findings make it clear how much pressure suppliers are under, with many buyers never, rarely, or sometimes providing enough time, adequate visibility, stable business, and fair financials.
2. Many buyers are missing opportunities to improve their businesses by not seeking their suppliers' ideas for product and process innovation, leading to a build up of unnecessary costs and inefficiencies.
3. Suppliers seem to currently have a low bar for what they consider an acceptable business relationship, as indicated by the many suppliers reporting their buyers are "preferred partners."
4. Buyer supply chains are further threatened by potential supply disruption, higher costs, and increased reputational risks.

RECOMMENDATIONS FOR BUYERS

1. Start the journey toward true partnership with your suppliers.
2. Develop new ways of working with suppliers, which are based on listening to your suppliers, and discussing their ideas.
3. Value your suppliers as important sources of innovation for long-term business.
4. Use the full set of BBPI questions for a holistic assessment of your partnership with suppliers.

A total of 679 ratings were received during the 2021 ratings cycle. One hundred buyers were rated, including 94 buyers in the Softgoods category and 6 in the Hardgoods category (buyers that sell product types other than apparel, footwear, and household textiles). Most ratings were for Softgoods buyers (519 ratings), while the remaining were for Hardgoods buyers (160 ratings).

The suppliers that submitted ratings were from 50 different countries and regions, with nearly half of the ratings coming from the following areas: China (16.2% of all ratings), Taiwan (10.3%), the United States (9.9%), Hong Kong (6.3%), and South Korea (5.9%).

679 ratings

100 buyers rated

(94 Softgoods, 6 Hardgoods)

519 Softgoods ratings

TV

160 Hardgoods ratings

50 supplier countries/regions

Ratings for Hardgoods buyers came from a smaller range of countries (23) with higher participation rates from India (17.5% of the ratings). The most common supplier business type for suppliers rating Softgoods buyers was OEM/Finished Goods/End Products Processor (Whole Package Producer/Assembler; 52.0%) and for suppliers rating Hardgoods buyers, the most common business type was Raw materials/Ingredients/Component parts/Supplier/Processor (49.0%).

Most suppliers received orders directly from their buyer (83.0%), and of those suppliers that answered an optional question about their companies' gross revenue, just over half (55.3%) reported revenue of \$49 million or less, 33.4% reported between \$50 and \$499 million, and the rest had revenues of \$500 million or more (11.3%).

Hardgoods scored 50 on the BBPI scale of -100 to +100, which was 11 points higher than Softgoods (Figure 1). When comparing the breakdowns of each of the three partnership categories in the BBPI - True Partners, Collaborators, and Detractors - Hardgoods had a larger share of True Partner ratings than Detractor ratings (Figure 2). The following section highlights the differences in Hardgoods and Softgoods scores across the 12 measures of partnership quality in the BBPI.

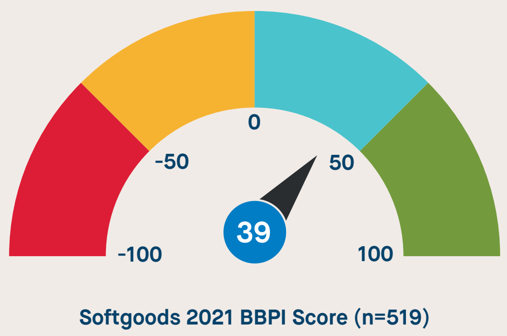

Figure 1. BBPI Scores for Softgoods and Hardgoods

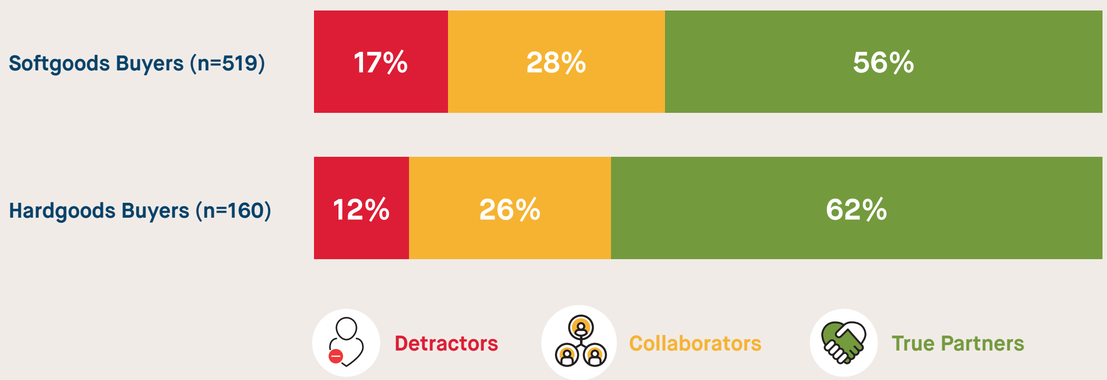

Figure 2. Partnership Categories for Softgoods and Hardgoods

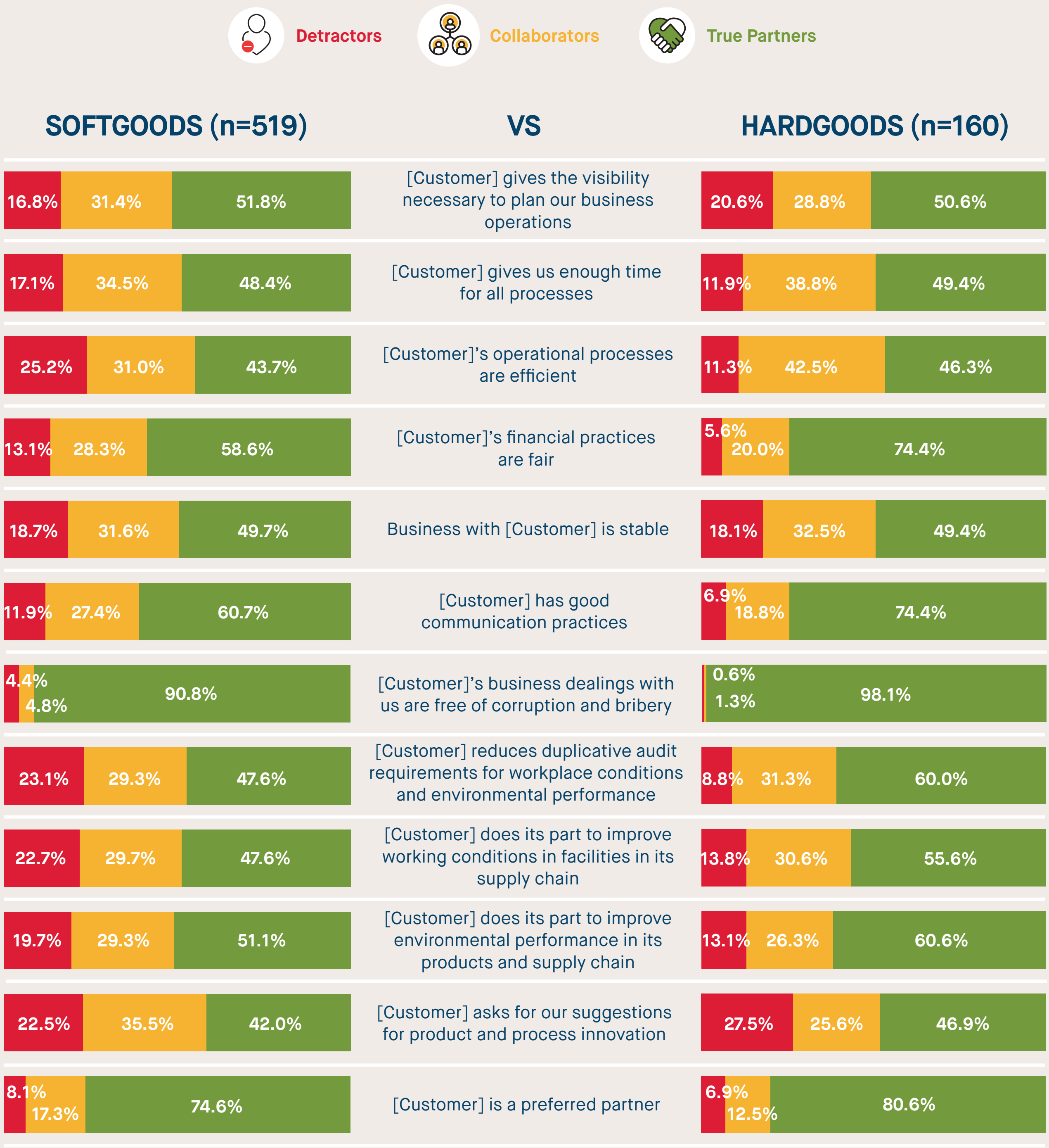

Figure 3. Question-by-Question Partnership Performance of Softgoods and Hardgoods Buyers

Note: When responding to the BBPI questionnaire, suppliers are instructed to consider their customer's practices - the individual buyer company they produce orders for and whose practices they are rating. This report uses "Buyer" in place of "Customer" to share the aggregate BBPI findings.

KEY FINDINGS

BETTER BUYING™ FINDING:

Compared to Softgoods, Hardgoods had a higher percentage of True Partner ratings on every measure except for two.

Hardgoods had a higher percentage of True Partner ratings on every measure except for two. Compared to Softgoods buyers, Hardgoods buyers more frequently had fair financial practices (74.4% for Hardgoods vs. 58.6% for Softgoods), good communication practices (74.4% vs. 60.7%), and reduced duplicative audit requirements for workplace conditions and environmental performance (60.0% vs. 47.6%). Even still, one quarter of Hardgoods suppliers reported that at least some of the time, their buyers had unfair financial practices, unsatisfactory communication practices, and duplicative audit requirements.

The label of "True Partner" is only granted when a supplier reports their buyer satisfies a particular measure all of the time.

These examples demonstrate why the label of "True Partner" is only granted when a supplier reports their buyer satisfies a particular measure all of the time - the difference between "all of the time" and "often" (the score for the Collaborator partnership category) is impactful for suppliers, their workers, and the environment. Anything less than full satisfaction of each measure means inefficiency, increased costs, and higher risks have been introduced into the business relationship. Surprisingly, most suppliers – and a higher percentage of those evaluating Hardgoods buyers – reported their buyers were "preferred partners." Considering this finding alongside the smaller percentage that Better Buying™ categorized as "True Partners" suggests that suppliers currently have low expectations for what they consider an acceptable business relationship. Historically, the bar for what is considered an acceptable business relationship has been far too low, most likely because of the large number of suppliers from which buyers have been able to choose. This left many suppliers grateful for any business they could capture, but it also exposed them to greater risk - such as when many "partnerships" disintegrated during the early days of the COVID-19 crisis. Better Buying™ anticipates that ratings on the "preferred partner" question will decline over time as more suppliers begin thinking carefully about the pros and cons of the relationships they maintain with buyers.

Not only did Softgoods have a lower percentage of True Partner ratings, they also had a higher percentage of Detractors on all but two measures. As compared with Hardgoods buyers, Softgoods buyers more frequently had duplicative audit requirements (23.1% of Softgoods vs. 8.8% of Hardgoods), inefficient operational processes, (25.2% vs. 11.3%), and did not do their part to improve working conditions in the facilities in its supply chain (22.7% vs. 13.8%). This means that on each of these three measures, nearly one quarter of Softgoods suppliers reported their buyer sometimes, rarely, or never satisfies the relevant measure. Those buyers are literally detracting from the business relationship by increasing costs and the amount of time required for decision making. They are also missing out on opportunities for shared benefit that stem from suppliers' suggestions for product and process innovation that could reduce costs, improve quality, and shorten lead times.

SUPPLY CHAIN RISKS

Suppliers identified several supply chain risks their buyers should pay attention to. The most frequently mentioned category of risks related to access to raw materials, including material shortages and an overdependence on a limited number of raw material suppliers (Table 1). Other areas of risks identified by suppliers included missed opportunities due to poor forecasting and incomplete capacity utilization, the volatile shipping environment and increasing logistics complexity, unstable ordering practices, and mounting pricing pressure at multiple tiers of the supply chain.

SUPPLIER INSIGHTS

"They cancel orders without notice or care whatsoever will happen to the staff/operators."

"Lack of accuracy, decision making and internal transparency - often double/multiple requests from different departments."

"Reluctant to explore new product and giving chance to supplier to offer new innovation happening at supplier side."

"Payment terms extend to 90 days after invoice from 60 days."

Each of these areas has clear financial implications for the buyers being rated and suppliers largely focused on these impacts. Poor ordering practices lead to inefficiencies, delays, longer lead times, higher costs, and an inability to plan production within compliance requirements. However, these practices also suggest problems for workers who are caught in the middle of this heightened risk. Increased overtime, worker turnover, and other impacts are more likely to occur when operational risks are not addressed. Suppliers' suggestions for improvement ranged from pre-booking materials that are in high demand to providing earlier forecasts so suppliers could support the buyer in using more of their available capacity.

Buyers that subscribe with Better Buying™ obtain detailed comments from suppliers about supply chain risks and suggestions for improvement in their company reports, enabling them to act on these risks and progress toward greater supply chain resilience.

THEME	# OF MENTIONS	SAMPLE QUOTES
Supply chain risks related to	235	
Raw materials	49	Fabric availability. Especially during CNY holiday, fabric mill close mill earlier before CNY and reopen later after back from CNY holiday. Fabric mill have final fabric purchase cut-off date so can get fabrics arrive before CNY to ensure CRD. They fix only one source for specific materials which sometime put us at risk in production once any one failed to supply the materials.
Inaccurate forecasting and unutilized capacity	37	Production based of forecast which sometimes is not accurate. If actual order is smaller than forecast, there is risk of raw material leftover which buyer has no liability. Unstable order loading plan, offered capacity can't fully utilized.
Delayed logistics or increased logistics costs	31	Also Logistics are at risk due to the ports conditions and shipping companies delays. Rising container freight cost.
Cost pressures	25	The pricing structure is such that we close prices at time of sales sampling and bulk orders come in about 2 months after and in today's volatile market prices may go up. Sometime material price is not fixed for some of the nominated material and causing FOB increment.
Order placement	25	They cancel orders without notice or care whatsoever will happen to the staff/operators. There are several buys, split PO & shipment for each buy within the season.
Lack of communication or commitment toward business growth	15	Lack of accuracy, decision making and internal transparency - often double/multiple requests from different departments. None knows when [buyer] will say you are no longer required to us as enlisted factory.

THEME	# OF MENTIONS	SAMPLE QUOTES
Shorter lead time or missing deadlines of key milestones	12	[Buyer] does not give enough lead time from material ordering to ex-factory. Slow/delayed sample approval.
Inefficient product development processes	11	Needless resource used on large % lab dip requests that do not get used against bulk orders. Reluctant to explore new product and giving chance to supplier to offer new innovation happening at supplier side.
Production challenges due to pandemic	10	Covid related risks on manufacturing, logistics and sourcing. Interruptions to the flow of products, including raw materials, parts, and finished goods as a result of the pandemic-related supply-chain issues.
Other supply chain risks	20	Payment terms extend to 90 days after invoice from 60 days. No advance payment provided.
Impacts of supply chain risks	30	
Longer lead time from lower tier suppliers	10	Nominated T2 with longer lead time. If they get the raw materials it will be ... with extended lead times.
Other impacts	20	There are several buys, split PO & shipment for each buy within the season. This practice makes production plan a bit complicated during the peak production season. Also, quality/consistency concern between lots if split production.

Table 1. Comments from Suppliers Related to Supply Chain Risks

CONCLUSION	RECOMMENDATION
The BBPI findings paint a clear picture of the pressure suppliers are under with so many buyers never, rarely, or sometimes providing enough time, adequate visibility, stable business, and fair financials.	Buyers must start the journey toward true partnership with their suppliers. Without efficient, fair, and collaborative partnerships, sustainability goals such as advances in workers' wages and reductions in carbon emissions will continue to be sidelined.
CONCLUSION	**RECOMMENDATION**
Many buyers are missing opportunities for mutual benefit and improved resiliency by not seeking their suppliers' ideas for product and process innovation as often as they could be. In turn, this suggests there are unnecessary costs and inefficiencies built into buyer-supplier relationships.	Removing these built up costs and inefficiencies will require new ways of working with suppliers. Practical changes such as regularly listening to and discussing suppliers' ideas are needed, as is a shift in how buyers view their suppliers - from expendable to important sources of innovation for long-term business success.
CONCLUSION	**RECOMMENDATION**
Suppliers seem to currently have a low bar for what they consider an acceptable business relationship, as indicated by the many suppliers indicating their buyers are "preferred partners."	For buyers, understanding performance on the full scope of partnership questions in the BBPI is critical, as the prevailing notion of a preferred partner might obscure other areas of the partnership that need improvement.
CONCLUSION	**RECOMMENDATION**
The BBPI fills an important gap by providing a clear definition of what it means to be a true partner and showing which aspects of partnership need to be strengthened.	Buyers in multiple industries and at any point along their responsible purchasing practices journey can use the BBPI to gain a tangible understanding of how to strengthen their partnerships with suppliers at all tiers of their supply chains.

METHODOLOGY

The first annual BBPI ratings cycle ran from October 1 through an extended deadline of November 19, 2021. Data were collected from the suppliers of Better Buying's subscribers, Better Buying's supplier database, and Multi-Stakeholder Initiative (MSI) outreach. The survey was available in eight different languages – English, Bengali, Chinese (simplified), Japanese, Korean, Spanish, Turkish, and Vietnamese. Suppliers were encouraged to submit ratings for each of the buyers they work with and to share the survey link with their colleagues so they could submit ratings as well.

Ratings received for Better Buying's subscribers were aggregated to prepare company-specific BBPI reports. Two benchmarks, Softgoods and Hardgoods, were created based on the data received and the findings in company-specific reports were compared against the relevant benchmark. Although the industry benchmark does not represent a standard of good performance, it is used to compare where the buyer stands in comparison to their peers in the industry.