

# Better Buying™ Deep Dive Report



2021: VOLUME 2, NUMBER 2

## Monthly Order Variability



Monthly Order Variability (MOV) reflects the changes to the total number of pieces or pairs a supplier ships to its customer from month to month, including the peaks and valleys across the year and everything in between. MOV is commonly accepted in fashion. However, it is a primary driver of subcontracting because suppliers, who are commonly juggling several customers' orders at once, need to fulfill orders while consistently filling their production capacity and maintaining a stable workforce. Managing MOV is becoming increasingly difficult, due to evolving ways that buyers purchase and order products, and the tendency of some buyers to react instead of plan\*.

MOV is one of the more complex topics covered by the Better Buying™ Purchasing Practices Index, yet it is also one of the practices suppliers have identified as having a high impact on their businesses and sustainability efforts.

### IMPACTS OF MOV

Through advanced analysis of Better Buying™ data and a Supplier Roundtable discussion, we are starting to understand more about the types of contextual factors and additional purchasing practices that relate to MOV – including those that are associated with notable social and business impacts.

#### Key impacts MOV usually contributes to:

► **Financial:** reduced worker productivity, and increased risk of quality issues due to worker turnover. The cost of hiring and training new workers, in addition to decreased overall efficiency, leads to higher overall operating costs, slimmer margins, and less certain profitability.

► **Social:** insecure and less stable employment for workers. While peak periods bring increased work intensity, low periods carry the risk of reduced employment. Suppliers need to plan how many workers they need to operate sewing machines. Sharp increases can necessitate increased overtime or subcontracting (both authorized and unauthorized), while steep drops can lead to worker layoffs or an increased use of temporary labor to avoid laying off permanent workers during low periods of production. All the while, management and worker stress increases.

► **Environmental:** inefficiencies caused by MOV translate into environmental impacts that can be avoided with more stable shipments. Suppliers report that MOV contributes to wasted raw

materials, the use of hazardous chemicals, and increased water usage. Pressure to ship higher order volumes can lead to increased use of air freight, while lower order volumes can mean empty space in shipping containers.

#### Our analysis revealed 3 key influencing factors for negative impacts on suppliers as a result of MOV:

1. the percent of a supplier's production capacity dedicated to a particular buyer
2. the length of time a supplier has worked with a buyer
3. the ORR% (Order Risk-to-Reward) percentage, which measures how much monthly unit volume varies from average order volume over the course of a year.

\* See the Better Buying™ Supplier Roundtable Report on Monthly Order Variability for more details.

## KEY TAKEAWAYS FROM THIS REPORT



**1**

While some MOV can be anticipated and planned for by suppliers, larger variability will have negative impacts on both the supplier's business and workers



**2**

A high ORR rate will have negative business and worker impacts, but when coupled with other factors, much lower ORR% also results in impacts



**3**

Being a strategic or long-term supplier, or where a buyer's business accounts for more than 30% of a supplier's business, all increase the potential for negative sustainability impacts from MOV

## BETTER BUYING™ CHECKLIST FOR REDUCING MOV, AND THE COSTS INCURRED BY SUPPLIERS DUE TO ORDER VARIABILITY

- ✓ Provide more accurate forecasts with detailed projections further in advance of order placement
- ✓ Improve forecast accuracy
- ✓ Reserve capacity in advance
- ✓ Meet minimum order quantities
- ✓ Expand communications and joint problem-solving with suppliers
- ✓ Improve internal communication and collaboration across functional teams
- ✓ Aim for an ORR of 30% or less, in combination with other improvements needed to reduce MOV

Additional recommendations from a Better Buying™ Supplier Roundtable were for buyers to forecast for longer periods of time within multi-year agreements, and to let suppliers know of changes to orders and delivery terms as far in advance as possible.

## FINDINGS

It is no surprise that orders vary throughout the year – weather patterns, holidays, and events all contribute to seasonal demand for products like winter coats, backpacks, and beach wear.

In the apparel industry, however, seasonal demand has been exacerbated by buyers trying to time purchases of fashion products so that they have the greatest confidence in sales, but the least inventory liability.

This attempt to engineer outsourced production to meet anticipated demand can be taken to extremes and cause significant challenges for suppliers when planning their operations. Buyers prize suppliers who are “flexible” and can accommodate uneven demand, yet they often turn a blind eye to how this flexibility is achieved – through subcontracting, temporary labor, overtime, and other practices the industry is trying to restrict.

Despite suppliers' attempts to limit the use of these methods, buyers haven't addressed the root cause: high MOV and the practices that exacerbate its risks to suppliers and workers.

**Buyers prize suppliers who are “flexible” and can accommodate such uneven demand, yet they often turn a blind eye to how this flexibility is achieved – through subcontracting, temporary labor, overtime, and other practices the industry is trying to restrict.**

Figure 1 shows five examples of how Better Buying™ subscribers' order volume varies throughout the year. Each company has a different level of variability in its business. Company 1, despite a slight dip in February, has fairly stable orders throughout the year. Companies 2 and 4 have multiple months of high order volumes interspersed with months of much lower volumes, rather than a steady build between the highs and lows (which is more clearly depicted in Company 3's order volumes). Company 5 illustrates highly seasonal production with a significant load in April and May, followed by much lower volumes during the remainder of the year. According to data submitted by one of Company 5's suppliers, their business increased by 402.8% from October to November, by a further 666.8% from November to December, and then dropped by 95.6% from December to January.

For each month represented in these five companies' ordering patterns, suppliers have to plan accordingly – determining everything from the number of lines they'll dedicate to each of their customers to the timing of raw materials purchases. Where current orders don't add up to keeping all lines running and workers fully employed, the sales team will scramble for additional business to

fill the gaps, sometimes accepting lower margin products or offering “downtime pricing” in hopes of covering some of their factories' ongoing operating costs.

The fine balance between having too much and too little work is difficult to maintain at the best of times when many customers want product at the same time (note in Figure 1 that April and May are peak or near peak months for every customer). Changes to original plans or last-minute orders completely disrupt production and human resource plans, and can force suppliers to adjust their workforce using reduced hours, layoffs, overtime, temporary contracts, or subcontracting.

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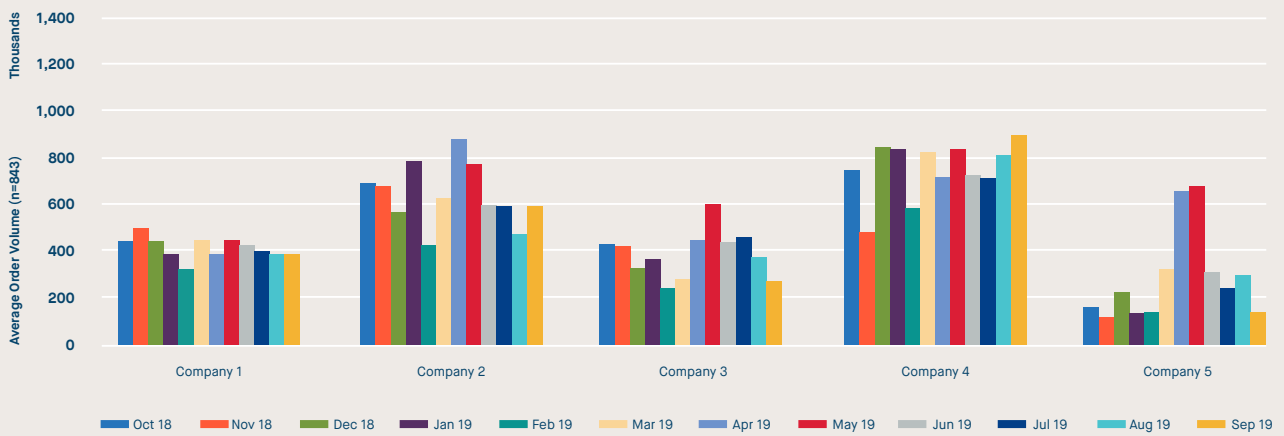


Figure 1. Five Examples of Average Order Volume Shipped per Month

### MOV AT INDUSTRY LEVEL

Figure 2 displays the total order volume shipped across a 12-month period, according to the supplier ratings received in Q4 2019 for Better Buying™ subscriber companies. February 2019 was the lowest month, with just under 250 million pieces/pairs shipped,

and May 2019 the highest month at nearly 400 million pieces/pairs. These findings raise a number of questions:

- How did suppliers gear up for increased order volumes in March, April, and May after a low period in February?

- What happened to the workers who were hired to handle increased volume in May, when orders came in 20% lower in June?
- Were all of these adjustments made in compliance with legal and code requirements, or were compromises made in order to avoid losing business?

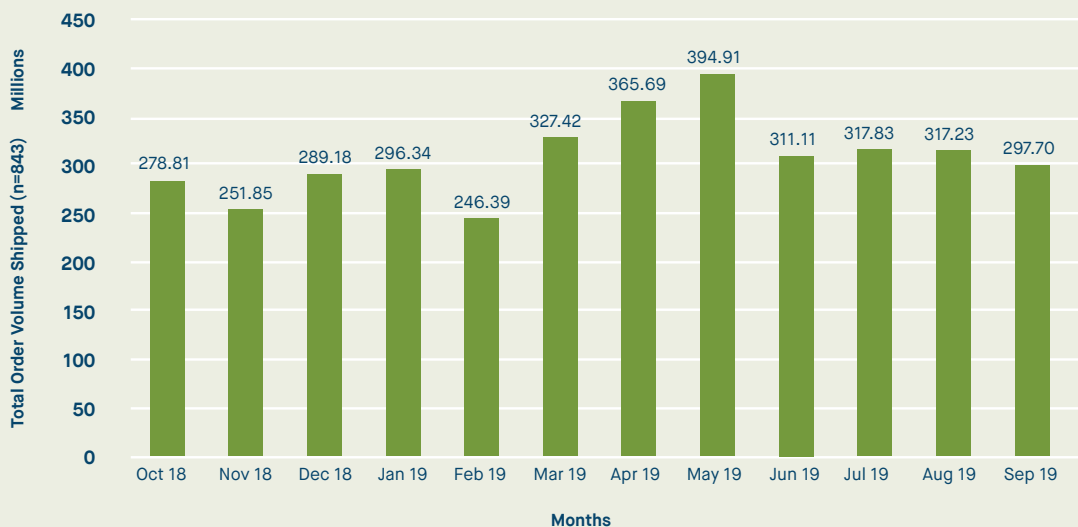


Figure 2. Total Order Volume Across All Ratings for the 25 Companies

## ORDER RISK-TO-REWARD PERCENTAGE (ORR)

**An ORR of zero is ideal as it represents steady and consistent business. While this is rare, in order to minimize risks to suppliers and workers, it is best to keep ORR as low as possible.**

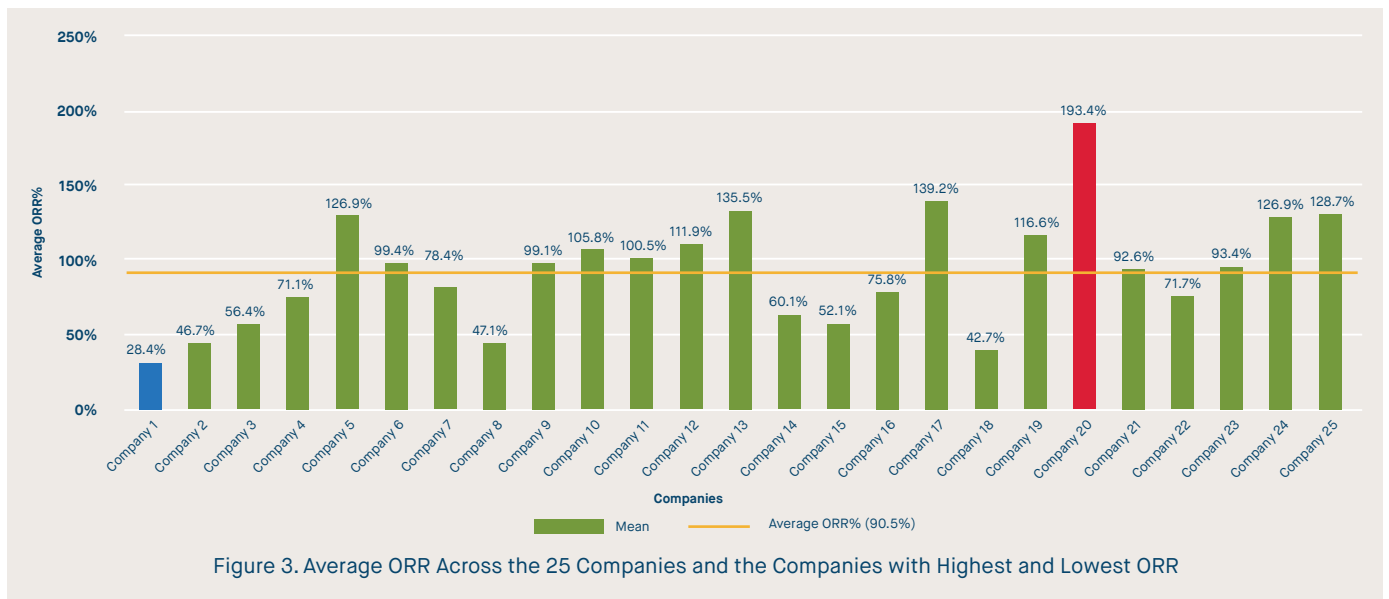
To compare MOV across buyers with different ordering patterns and suppliers with different volume outputs, Better Buying™ calculates an Order Risk-to-Reward percentage (ORR) that

measures how much the monthly unit volume varies from the average order volume over the course of one year. An ORR of zero is ideal as it represents steady and consistent business. While this is rare, in order to minimize risks to suppliers and workers, it is best to keep ORR as low as possible. Average ORR for the 25 Better Buying™ subscribers in our analysis was 90.5%, ranging from a low of 28.4% to a high of 193.4% (Figure 3). When looking at individual supplier ratings for these 25 companies, we observed a few ratings with the ideal ORR of 0%, and one rating with an ORR of 363%. The ratings from suppliers with primarily fashion orders had significantly higher ORR (82.8%) compared to those

with primarily basic orders (67.4%), reinforcing the assumption that orders for fashion products would tend to be more variable than those for basic products.<sup>1</sup>

### BETTER BUYING™ FINDING:

**The ratings from suppliers with primarily fashion orders had significantly higher ORR (82.8%) compared to those with primarily basic orders (67.4%), reinforcing the assumption that orders for fashion products would tend to be more variable than those for basic products.**

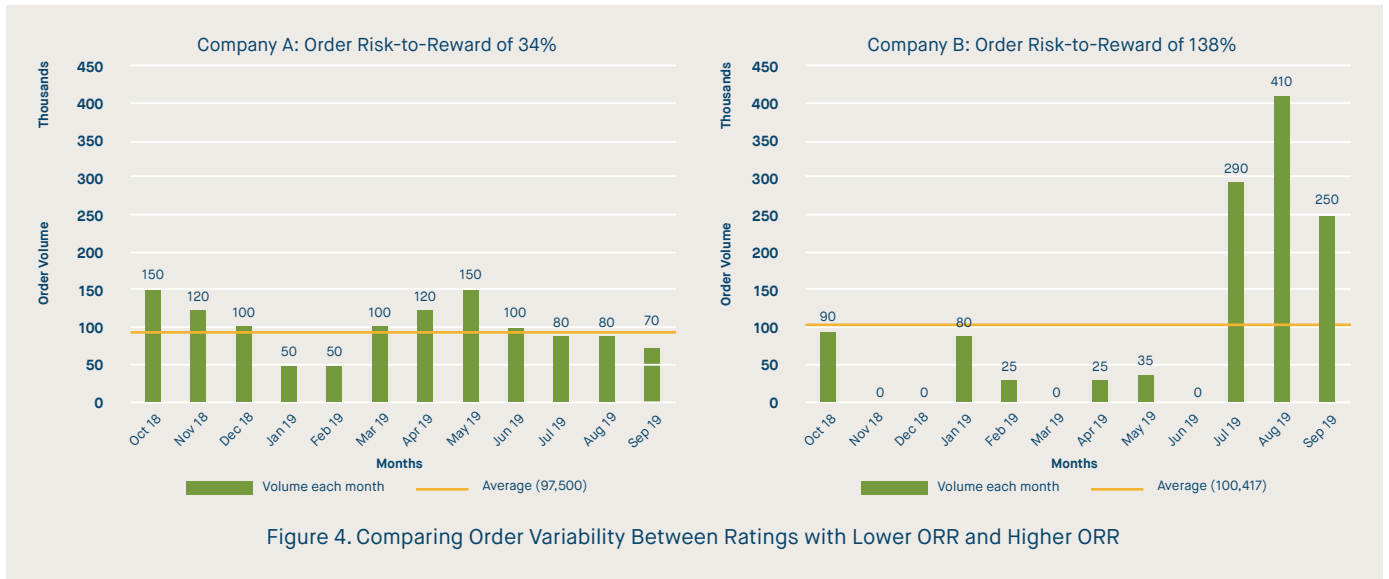


It is important to look beyond the total volume a supplier produces for a buyer over the course of one year; the variability from one month to the next has a great impact on suppliers' businesses and sustainability efforts. For example, consider scenarios for two Better Buying™ subscribers, Company A and Company B (Figure 4). Both companies are receiving shipments totalling about 1.2 million pieces over a 12-month period. However, Company A has relatively low order variability (34%) while Company B has much

higher variability (138%). Company A still has periods of higher and lower order volumes, but the changes from month-to-month are gradual and many of the months hover fairly close to the average of 97,500 pieces. Company B on the other hand has drastic increases and decreases from month-to-month, including several months with no orders, punctuated by a few months with very high order volumes. These two scenarios, despite similar total and average volumes, are very different from the perspective of the supplier,

with Company B's orders making it much more difficult to plan production, maintain a stable workforce, and operate in compliance with legal and code requirements. For this reason, Better Buying's algorithm considers these cumulative changes in monthly order volumes and rewards buyer scores with lower ORR scores accordingly.

<sup>1</sup> F=14.39, p=.000



### HOW DOES ORR AFFECT MOV?

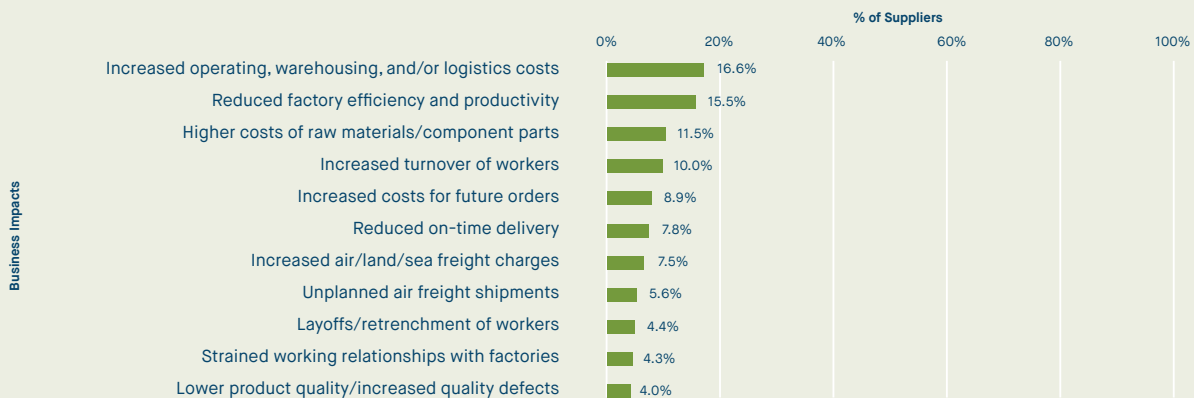
For the first time in 2019, Better Buying™ asked suppliers about the business, social, and environmental sustainability impacts of MOV. The findings, which were introduced in our recent special report *Purchasing Practices and Sustainability: What improvements are suppliers seeing?*, illustrate the complexity of this topic and the many ways in which suppliers and their workers are impacted.

For the 25 companies in our analysis, over 50% of suppliers

indicated that they experienced sustainability impacts from their buyer’s MOV. The most frequently reported business impacts included increased operating, warehousing, and/or logistics costs; reduced factory efficiency and productivity; and higher costs of raw materials and component parts (Figure 5). Such impacts have a double impact on suppliers’ bottom lines; not only are they incurring additional costs, they are also unable to meet their efficiency expectations. Doing business therefore becomes more expensive overall. Lower margins, reduced profitability, and increased

worker turnover were frequently mentioned in the Better Buying™ recent Supplier Roundtable as impacts of MOV.

**Lower margins, reduced profitability, and increased worker turnover were frequently mentioned in the recent Better Buying™ Supplier Roundtable discussion on the topic of MOV.<sup>2</sup>**

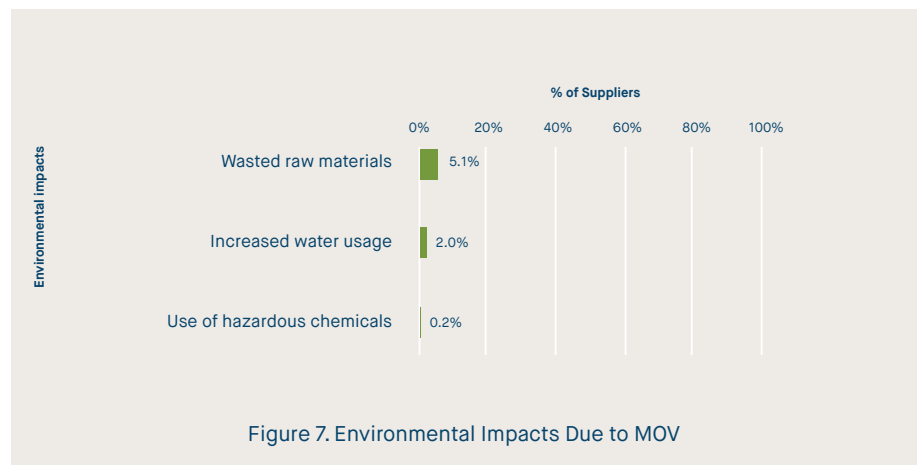
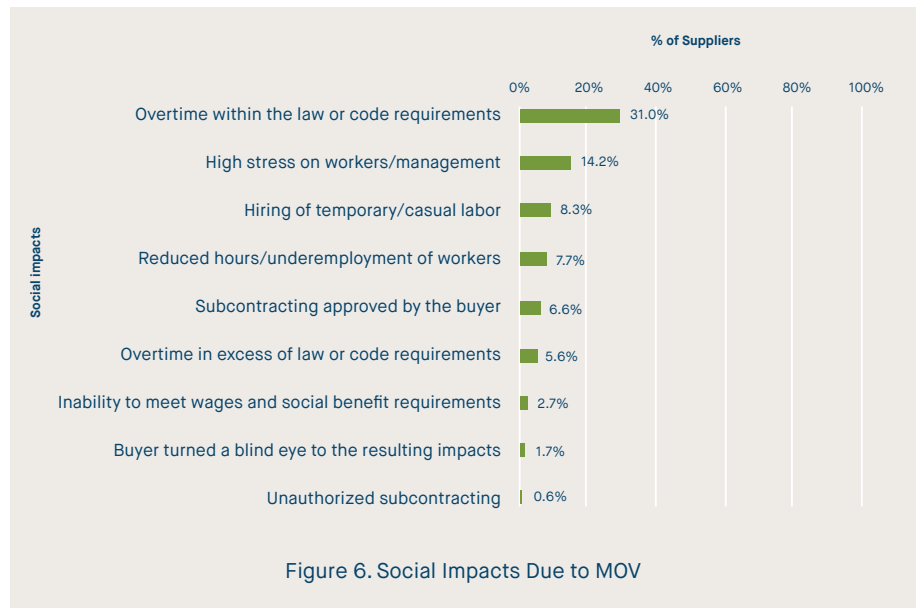


**Figure 5. Business Impacts Due to MOV**

<sup>2</sup> Full details on discussion about the impacts of MOV can be found in the Better Buying™ Supplier Roundtable Report: Monthly Order Variability.

Suppliers also reported several impacts on their workers, including increased overtime, high stress, and hiring of temporary or casual labor (Figure 6). While suppliers are less likely to report transgressions of law or code requirements such as excessive overtime or unauthorized subcontracting, some suppliers do report these impacts. In the Supplier Roundtable conducted on this topic, overtime and subcontracting were frequently mentioned as ways that MOV is addressed, which means that workers end up with excessive hours of work or may be in unsafe and unmonitored facilities. Better Buying™ assumes these realities are under-reported by many suppliers due to fear of potential punitive actions or fines if they were ever identified. In reality, the impacts suppliers are reporting in this question on the Better Buying™ Purchasing Practices Index are directly linked to buyers' actions – fines or other consequences for suppliers still would not fully address the root cause of these compliance issues: buyers' MOV.

**In a recent Supplier Roundtable hosted by Better Buying Institute, overtime and subcontracting were frequently mentioned as ways that MOV is addressed, which means that workers end up with excessive hours of work or may be in unsafe and unmonitored facilities.**



Although fewer environmental impacts have been identified and they were reported less frequently (Figure 7), these can also be quite significant. Resource usage is impacted as suppliers are unable to run their operations as efficiently as planned, and the increased cost of doing business can prevent suppliers from investing in environmentally-friendly processes or equipment.

According to our analysis, the suppliers that reported sustainability impacts experienced lower order variability on average (82.0%) compared to those suppliers that did not report impacts

(99.2%).<sup>3</sup> While this is counter-intuitive, Better Buying™ has consistently found this to be the case across multiple ratings cycles. The fact that impacts are reported at relatively low levels of order variability lends further support to our idea that impacts are under-reported overall – especially for those suppliers experiencing higher levels of order variability, and that sustainability impacts are the result of other factors interacting with MOV. Furthermore, despite fashion orders having a significantly higher ORR compared to basic orders, we found no significant difference in the impacts reported.

<sup>3</sup> F=12.73, p=.000

The company with the lowest MOV still had nearly 70% of its suppliers reporting impacts – higher than the average for all the companies in our analysis. This company’s total order volume reported by all of its suppliers that submitted ratings is displayed in Figure 8. Production peaked in November 2018, followed by a low period in February 2019. This valley in production

corresponds with the Lunar New Year and likely reflects reduced output by suppliers in countries that observe this holiday.

Despite fairly consistent order volumes from month to month, this company’s suppliers reported nearly every impact (Figure 9) about which Better Buying™ collects data. Suppliers reported

overtime within the law or code requirements, reduced efficiency and productivity, increased business costs, and other impacts more often than the average. It is also important to note how this buyer’s low MOV still led to overtime in excess of the law or code requirements – this makes it difficult to understand how suppliers that experience much higher order variability are avoiding these impacts.

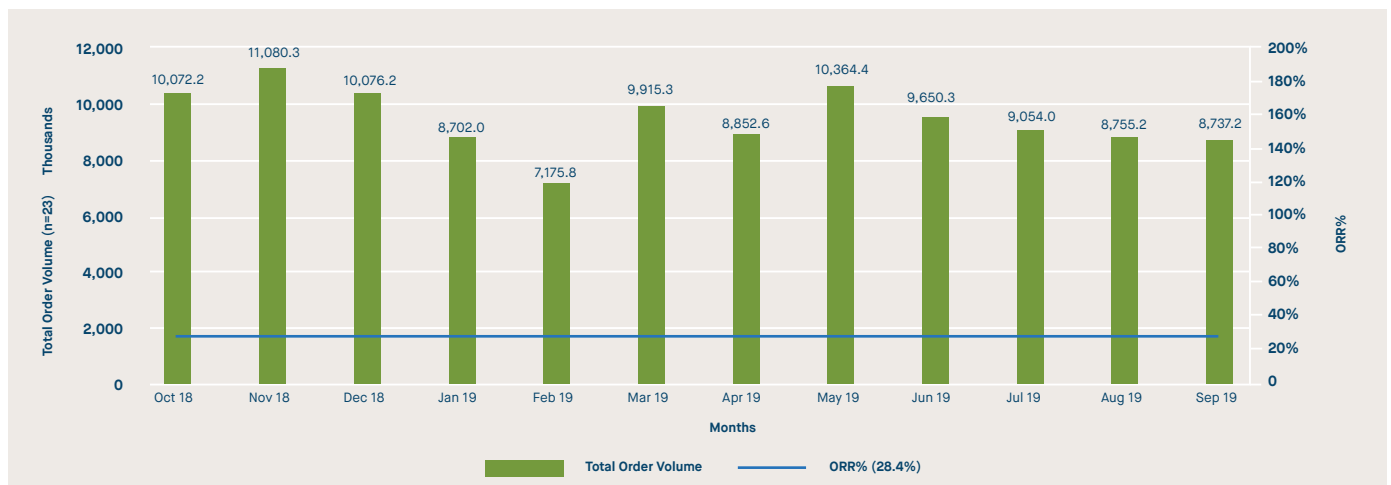


Figure 8. Total Over Volume and Average ORR Across the 12 Months as Reported by Suppliers of the Company with the Least Variability

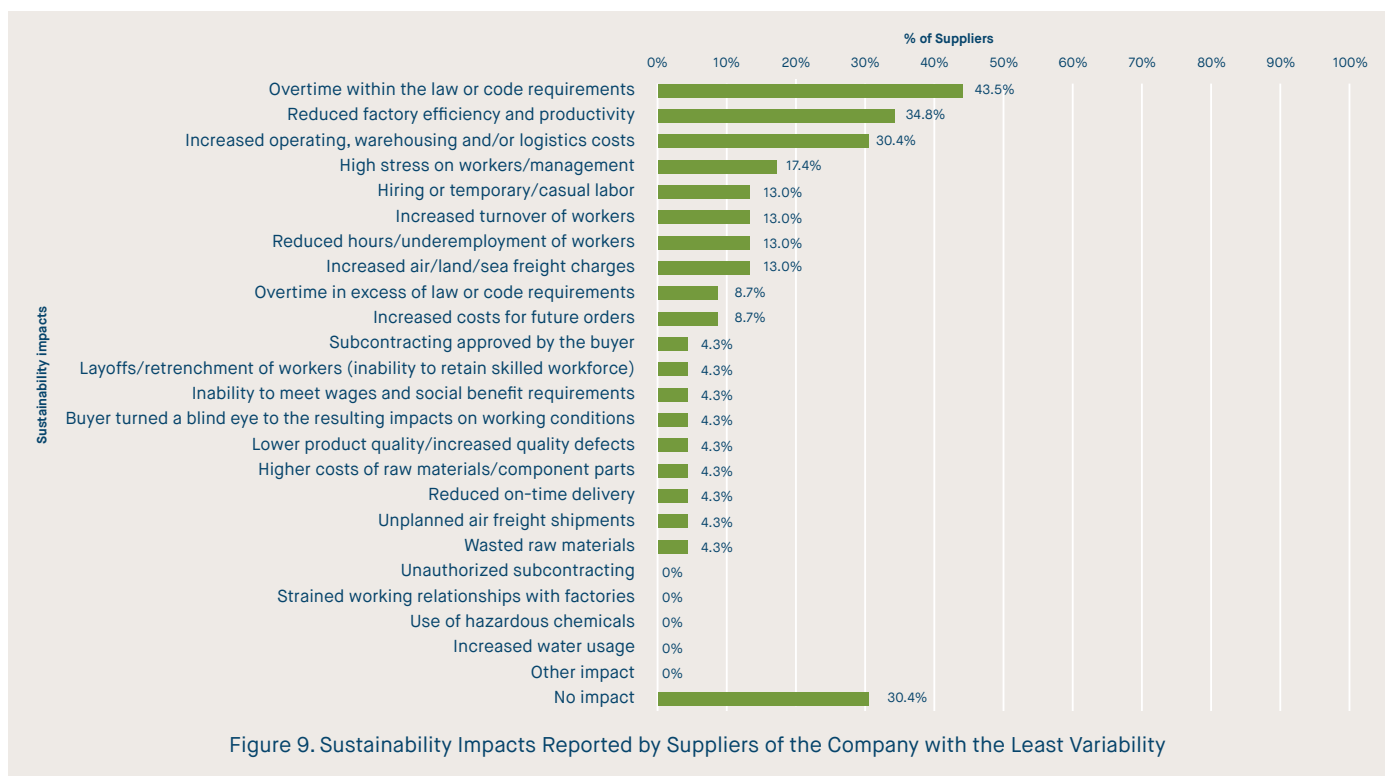


Figure 9. Sustainability Impacts Reported by Suppliers of the Company with the Least Variability



## A DEEPER LOOK INTO MOV

MOV and how it impacts suppliers and workers is a complex topic. Through advanced analysis of Better Buying™ data and a Supplier Roundtable discussion, we are starting to understand more about the types of contextual factors and additional purchasing practices that relate to MOV – including those that are associated with notable social and business impacts.

### Differences in ORR

From our analysis, we found statistically significant differences in the ORR in three variables: supplier and buyer region; product category; and supplier type (strategic versus non-strategic).

### Region

Suppliers reported significantly higher MOV for buyers located in Europe and the United Kingdom compared to buyers in North America and the Asia Pacific region. Similarly, monthly orders were much more volatile for suppliers based in Europe and the UK (Tables 1 and 2).

### Product category

MOVs for apparel were more variable than those for household textiles and footwear, reflecting the efforts to engineer supply up and down to match estimated demand each month (Table 3).

### Strategic vs non-strategic suppliers

Non-strategic suppliers reported higher order variability than strategic suppliers. This finding reflects the “long tail” of buyers’ supply chains where a large number of suppliers are sporadically contracted for one-off orders and do not benefit from continuous business throughout the year (Table 4).

REGION	FREQUENCY (n=872)	AVERAGE ORR
Asia Pacific	109	76.7% <sup>a</sup>
North America	527	79.6% <sup>b</sup>
Europe/UK	236	121.1% <sup>ab</sup>

Table 1. Significant Differences by Buyer Headquartered Regions

Note. 1. China/HK rating (n=1) was suppressed for the test since this group had less than 2 ratings.

2. ORR with the same superscript are significantly different from each other (F=32.01, p=.000).

REGION	FREQUENCY (n=873)	AVERAGE ORR
Asia Pacific	8	52.0% <sup>a</sup>
Latin America	34	53.4% <sup>bhij</sup>
East Asia	167	75.7% <sup>ckl</sup>
EEMEA	35	82.9% <sup>d</sup>
US/Canada	83	91.8% <sup>eh</sup>
China/Hong Kong	312	93.8% <sup>fik</sup>
South Asia	185	94.0% <sup>gll</sup>
Western Europe/UK	49	141.0% <sup>abcdefg</sup>

Table 2. Significant Differences by Supplier Headquartered Regions

Note. ORR with the same superscript are significantly different from each other (F=6.69, p=.000).

PRODUCT CATEGORY	FREQUENCY (n=873)	AVERAGE ORR
Household Textiles	56	72.8% <sup>a</sup>
Footwear	91	77.9%
Apparel	726	93.4% <sup>a</sup>

Table 3. Significant Differences by Product Category of the Largest Quantity Order

Note. ORR with the same superscript are significantly different from each other (F=3.75, p=.024).

SUPPLIER TYPE	FREQUENCY (n=372)	AVERAGE ORR
Strategic	177	70.0% <sup>a</sup>
Non-strategic	195	125.2% <sup>a</sup>

Table 4. Significant Differences by Strategic and Non-Strategic Suppliers

Note. 1. Ratings (n=501) from suppliers not classified into either of the two types were suppressed.

2. ORR with the same superscript are significantly different from each other (F=53.16, p=.000).

**When do suppliers report impacts?**

We examined six potentially influencing factors together in a model to determine if they could predict whether a supplier would say "no" when asked whether their buyer's order volume variability impacted their social, business, or environmental sustainability, or whether the supplier would report one or more impacts. The factors we examined included: the number of days forecasts were provided in advance, the accuracy of forecasts, ORR, the percent of a supplier's capacity devoted to any single customer, the total number of customers a supplier works with, and the number of years the supplier has had a business relationship with its customer.

While we were not able to identify all the predicting variables that might have improved the strength of our statistical model,<sup>4</sup> the factors (in the order of influence) that explained when suppliers reported impacts were: higher percentage of supplier's production capacity dedicated to a particular buyer;<sup>5</sup> greater number of years of a buyer-supplier business relationship;<sup>6</sup> and lower ORR.<sup>7</sup> The timing of forecasts, forecasting accuracy, and the number of customers a supplier works with were not significant in determining when suppliers reported impacts.

So, what do we know about each of these influencing factors?

**Percent of production capacity**

As shown in Figure 10, suppliers that reported sustainability impacts had a comparatively larger share of their business dedicated to the customer being rated (21-41% of their total business) than suppliers that did not report impacts.<sup>8</sup> This finding

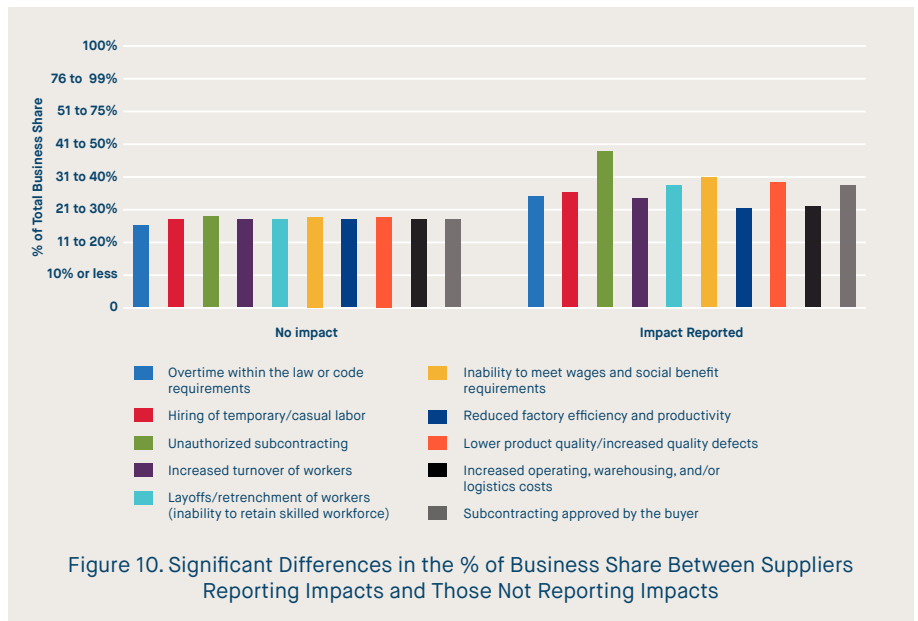


Figure 10. Significant Differences in the % of Business Share Between Suppliers Reporting Impacts and Those Not Reporting Impacts

is intuitive: if more of a supplier's capacity is dedicated to a particular customer, and if that customer has large swings in its order volume from month to month, that supplier's business will be impacted. In low months the supplier will potentially have more capacity going unutilized, while in peak months the supplier will have fewer legally and code compliant options for relieving the pressures on its overall capacity.

This is an important finding, especially in light of prevailing industry logic that says buyers should increase their leverage with suppliers if they want to achieve more from their sustainability efforts. While this could certainly lead to positive outcomes, buyers have to recognize the impact of their own decisions on suppliers' sustainability. In this particular example, if a buyer does not even out its ordering patterns, their "increased leverage" could have the opposite effect and lead to greater sustainability impacts.

**Years of business relationship**

The number of years a buyer and supplier had been in a business relationship did not have the expected influence on the impacts of MOV. Originally we believed that with time, the ability of a supplier to cope with a particular buyer's MOV might improve. Suppliers in our roundtable discussion confirmed this assumption citing their use of historical data to anticipate how their buyers' projections will actually play out. However, we found that suppliers reporting impacts had been working with their customers for longer periods of time compared to suppliers that did not report impacts. Suppliers that reported impacts had worked with their customers for 11 years on average, while those reporting no impacts had worked with their customers for 9 years<sup>9</sup> (Figure 11).

**Suppliers reporting impacts had been working with their customers for longer periods of time (11 years on average) than those who did not (9 years on average).**

<sup>4</sup> Discriminant analysis: Wilk's Lambda = .962, p < .001, 59.4% of cases correctly classified)  
<sup>5</sup> Standardized Canonical Discriminant function Coefficient = -.487, structure matrix loading = -.761  
<sup>6</sup> Standardized Canonical Discriminant function Coefficient = .440, structure matrix loading = .678  
<sup>7</sup> Standardized Canonical Discriminant function Coefficient = -.344, structure matrix loading = -.640  
<sup>8</sup> F=15.28, p=.000  
<sup>9</sup> F = 12.13, p=.001

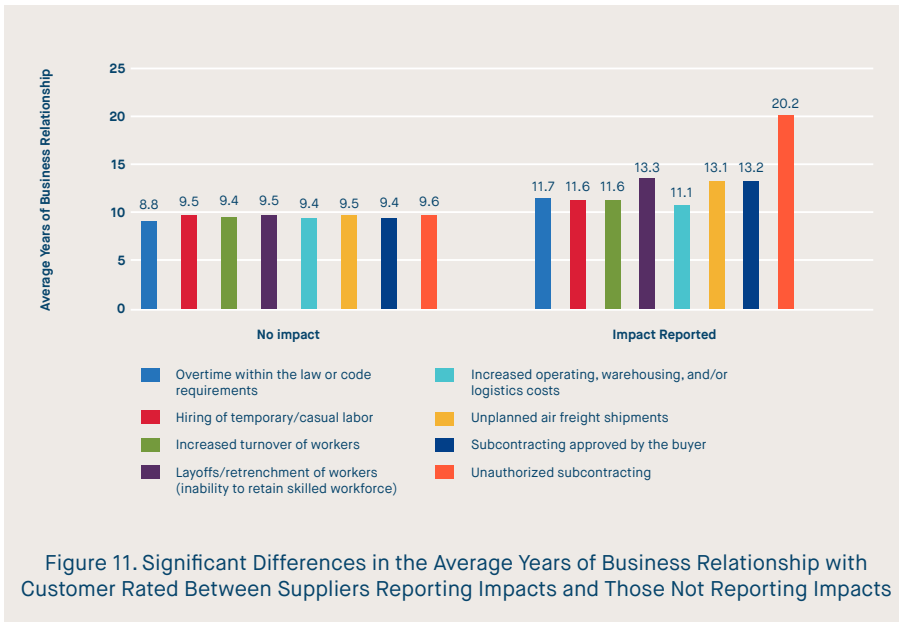


Figure 11. Significant Differences in the Average Years of Business Relationship with Customer Rated Between Suppliers Reporting Impacts and Those Not Reporting Impacts

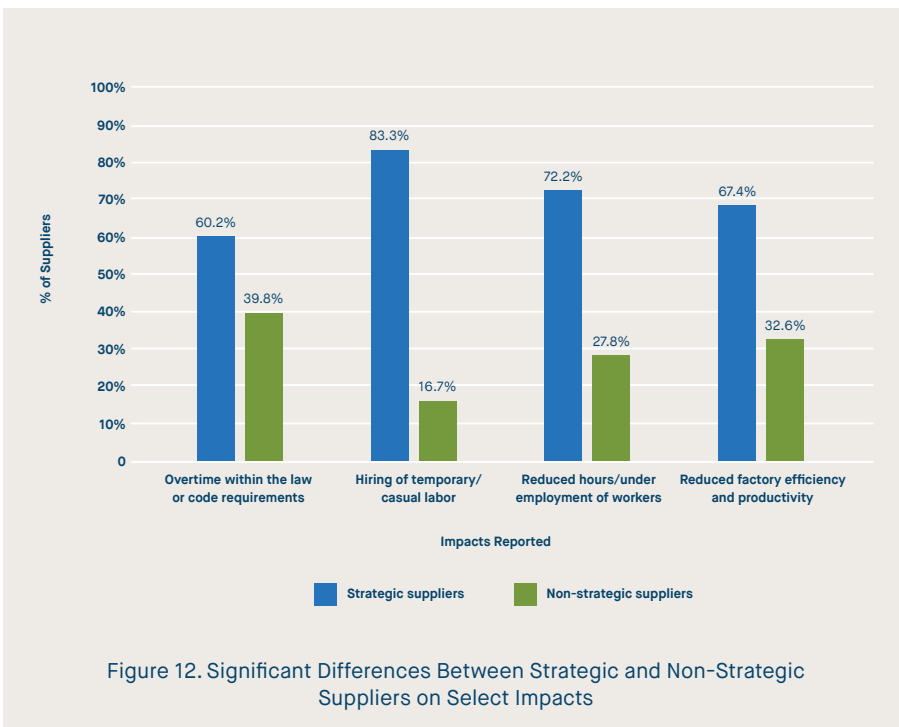


Figure 12. Significant Differences Between Strategic and Non-Strategic Suppliers on Select Impacts

Note. 1. Only those impacts are reported which shows statistically significant differences between % of suppliers – strategic and non-strategic – reporting them.

2. Pearson’s Chi-square values for a) Overtime within the law or code requirements = 7.94, b) Hiring of temporary/casual = 13.15, c) Reduced hours/under employment of workers = 4.61, and d) Reduced factory efficiency and productivity = 7.69.  $p < .05$ .

<sup>10</sup>  $F = 12.39, p < .001$

<sup>11</sup> Pearson’s Chi-square = 17.49,  $p = .000$ . Ratings ( $n = 501$ ) from suppliers not classified into either of the two types – strategic or non-strategic – were suppressed.

<sup>12</sup>  $F = 10.82, p = .001$

For some suppliers, working with a customer over multiple years allows the supplier to learn the customer’s ordering patterns and anticipate their peaks and valleys throughout the year. However, Better Buying™ has found that these long-term and often strategic relationships with suppliers can also lead to increased impacts as suppliers are expected to show more flexibility and accommodate the buyer’s changing demands. So, while such suppliers have a more privileged status on paper, they actually experience more pressure on their business and their compliance efforts. Strategic suppliers had, on average, longer business relationships with their customers compared to non-strategic suppliers (10.1 years compared to 7.4 years),<sup>10</sup> yet 50.3% of strategic suppliers reported impacts of MOV (similar to the overall average of 51.0%), while only 38.5% of non-strategic suppliers reported the same.<sup>11</sup> Figure 12 shows statistically significant differences in the percent of strategic and non-strategic suppliers reporting select impacts.

**ORR**

Initially we thought ORR would be the only factor influencing whether a supplier reported sustainability impacts or not. Even though we discovered that the percent of production capacity and years of business relationship between a supplier and a buyer were more influential, ORR still plays a role. After all the other factors were considered, suppliers of buyers with relatively lower ORR (78.0%) still reported impacts more often than those whose buyers had higher ORR (95.4%).<sup>12</sup> The Better Buying™ Supplier Roundtable confirmed that lower MOV is better but will not ensure there are no negative impacts on business and workers.

### Other significant findings

Aside from the above influencing factors, we also found significant differences in whether impacts were reported by supplier and buyer region as well as product category. Similar to how these factors were related to ORR, across all supplier ratings, 51.0% reported impacts of MOV. Impacts were reported above average rates by suppliers based in East Asia (excluding China and Hong Kong; 62.9%), Asia Pacific (62.5%), North America (57.8%), EEMEA (57.1%), and China and Hong Kong (52.9%), and below average rates by suppliers based in Latin America (41.2%), South Asia (41.6%), and Western Europe and the UK (22.4%).<sup>13</sup> Meanwhile, the percentage of suppliers reporting impacts was higher when a buyer was based in North America (56.7%), but lower when a buyer was based in the Asia Pacific region (34.9%) or in Europe and the UK (45.3%).<sup>14</sup> It is notable that impacts were reported less frequently when suppliers or their buyers were based in Europe and the UK, as this was the region with the highest order volatility. This finding highlights the importance of the other influencing factors discussed above – ORR is not the only factor that determines whether a supplier reports impacts.

Finally, impacts were more frequently reported by suppliers producing apparel products (52.5%) compared to those producing household textiles (33.9%) and footwear (49.5%).<sup>15</sup>

### HOW CAN BUYERS REDUCE THE IMPACTS OF MOV?

While it is unlikely that MOV can ever be completely eliminated, suppliers' open-ended comments submitted in our annual data collection point to other practices that could help neutralize the impacts of higher variability (Table 5).

#### Forecasting accuracy is the most frequently cited lever buyers can use to decrease the impacts of order volatility.

The most frequent suggestion from suppliers was for buyers to improve their forecasting by providing more accurate forecasts further in advance of order placement. Better Buying™ found support for improving forecast accuracy in our quantitative data, specifically within the ratings where suppliers reported relatively high order variability (ORR of 126.9% to 193.4%). Of all the suppliers reporting order variability within this range, 48.0% reported no sustainability impacts. However, when suppliers experienced high variability and also reported their buyer's forecasts were accurate within +/-10%, 55.4% of suppliers reported no sustainability impacts.<sup>16</sup> This suggests forecasting accuracy is one lever buyers can use to decrease the impacts of order volatility – one that would prevent problems associated with buyers using larger shares of a supplier's production capacity or being pressured to accommodate their long-term customers.

Meeting minimum order quantities (MOQs) was another frequent suggestion, as this helps to decrease the mounting costs incurred with MOV. Combining expected order quantities and allowing a supplier to place one purchase order for raw materials leads to efficiency gains and eliminates costly surcharges for small orders. Suppliers also provided suggestions for buyers to improve their ordering practices and ensure timely order placements, as well as opportunities to maximize their utilization of a supplier's capacity. For example, "If [variation due to high inventory or poor sales] results in over 20% reduction, sourcing should place alternate style or share in factory idle line cost." Other suggestions included making optimal use of a factory's capabilities, consolidating POs, improving internal communication and collaboration, and reserving capacity in advance. Additional recommendations from suppliers participating in the Better Buying™ Supplier Roundtable were for buyers to forecast for longer periods of time within multi-year agreements, and to let suppliers know of changes to orders and delivery terms as far in advance as possible.



<sup>13</sup> Pearson's Chi-square = 36.17, p = .000

<sup>14</sup> Pearson's Chi-square = 21.32, p = .000. China/HK rating (n=1) was suppressed for this test since this group had less than 2 ratings.

<sup>15</sup> Pearson's Chi-square = 7.25, p = .027

<sup>16</sup> Pearson's Chi-square = 3.88, p = .049

THEME	# OF MENTIONS	SAMPLE QUOTES
Improve forecasting practices	17	If the order forecast is shared at the beginning of a season, then it would be convenient for the factory to make the proper plan  AS LONG AS FORECASTING IS CORRECT LARGE DIFFERENCES IN ORDERS MONTH BY MONTH HAVE NO EFFECT
Meet MOQs	15	Please respect MOQ fabric quantities required and understand that where quantities fall below this level that surcharges are likely  Combine expected quantities produce by one PO to avoid MOQ issue
Improve order placement practices	11	Suggestion is to have an open P.O. on hand, to cover any delay in order placements to the factory.  Need order placement within the time lines given without delay
Maximize production capacity utilization	9	From Forecast in board work to actual placement - sometime there is variation due to high inventory or poor sales; if this results in over 20% reduction, sourcing should place alternate style or share in Factory idle line cost (as they do in case of Fabric)  Maximum utilization of the offered production capacity keeping continuity month on month.
Optimize your factory's capabilities	4	Provide work for different gauges we have  Really find out all kinds of styles which fit to each factory, and maintain stability and order fill rate accordingly.
Consolidate POs	3	Combine expected quantities produce by one PO to avoid MOQ issue  It will help a lot if Columbia place one order per month instead of two orders per month, logistic wise it make the factory make the same work twice
Improve internal communication	3	It seems it is an internal battle at the customer to secure early season orders before other categories/products due to low levels of internal collaboration  There are so many decision makers during the order placement. Everyone has their own view and taste which might cause confusions & frustrations. If buying manager is accountable on order placement his/her decisions s/b taken into consideration. There shouldn't be too many interventions
Reserve capacity in advance	3	Firm capacity commits / placement plans with mutual understanding on preserved capacity is not sold to any other customer .  Its better buyer can give capacity allocation & worked with according to allocation.

Table 5. Suppliers' Suggestions to Help Neutralize the Impacts of MOV

## COMPANY IMPROVEMENTS

When analyzing Better Buying™ data from Q4 2018 and Q4 2019, only one company reduced their order variability. This company's ORR fell by 29.6%, while the ORR for the other nine companies in our analysis increased. Part of the reason most company ORR scores were comparatively higher than the previous year could be because of changes Better Buying™ made in the time span of data collected. In 2018 we collected monthly shipment volume data for only a six month period from

April through September; however in 2019 we collected a full year's data that would have encompassed Lunar New Year when production greatly declines for many suppliers. Nonetheless, ongoing poor performance on MOV is disappointing, especially since we can safely assume that these nine companies continued to emphasize compliance and sustainability – this means suppliers, while being held to the same high standards for performance, were tasked with managing large fluctuations in order variability at the same time.

Both suppliers and buyers can secure significant gains from minimizing order variability and reducing the negative sustainability impacts that result from it. Greater production efficiency and smooth production runs reduce suppliers' costs and eliminate surcharges that will be passed on to the buyer. Buyers with less variable monthly orders will receive priority service from their suppliers. With consistent business, suppliers are better able to maintain a full-time, skilled workforce – beyond the clear social benefits of steady work, a stable workforce also leads to higher quality production.

## CONCLUSION

Collaboration between buyers and suppliers, with both parties engaging as partners for growth, are a proven route to achieving shared business and ESG goals. Long-term buyer-supplier relationships and dialogue are key. But when it comes to MOV, there is evidence of a communication breakdown, failure to understand the severe impacts of MOV on suppliers, or a tendency to look the other way. Our research found that strategic suppliers, those who had a larger share of a buyer's business, and those with long-term relationships, are actually experiencing greater pressure due to MOV, as there was an expectation on the part of their customers that they would be more flexible and accommodating in meeting uneven and changing demands.

The underlying trends driving increased order variability are not going away. Those industry professionals who are focused on sustainability must come together with their business counterparts in order to better understand and mitigate the impacts of MOV. Careful consideration should be given to what is routinely expected of long-term and strategic suppliers – thoughtful dialogue with those suppliers about the types of scenarios that increase risks to their businesses and workers should be a regular topic of discussion, with the goal of identifying less impactful ways of working and establishing a business partnership that allows the full supply chain to make progress toward sustainability goals.

Both suppliers and buyers can secure significant gains from improving MOV and reducing the negative sustainability impacts that result from it. Greater production efficiency and smooth production runs reduce suppliers' costs and eliminate surcharges that will be passed on to the buyer. Buyers with less variable monthly orders will receive priority service from their suppliers. With consistent business, suppliers are better able to maintain a full-time, skilled workforce; beyond the clear social benefits of steady work, a stable workforce also leads to higher quality production.

**Better Buying Institute is helping brands and retailers improve their practices related to MOV. Visit [www.betterbuying.org](http://www.betterbuying.org) to find out how engaging with Better Buying™ can help you improve your purchasing practices, improve your supplier relationships, and achieve greater supply chain visibility, transparency, and accountability.**

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