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SUSTAINABILITY

Are fashion's buying practices really improving?

Those in charge of contracting suppliers for fashion brands say they are investing in longer-term strategic partnerships. Suppliers tell a different story.

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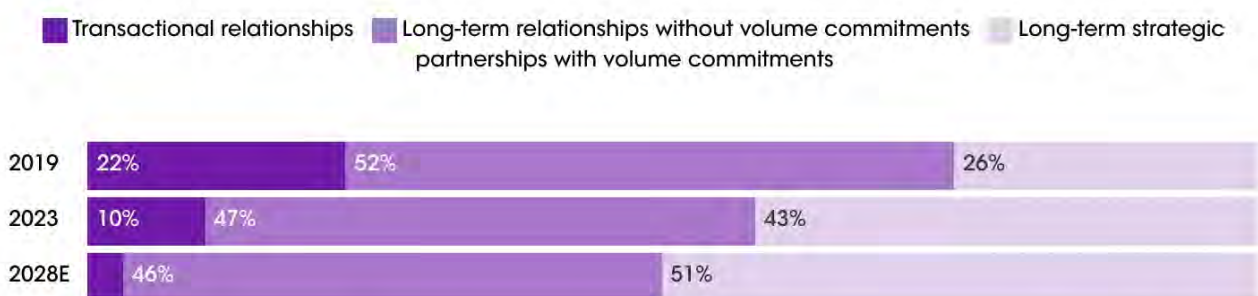
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During and in the years following Covid-19, order cancellations had devastating consequences for suppliers as they were left to foot the bill for unsold products. It shone a light on the transactional nature of buyer-supplier relationships in fashion, which has been identified as one of the barriers to achieving the industry's sustainability goals. New research shows brands believe progress is being made. Do suppliers agree?

Management consultancy McKinsey's latest annual survey of chief procurement officers (CPOs), in charge of contracting suppliers for fashion brands, suggests collaboration has been steadily improving. The proportion of CPOs reporting long-term strategic partnerships with suppliers — whereby brands guarantee factories their business over multiple seasons through volume commitments, pre-agreed prices and transparency around strategic planning — has increased from 26 per cent in 2019 to 43 per cent in 2023 and is expected to reach 51 per cent by 2028, the survey shows. Apparel companies in Europe are leading the shift, ahead of North America.

Brands say their relationships with suppliers have deepened



Q: "If you think of your entire supplier base today, how would you describe the nature of your relationships?"

DATA SOURCE: MCKINSEY APPAREL CPO SURVEY, 2019 AND 2023

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“While six to 10 years ago, the relationships were more transactional, in the last five to six years we’ve seen an increase in the desire to establish deeper, more strategic

relationships that foster collaboration [and] integration of digital systems for faster exchange of information (e.g. forecasts, digital sampling),” a McKinsey representative says.

Not all are convinced. “Simply claiming you have good partnerships with your suppliers isn’t going to cut it. If you want an honest picture of what’s really happening on the ground, you need to be asking suppliers, because they’re the only real arbiters of whether purchasing practices are improving,” says Lindsay Wright, VP of communications and strategic partnerships at Better Buying Institute, which collects anonymous data from suppliers on the purchasing practices of their brand and retailer customers.

In this year’s Better Buying Partnership Index, the organisation saw just a one point increase in the garment industry’s buyer-supplier partnerships score. Some areas have improved more than others, Wright believes buyers have made an increased effort to reduce duplicative audit requirements, improve the fairness of their financial practices and enhance working conditions in the supply chain, but business stability (including order quantities and variability) alongside visibility are still trailing behind. The organisation’s Garment Industry Scorecard this year shows that while payment and terms, cost and cost negotiation, and sourcing and order placement improved, planning and forecasting remain a pain point for suppliers.

Fashion Revolution’s 2023 Transparency Index, meanwhile, found that just 12 per cent of brands publish a responsible purchasing code of conduct — something that’s unchanged from the year prior and hints at a lack of progress.

“We know that long-term, formal commitments between brands and suppliers significantly impact suppliers’ ability to operate sustainably and ensure decent work,” Wright says. “But as with all these things, the devil will be in the detail, and you need to be asking suppliers as well in order to get an honest picture of what’s happening on the ground.”

McKinsey told *Vogue Business* that its research is based on a broad survey of CPOs as well as “conversations and interviews with a variety of both global brands and suppliers representing a whole range of companies from discounted brands to luxury”. The annual survey, which has been taking place since 2013, has always questioned CPOs about the type of relationship they have with Tier 1 and Tier 2 suppliers. The

management consultancy firm did not provide further information about the specifics of the suppliers' perspectives within the research, nor the level of involvement suppliers had in the reporting.



Workers in Bangladesh have been protesting for higher wages. Photo: Abdul Goni/Getty Images

The fashion industry has an infamously fragmented supply chain, where transparency and communication between brands and suppliers is sorely lacking; buying practices being one of the key building blocks of trust. Unfair buying practices force suppliers to front costs for materials without security that the end product will be sold, and to push prices down to the point where they're struggling to make a profit. This impacts workers, whose wages and sick or holiday pay could be decreased or cut — their likelihood of abuse and harassment may also heighten. In recent months, workers in Bangladesh have been protesting for living wages.

The reality of brand-supplier partnerships

Not all partnerships are made equal. Brands began understanding the positive impact of developing a closer relationship with suppliers throughout the pandemic, but harmful practices have emerged under the guise of partnerships, says Sanchita Saxena, visiting scholar at the NYU Stern Center for Business and Human Rights and senior advisor at human rights-focused consultancy Article One. Saxena is in the process of identifying five types of partnerships, supported by the NYU Center. While her research is focused on Bangladesh, where there is a high proportion of fast fashion brands, she stresses that this significant improvement across luxury brands is in fact a myth.

The most harmful partnership follows an exploitative blackmailing model, where brands use the partnership as a guise to pressure suppliers into lowering costs, providing discounts or refusing orders, Saxena explains. A supplier told Saxena: “The company was threatening [us] saying, if we don't agree on a reasonable discount, maybe next season [our] business volume might be affected. We were also told that if we don't give the discount then there might be cancellations coming, and that kind of pressure... I wanted to give them a \$20-25,000 discount, but eventually with the pressure I have to probably agree on almost double that amount... we didn't want to offend them by any means.”

Saxena's research has also unearthed some positive examples. “A true partnership looks like both parties communicating well, discussing realistic costing, making projections

together. [They're] real partners in the whole endeavor as if something happens or

[delays]. [They] supported us a lot during Covid — we worked together.”

The reality of brand-supplier relationships

Quotes from suppliers representing a five-tiered ranking system of brand-supplier relationships

1

Shared responsibility partner



“They kept their word, paid the agreed price. Paid on time, no (delays). (They) supported us a lot during Covid — we worked together...”

2

Fair weather partner



“A buyer working as (a) partner, (was) even discussing (dedicating) a (specific production) line for (us) where they will share cost, but (they're) now backing out from (the deal) after keeping it pending for two months. (We're) in (a) deep mess with it.”

3

Rhetoric partner



“Just telling us what to do is not a strategic partnership. Just placing orders is not a strategic partnership. I need to get the benefit, not just the business, either efficiency, or on (the) social side...”

4

Habitual partner



“We have a long-term relationship (with this customer), but not in terms of volume or value. We used to get \$1.25 for C&M (cut and make); they are now offering \$1, saying ‘sorry we have to go down, if you can’t match the price, I can’t give you the business.’”

5

Blackmailing partner



“...the company was threatening (us) saying, if we don’t agree on a reasonable discount, maybe next season our business volume might be affected... We were also told that if we don’t give the discount then there might be cancellations and that kind of pressure... I wanted to give them a \$20-25,000 discount, but eventually with the pressure I have to probably agree on almost double that amount... we didn’t want to offend them by any means.”

Source: Supplier interviews, 2022 and 2023, from unpublished research by Sanchita B. Saxena supported by NYU Stern Center for Business and Human Rights.

Saxena highlights that brands with this true partnership are more capable of incentivising sustainable practices within their supply chains. But as legislation grows, the responsibility to comply needs to be shared equally in order to improve brand-supplier relations. “In relation to existing and forthcoming supply chain due diligence legislation, if history is an example, there will be a tendency for brands and retailers to push responsibility for compliance onto their suppliers,” Wright says. “For the regulation to have teeth and to really drive change, [brands] urgently need to reset and redefine their relationships with their suppliers, acting as true partners and sharing that responsibility.”

There's growing support for policies to improve purchasing practices. “In order for purchasing practices to be addressed on an industry [level] rather than [a] brand by brand basis, we need regulation,” says Fashion Revolution's global policy and campaigns director Maeve Galvin. Galvin references non-profit organisation Transform Trade's campaign for a “fashion watchdog”, to oversee buying practices. A Fashion Supply Chain (Code and Adjudicator) Bill, which would form such a watchdog in the UK, was introduced into parliament last year, and is still in debate.

For brands looking to get ahead of legislation, what steps can they take to reach a true partnership? “Companies need to say what they commit to — good purchasing practices, sharing responsibility, upholding human rights in the supply chain,” Saxena says. “Partnership sounds really good, but what does it actually mean? Both sides are not on the same page with that definition, and some brands believe that they are engaging in a partnership with their suppliers but the suppliers are not feeling that at all. A verbal commitment isn't enough, they need to be binding agreements or contractually specifying what both sides are going to do — that's the only way to go forward.”

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