SUPPLIER CAPACITY PROGRAM

REVEALING AND RE-DISTRIBUTING THE TRUE COSTS OF PRODUCTION IN THE GLOBAL APPAREL INDUSTRY

BACKGROUND

In today's global manufacturing industries, factories in countries like Bangladesh, India, and Vietnam are often strained beyond their limits by orders they cannot fill and deadlines they cannot meet. To fill the gaps, factory managers have to cut corners, often sacrificing worker safety and wellbeing in the process. Common measures include scheduling excessive overtime (well beyond their ability to pay overtime wages), bringing on additional workers they cannot safely accommodate, and sub-contracting to unauthorized and under-regulated facilities. Although factories may pass labor and social inspections based on ideal conditions, in reality they often operate under pressures that lead to violations of those standards.

Poor production capacity calculations have exacerbated these issues. In most facilities, managers measure their production capacity using only a small number of the relevant metrics relying on assumptions rather than data. Common capacity disruptions like worker absenteeism, supply delays, and production bottlenecks are often left out of the equation, resulting in inaccurate capacity measurements and unrealistic production targets.

Purchasing practices, price, time, and volume pressures exacerbate these already unreachable production capacities. As a result, it can be difficult for brands to know the true capacity of suppliers and the extent of their social compliance performance.
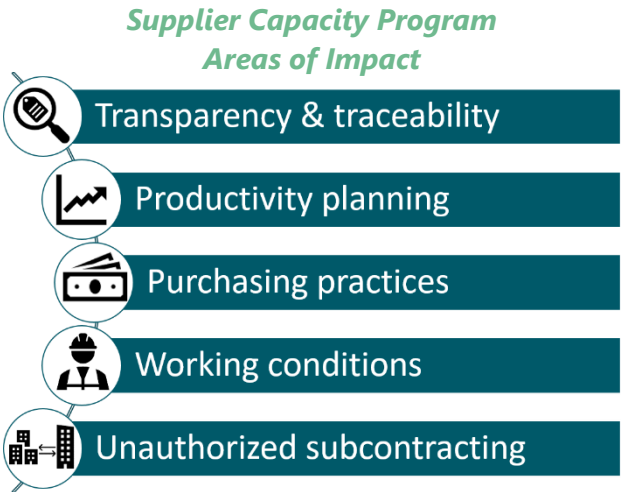
PROGRAM DESCRIPTION

GOAL

SAI seeks to address these problems through a comprehensive program that will help quantify the impacts of purchasing practices on supplier production capacity, improve supplier production capacity calculations, and improve labor performance. This project

will allow brands to more easily access suppliers who have improved production capacity planning techniques and sound labor and business practices.

PROGRAM OVERVIEW

During this 2 year program, SAI will collaborate with factory managers, academics, and industry experts to gain a holistic understanding of the factors affecting production capacity in manufacturing facilities. Currently, most capacity and production planning tools only incorporate very basic data, such as the number of machines and number of employees. We will incorporate an expanded set of indicators, such as worker productivity, skill levels, and shift

Supplier Capacity Program Areas of Impact

Transparency & traceability

Productivity planning

Purchasing practices

Working conditions

Unauthorized subcontracting

optimization. We will also quantify the effects of purchasing practices on supplier production capacity—e.g. unpredictable volumes, last-minute order changes, design changes, long payment periods, etc.

Based on these comprehensive metrics, we will create an algorithm—a capacity calculator—for calculating and predicting capacity with much greater accuracy. We will also develop tools and trainings to help factory managers collect the necessary data, use the capacity calculator as an ongoing practice, and improve production capacity based on insights from this process.

Using this algorithm, our technical partner will create a platform that will connect suppliers with buyers who are interested in supporting these improved practices. The Platform will allow suppliers to showcase their business capabilities and report their production capacity, and buyers to book capacity for their order and ensure that factories do not become overextended.

This project is focused on the garment-manufacturing industry in Bangladesh and India's Delhi NCR region.

GETTING INVOLVED

Buyers can become involved with this project at various levels of engagement. Interested brands and buyers need not commit to becoming fully onboarded to platform, but instead can engage in activities that include stakeholder consultations and surveys, as well as optional Tier 1 supplier engagement.

The multiple levels of engagement include:

Level 1: Stakeholder Consultation
- Complete interviews and surveys related to purchasing practices, supply chain transparency, and supplier social compliance performance

Level 2: Supplier Involvement
- Involve select Tier 1 suppliers in the program to participate at supplier level of engagement
- Participating factories can be involved in stakeholder consultation but can also opt in to receive onsite training and capacity building opportunities

Level 3: Platform Engagement
- Inform the design of the platform by completing surveys related to the platform and its features
- Full onboarding on to the platform, gaining access to participating supplier information

To learn more about participating, please see the program contact information below.

PROGRAM CONTACT

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