



ETHICAL SOURCING

Securing Values as well as Value in the Supply Chain

The market for ethically sourced garments is here to stay. The last decade has seen a fundamental shift in consumer attitudes towards ethical trading and recent research suggests that, despite the economic downturn, UK shoppers are still demanding responsibly sourced fashion. Of course, now more than ever, retailers must juggle sourcing ethically alongside securing value for money. To do this, brands and retailers across the fashion industry are increasingly turning to the latest technology in order to gain greater visibility and control throughout their supply chain.

A Growing Issue

Socially responsible trading became a growing issue during the 1990s when companies with global supply chains – particularly those in the clothing and food industries – were coming under rising pressure from consumer groups, governments and trade unions to ensure decent working conditions for those producing their goods. Since then numerous media campaigns highlighting the poor working conditions in factories and farms in developing countries have been behind the drive for fair trade and ethically sourced products. More recently, growing environmental concern has also increased consumer awareness for sustainable sourcing, with many now opting for clothing made from organic cotton, hemp or other low-impact raw materials and garments designed to be washed at lower temperatures.

As a result, ethical sourcing is now part of the corporate responsibility agenda of most major organisations. Many corporate investment companies today screen their ventures according to a range of social and environmental criteria, including an organisation's efforts to secure adequate labour conditions in their supply chain, and retailers are increasingly implementing

corporate codes of practice to ensure that the working conditions of those producing their goods meet or exceed international labour standards. What's more, ever increasing customer demand for responsibly sourced items means this aspect of supply chain management is gradually descending from niche to mainstream.

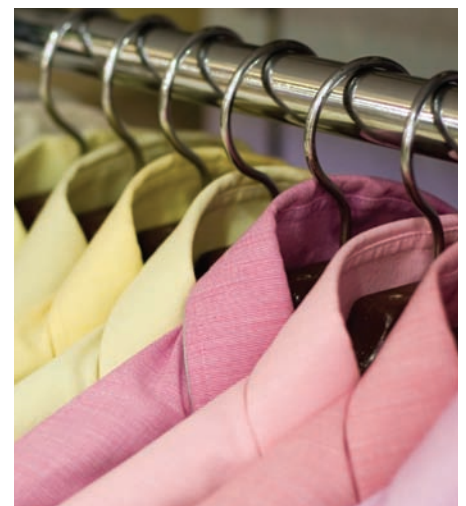
Demand Despite the Credit Crunch?

Although this shift in consumer attitudes coincided with a period of easy credit and a booming economy – and was no doubt aided by this climate – the myriad of other contributing factors means that consumer demand for responsibly sourced goods is a reality that is unlikely to dissolve in the current economic downturn. "The democratisation of information, for example, brought with it the realisation that the choices we make as consumers have an impact," says Sally Reynolds, Marketing Manager for Syscom, www.syscom.plc.uk, "and this has not changed." Indeed recent research suggests that, despite the credit crunch, 60% of UK consumers think it is 'right' or 'fair' for retailers to remove non-sustainable products from their shelves and 45% are willing to pay more for

environmentally friendly products.¹ Similarly, New Look's Chairman, Phil Wrigley, said in a recent Drapers article that he believes ethical trading is on customers' agenda and will become even more of an issue in future. It seems that values are still up there with value in the mix of factors driving that all important purchase-decision.

The Importance of Ethical Sourcing

With this demand, savvy retailers and businesses are increasingly realising that a reputation for fairness is invaluable. "It isn't just a question of wanting to behave responsibly," says Sally. "Retailers who are sourcing ethically



are making informed judgments about what their customers want." For example, Primark's rating in consumer polls fell dramatically in the wake of BBC Panorama's damning exposé in June 2008, which revealed that



some of Primark's suppliers were using child labour. Indeed a survey conducted for Drapers following the programme revealed that 44% of Primark shoppers were likely to switch to another chain.² In contrast, Marks & Spencer was rated highly due to their 'Plan A' initiative, which included carrying out lifecycle assessments on their clothing and setting up a clothes recycling scheme with Oxfam. "The fact that Primark changed suppliers and created a website promoting its ethical trading record in response to the child labour allegations emphasises just how important it is for companies to be able to show their customers that they are sourcing responsibly," says Sally.

How Software can Help

With ethical sourcing concerns now prominent enough to threaten even Primark's staggering success, retailers are more aware than ever how vital it is to adequately manage social and environmental factors in their supply chains. "A greater number of companies today are endeavouring to minimise the exploitation of labour and natural resources in their supply chain," says Robin Vryenhoef, Sales Manager of Syscom. "Enterprise Resource Planning ERP and Product Development Management PDM systems are often key in enabling these companies to secure the visibility and control they need throughout their production and sourcing to achieve their responsible sourcing objectives."

"ERP systems are designed to help manage key aspects of a business, from financials, production and customer relations through to

procurement, stock control and distribution," explains Robin, "while a PDM application will assist with design management and pre-production, through things like work flow tools, costing templates and trim libraries. Using PDM alongside your ERP system will integrate your production from conception through to finished product."

With over 30 years experience in the clothing, footwear and textile market place, award winning software provider Syscom PLC has developed ERP and PDM solutions specially designed to meet the unique requirements of these industries and help companies who wish to ensure their products are responsibly sourced.

"Being able to track items and components back to a source, for example, is crucial in allowing retailers to offer their customers products that are of indisputable origin," says Robin, "so this has, consequently, become an important aspect of supply chain management strategy for the increasing number of companies committed to ensuring their suppliers adhere to ethical trading standards. Having software in place that provides this traceability is crucial. Choose a system that offers multi-dimensional item coding, such as SyscomERP or Microsoft Dynamics™ AX Apparel & Textile, which allows goods and materials to be traced through variable sourcing, manufacturing and finishing processes, creating transparency across the supply chain."

Using a PDM product alongside your ERP system can give you even greater control and help you select suitable suppliers and

their products during the design stage. "SyscomPDM, for example, will allow you to rate suppliers according to how well they meet Ethical Trading Initiative ETI criteria and group companies into preferred supplier lists," says Robin, "enabling you to make more informed decisions about which of your suppliers to select for a particular product or component. User configurable fields allow you to input information regarding aspects such as a supplier's child labour avoidance, management accountability, wages and working hours. From this data SyscomPDM calculates a colour-coded ethical trading rating for each supplier, as well as an overall rating for each product. So, for example, if each component of a garment is sourced from suppliers with good ethical trading ratings the garment is given a 'green' overall ethical trading rating. The 'what if' analysis function can be used to immediately see what impact a change of supplier will have on this rating. If, say, the buttons and trim are sourced from a supplier with a lower ethical trading rating the garment rating may drop to 'yellow'."

"What's more, SyscomPDM can help control costs at the same time," continues Robin. "The 'what if' analysis function will also calculate how choice of materials and supplier will affect the cost of producing an item and 'where used' reports show the impact a discontinued or late supply of a material will have on production by identifying where specific fabrics or components are being utilised."

The Right Thing

Whether it's fundamental to the way they do business, seen a sign of quality that provides a competitive advantage or simply another factor to be balanced alongside the plethora to be considered in supply chain management, ethical sourcing is now on the agenda for an ever increasing number of brands and retailers. Many are realising that paying workers a fair wage and sourcing materials that aren't damaging to the environment doesn't mean their clothes have to be more expensive if costs can be re-cooped in other ways. Having the appropriate technology and software in place to help control these can aid in supplier selection, provide essential insight and ensure business operations are as efficient as possible.

¹ http://www.retail-week.com/CSR/2008/10/uk_least_likely_to_pay_more_for_green_products.html
² http://business.timesonline.co.uk/tol/business/industry_sectors/retailing/article5034065.ece