



Promoting Fairer Purchasing Practices

Sustainable Terms of Trade



Introduction

Trade between buyers and sellers is underscored by the exchange of goods and capital, based on agreed conditions. But what happens when the condition of the trade is met with irregularities or frequent, unforeseen changes?

In the Garment & Textile industry, such changes are unfortunately a familiar struggle - when current practices can entail buyers making rash modifications to orders, leaving orders unpaid, and pivoting at seemingly a moment's notice. Predictably, this incurs major burdens on manufacturers. Such issues were particularly prevalent during the Covid-19 pandemic.

STTI White Paper - Why?

The Sustainable Terms of Trade Initiative (STTI), sought to address this issue. STTI is a flagship initiative started via the STAR Network, supported by GIZ FABRIC Project as well as the International Apparel Federation (IAF).

It sought to create a more balanced commercial relationship between buyers and suppliers. STTI started via the: "White Paper on the Definition and Application of Commercial Compliance" published on Sep 16, 2021.

This short article is a call-back to this paper.

Exploring 'Unfair Purchasing Practices'

The Textile Industry's highly competitive nature has given rise to a "race to the bottom", a phenomenon where brands and retailers undercut each other by lowering prices and increasing the number of collections.

This competitive environment places economic risks on manufacturers, who face uncertainty about whether orders will be honoured and payments made on time. The COVID-19 pandemic exacerbated these issues, with many brands cancelling orders without payment, leaving manufacturers with unsold goods and financial losses.

Although the pandemic is now over, the disorderly and unregulated nature of these happenings formed the very issue of "Unfair Purchasing Practices", which to this day place significant challenges and pressure on manufacturers.

Such order cancellations have a very real impact on the manufacturers in garment producing nations, and the often thousands of workers they employ.

Paper Findings - Challenges

The white paper highlights the challenges arising from current purchasing practices, which contribute to an imbalanced dynamic in the textile industry. A significant issue is the frequent revision of terms, which forces manufacturers to adapt to evolving demands and potentially bear unexpected costs.

The contracts are often one-sided, disproportionately favouring the buyers (brands) while leaving manufacturers susceptible to financial vulnerabilities. A core challenge lies in the uneven distribution of the financial burden, where manufacturers are expected to shoulder costs and risks resulting from decisions made by the buyer. Buyers frequently dictate terms, transferring costs and risks to suppliers, and may disregard contract terms that do not favour their interests.

Paper Findings - Recommendations

The STTI white paper highlights the need for collaboration to improve purchasing practices and promote sustainability.

It calls on all stakeholders to engage in open dialogue, especially manufacturers (often fearful of raising their voice individually), who can drive mutual understanding by sharing their challenges. Participation in joint platforms allows buyers and suppliers to assess research and craft better strategies—anchored by a commitment to purchasing practices based on commercial compliance.

Commercial compliance emphasizes fair procedures for adjusting orders, allocating costs and savings appropriately, and ensuring timely payments to ease financial pressure on manufacturers. It also promotes transparent forecasting for better planning and reduced uncertainty.

Additional STTI recommendations include shorter payment terms and buyer accountability for delays or inaccurate forecasts.

Since the White Paper Launch, STTI has grown into a strong, standalone initiative.

To explore the issue and contribute to the future of responsible sourcing, we invite you to read the full STTI white paper and follow the STTI LinkedIn page to learn their latest activities.

To dig deeper into this issue, please find the full paper here:

