

Findings from Women Working Worldwide's Study of Gap Inc.'s Purchasing Practices

We recognize that inefficiencies in purchasing practices by brands and retailers across the apparel industry can negatively affect working conditions in garment factories.

In our industry, it is common to make changes to an order even after an item is in production. Some garment factories can manage such changes and deliver on time or with an acceptable delay without compliance violations. Others, however, may be unable to complete an order on time without requiring more hours or higher productivity levels from factory workers. These circumstances can lead to violations of our [Code of Vendor Conduct](#) if management does not act appropriately.

In 2005, under the umbrella of the Ethical Trading Initiative (ETI), we began partnering with Women Working Worldwide (WWW), a non-governmental organization, to examine the impact of our purchasing practices more closely. During the course of last year, WWW researchers interviewed staff at our San Francisco headquarters and regional Sourcing & Vendor Development offices in India and Bangladesh. They also met with factory managers and spoke with factory workers. WWW issued a preliminary report on the first phase of the research in June 2006. The following summary provides an overview of the report's findings, and we hope to be able to provide more detail in 2007.

Findings

Inefficient purchasing practices are endemic throughout the apparel industry. In its report, WWW pointed out that the situation is not unique to Gap Inc, and that most other brands and retailers face similar issues. WWW praised Gap Inc. for its commitment to compliance, and the high priority we place on longer-term relationships and good communication with garment factories.

WWW's research highlighted three main problems within our current pipeline process.

First, unforeseen delays can create situations in which factories do not have enough time to complete production orders. For example, fabric may arrive later than planned due to the use of an inefficient fabric mill or bottlenecks with local transportation or customs officials. If a factory does not receive timely approval on sample garments from our San Francisco office or local labs that test for product safety, it may also have to delay the start of production, which in turn may make it difficult to complete an order on time. In addition, factories must wait to ship finished garments until our Quality Assurance team has completed its final checks, so if the team is not immediately available, shipments may be delayed.

Second, changes to production orders—ranging from alterations to the design of a garment to the way garments are packaged or shipped—can be difficult for factories to manage when they occur after production has begun. Significant changes to the desired quantity of garments may also be challenging to handle if they occur with little or no advance warning.

Third, the use of flow production as well as the seasonal nature of the garment industry can lead to a sub-optimal utilization of some factories' production capacity. In flow production, an order is manufactured in batches staggered over a period of time. During peak seasons or flows, some factories may have more production than they can handle, while during low seasons or flows, they may not have enough. This variation in the production cycle can make it challenging for factories to maintain a stable level of working hours.

In addition to the internal Gap Inc. decisions that unwittingly contribute to the above problems, WWW found that factories often exacerbate these issues through poor or inadequate production planning. Together, these inefficiencies can lead to quality problems, increased cost, and the use of illegal subcontracting or temporary workers to meet production demands. Factory compliance with Gap Inc.'s Code of Vendor Conduct can also be strained by the need for increased overtime and higher production targets from factory workers, which may correlate with higher incidents of underpayment or non-payment of overtime wages.

Next Steps

WWW's findings have been very helpful as we examine our current way of doing business. Although improving our purchasing practices is one of the most challenging goals we can undertake, the rewards of doing so are potentially significant. In addition to helping garment factories reduce compliance violations, we are likely to see improved supply chain efficiency, greater speed to market, higher quality products and reduced cost.

The problems identified by WWW cannot be solved through a "quick fix." Decision making in our supply chain is complex, and some aspects of global garment production will always be unpredictable. However, we are committed to improving our performance in this area and have begun to address some of the issues raised by WWW. In particular, we are working to ensure that our production calendars reflect real manufacturing deadlines, and that our teams are more disciplined in their adherence to these deadlines.

We are also working with factories earlier in our production process so that they can better understand our product design requirements. Where possible, we try to ensure that our designers and merchants spend time in factories and can communicate face-to-face with factory technicians, who have the most experience with producing particular styles on a large scale.

In addition, we are examining whether we need to revise our fabric mill selection process and identify additional regional testing labs to manage some of the delays highlighted by WWW's research. We may also look to expand factory capacity in certain regions so that we have flexibility to react to fashion trends and order more quantities of a popular style without placing pressure on factories to compromise compliance or quality.

Finally, we're also working with factories to help them improve their own production processes. For example, when factories improve the efficiency of their operations, they may be able to meet the same production targets in a shorter amount of time. To learn more, please see the [results of our work](#) with five factories in China in partnership with Impactt and the Hong Kong Productivity Council (HKPC).