

Report On
Sustainable procurement of G-Star RAW

By

Md Anwar Saadat
21282001

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Md Anwar Saadat
21282001

Supervisor's Full Name & Signature:

Mir Mehbubur Rahman
MCIPS, Senior Trainer
BIGD
BRAC University

Letter of Transmittal

Full name of Supervisor
Designation,
Department
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Sustainable procurement of G-Star RAW

Dear Sir / Madam,

This is my pleasure to display my report on Sustainable procurement practice at G-Star RAW. It's prepared for the measure and correctness of Sustainable procurement of G-Star RAW and its stakeholders for their betterment. I have gone through a detailed analysis to finish the report with the vital and real-time data which ground reality is undisputable. I believe this report will help G-Star RAW and our stakeholders for enhancing their efforts towards sustainability.

Sincerely yours,

Md Anwar Saadat
21282001
BRAC Business School
BRAC University
Date: October 15th, 2023

Non-Disclosure Agreement

It is here by declared that this agreement is made and entered into by and between G-Star PIC Hong Kong Ltd. (Bangladesh Liaison Office) and the undersigned student at Brac University for the fulfillment of Masters in Procurement and Supply Management

Student's Full Name & Signature:

Md Anwar Saadat
21282001

Organizational Supervisor's Full Name & Signature:

Shafiur Rahman
Regional Operation Manager
G-Star PIC Hong Kong Ltd. (Bangladesh Liaison Office)

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Executive Summary

G-Star RAW is a high end denim brand Founded in 1989 in the Netherlands. It sources quality products with sustainable price and delivering value proposition to customers on timely manner accomplished with high quality, design, and attributes G-Star constantly experiments with the endless possibilities of materials, styles and cuts to create products that are unique G-Star signature look. To lessen environmental degradation, resource exhaustion, climate change, worker exploitation and constant business growth, G-Star RAW is increasingly being responsible to contribute to broader organizational goals of sustainable development through innovation, inclusion of environmental and social criteria within procurement processes. As G-Star does not own or operate any factories, they need work collaboratively with competent suppliers in different tiers, and to build a trustworthy and long-term relationship KPIs are set for sustainable business as well as sustainable development. They have decided to work only the suppliers who are practicing sustainability on their manufacturing process. G-Star RAW vastly involves IT like SAP for order placement and delivery and handling goods at warehouse and payment with paperless, PLM for paperless product development, TRACOS for logistics and payment. All these are integrated with IT process to measure and evaluate the sustainability aspects for entire supply chain. This report describes the KPIs in details and how it's compatible with G-Star RAW also how these are assessed and satisfied with the said objectives.

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List of Acronyms

PLM	Product Lifecycle Management
RFID	Radio Frequency Identification
EDC	European Distribution Center
KPI	Key Performance Indicator
FCA	Free Carrier
TRACOS	Traffic Control System
DC	Distribution Center
ETP	Effluent Treatment Plant

Chapter 1

Introduction:

1.1 Sustainability

Sustainability can be defined simply as treating the environment rightly so that it can be live-able for all the living being. All the usable resources people use these are usually coming from natural resources. And these resources consuming right now must be in a responsible way so that it can be kept for future generations as well and that's the theme of sustainability. Land, air, oxygen, natural light, water, gas and so on whatever the Mother Nature gives us, people should be utilized these in responsible way. Nevertheless it also has to be ensuring that future generations also using resources in the same pattern for their future generations.

1.2 KPI

Key performance indicator is basically measuring factors of buyers and suppliers performance with some predefined features. KPIs are widely using as the criteria for sustainable procurement also and these are evolving over time. G-Star RAW also usages KPIs are the preferred measuring factor of the performance of sustainable procurement. The KPIs are developed with understanding in between G-Star RAW and its suppliers and the top level business entity measure and evaluate suppliers' commitment and performance regarding sustainability with the KPIs. Earlier KPIs were used for sustainable materials and efficiency improvement of suppliers and now its using for all three aspects of Sustainability which is more broader and helping to improve environmental and social conditions.

1.3 Sustainability and KPIs for G-Star RAW

G-Star RAW practices sustainability not because customers want to, but they mean it and itself wants to. They utilize it because it has been seen added value and it helps G-Star RAW being their best possible self. G-Star RAW ensures that sustainability is maintaining while sourcing and procurement process and its ensured by the Key Performance Indicators (KPIs) set in between suppliers and buyers. On the basis of these KPI they evaluate suppliers and continue or discontinue by the sustainable practices. G-Star RAW wants the whole supply chain will be sustainable over time and KPI will be decisive factors on Sustainability.

Economic aspect says if you develop lots of thing over night it can be burden for upcoming generations and it's applicable for organization as well. Like, any organization does a lot but the revenue is generating in contrary not so cost-effective, these activities will lead to future liability. G-Star RAW also believes that economic development creates economic progress so they ensure that all the entity get adequate revenue for their 'bread and butter' and continue their business.

Environment cannot be degraded and it has to be kept as it is and it cannot be destroyed in any instances. G-Star RAW wants their supply chain will be environment friendly and all the residues from the entire value chain will be neutralized before discharging to the environment and reduce carbon foot print.

Social inequality is another concern for sustainability as it's creating discrimination and creates instability in the society. So G-Star RAW gives value to social factors so that quality of life can be improved and those who are working for G-Star RAW in entire supply chain must be treated ethically and gets fair wages to enjoy their lives.

Chapter 2

Organizational and Literature Review:

2.1 Roles of KPIs in Sustainable procurement of G-Star RAW

To implement sustainability G-Star RAW set up policy and goals consulting with stakeholders to select suppliers and evaluate them. The evaluation is done and scores them based on sustainability practices which are price and quality, environment safety precaution, and social inequality.

2.2 Economic perspective

For economic perspective G-Star RAW set the criteria product pricing and product quality. G-Star RAW offers price on FCA for all the products and have certain allowances on product quality. For that reason concerned persons of G-Star RAW Cost check open book costing to find the suppliers are cost efficient maintaining sustainability, understand there cost per minute and overall expenses also to see whether suppliers are calculating all costs are not. Also if there are any errors on calculation and consumptions. G-Star WAR wants that suppliers should have some gain by doing business. Here efficiency and innovation of the suppliers will be the key to trade off increased costs of sustainability if b there any. Also G-Star RAW considers quality issues in terms of quality return by end users. G-Star RAW believes customers are the key in the business and they satisfy customers through their quality products, a bit expensive and unique from their other brands and also offering one year product warranty for quality issues in any forms.

2.3 Environmental perspective

For environmental aspects G-Star RAW establishes the criteria reducing water pollution and usage of renewable energy so that environment and living being also be benefited.

Right now the reserve of sweet water is reducing drastically and water is polluted by industrialization all over the world. So its mandatory for all to save the water from pollution and any discharges from factories must be treated to save the environment. G-Star RAW never allowed any suppliers without Effluent Treatment Plant (ETP) if any suppliers want to do business with them specially wet process on fabrics and washing of products.

Another issue is to encourage suppliers to use renewable energy it can be solar energy, wind energy and so on. There are lots of natural gas, coals, and petrochemicals using to produce energy and these fossil fuels are mostly consuming for energy and polluting air, and environment. Hence G-Star RAW adds the usage of renewable energy for their sustainability practices and in KPI as well.

2.4 Social perspective

For social viewpoint G-Star RAW add the criteria workers' rights such as living wages and excessive working hour. It aims to ensure the quality of life and optimum benefits of the workers in the supply chain. G-Star RAW gives value to the workers who are working to produce their products in ethical way, without any discrimination and without worker rights violations. Here they focus on fair wage is providing or not based on their grading. Also to lead a healthy life, they must not work excessively violating labor law. If workers get better wage, appropriate working hours, and good working condition and they can give optimum productivity which will lead the business entity an attractive one.

Chapter 3

How the KPIs are assessed

No process will be implemented properly if there is no governance. G-Star RAW must maintain the set procedure for the sake of sustainability and does due diligence before and after supplier selection. It is also important to motivate suppliers towards sustainability and to provide some incentives so that it can be implemented in their supply chain as well.

3.1 Assessment of Economic aspects

For economic perspective G-Star RAW offers target prices for suppliers for season-wise collection orders based on retail prices. Here costs for all the components are included and cost of manufacturing also there with a profit margin for the suppliers. Most of the time orders are offered considering the suppliers competencies. Still they need to reallocate sometimes if the margin for G-Star is not sufficient enough compared to the suppliers offered prices. Here G-Star RAW checks the consumptions of each and every style by the garments suppliers' whether the wastage percentage is more or not. Check all the components prices with the prices set with nominated trims and accessories suppliers. Check if the commercial costs are added for exports based on incoterms. Hence product prices will be evaluated if G-Star offered prices are met or not. Based on the prices accuracy they will be evaluated and scored. Hence G-Star RAW provides weightage 25% for supplier evaluation

Product quality is another concern for Economic perspective as the end users ultimately buy quality products having unique features and distinct attributes of G-Star RAW. G-Star RAW always thinks about innovation and sustainability while creating products collection. And one of their recent slogans is 'make denim sustainable'. Apart from this G-Star RAW gives one year warranty on product quality and it can be two year for some countries in Europe. If

products return for quality return is less than 0.25% in a year, is considered as standard and weightage is 15% for supplier evaluation.

3.2 Assessment of Environmental aspects

For environmental aspects G-Star RAW checks if Suppliers are reducing usage of water by reusing water and water pollution by using effluent treatment plant (ETP). Means ETP should be used for two purposes, one is to reduce water usage that are treated and then reduces water pollution by treated water which is discharged to landfill. Effluent treatment plant with discharge water 50 m³/day will be set as standard and weightage is 15% for supplier evaluation.

G-Star RAW examines if suppliers use renewable energy and how they connect to the national grid. Green energy is always appreciable by G-Star RAW as it helps to reduce carbon emissions and it can be less expensive than national power if generating is large scale. When the factories will be remain closed the produced energy can be transmitted to national grid. If suppliers generate renewable energy 20MW per month will be the standard and weightage is 15% for supplier evaluation.

3.3 Assessment of Social aspects

For social viewpoint G-Star RAW checks the workplace is safe and healthy for their employees and offering fair wages for all the workers based on law of land. G-Star RAW go through the process if suppliers maintain workers data base, contract agreement for employment with salary sheet. If suppliers having at least 20% multi-skilled workers among all the work force and provided fair wages based on law of land will be the standard and weightage is 15% for supplier evaluation.

Excessive working hours is another concern and G-Star RAW scrutinize if suppliers are maintaining working hour for employees and not exploiting their labor force. Besides this they have any method to have automated attendance system so that G-Star RAW can check if there any excessive working hours or not. If 90% workers of a business entity does 52 hours per month over time with two time monetary benefits will be the standard and weightage is 15% for supplier evaluation.

Table 1: Suppliers’ evaluation with scoring

G-Star RAW evaluate their suppliers based on agreed KPIs fixed with them and these are as follows:

KPI Perspective		Weightage	Score out of 5	Total Score out of 5
Economic	Product Price	25%	If any suppliers meet most offered prices will be scored 5	
Economic	Product Quality	15%	If quality return is less than 0.25% will be scored 5	
Environmental	Water pollution	15%	If suppliers have Effluent treatment plant and discharge water 50 m3/day will be scored 5	
Environmental	Usage of renewable energy	15%	If suppliers generate 20MW per month will be scored 5	
Social	Living wages	15%	If suppliers having 20% multi-skilled workers and provided fair wages based on law of land	
Social	Excessive working hours	15%	If 90% workers do 52 hours per month over time will be scored 5	

Suppliers are given scores based on their performance in scale from 1 to 5 and their accumulated scores will be within 5. Ranking of the suppliers depends on their score out of 5 and suppliers having score above 4.5 usually considered the best suppliers with Category A.

Suppliers having score above 4.0 are considered Category B and 3.5 scored suppliers are in Category C and G-Star RAW doesn't work with suppliers whose score are below 3.5.

Every two years G-Star RAW organizes supplier summit and publish their results in persons and declare supplier of the year who scored best and awarded them. Also they declare leaders of the each category as a part of recognition.

Chapter 4

Benefits or suppliers being sustainable:

G-Star RAW follows network sourcing for their orders as they have multiple suppliers for all the products groups they have. G-Star RAW distributes 90% orders equally and the remaining 10% orders given to suppliers who are achieving score 4.5.means Category A suppliers.

For Sustainable suppliers G-Star RAW ensures that they will get round the year business even on the off-peak seasons.

Financial incentives also given in the form of advance payment for implementing new things like 3D design software, new process technology for washing etc. and it's done with a of collaboration suppliers who are consistently scored 4.5 and above on sustainability.

Apart from this G-Star RAW works with them for upcoming innovation and sustainability projects like, raw for the ocean, raw for the planet, most sustainable product, cradle to cradle certification, and so on.

Finally these endeavors ensure more business and more financial benefits.

Chapter 5

Recommendations and Conclusion

5.1 Recommendations:

While conducting research on G-Star RAW sustainable practice it's found lot more scopes which they can include their evaluation criteria. These need to be taken into consideration and gradually adding at KPI to be more sustainable.

5.1.1 Innovation would be key criteria for Economic aspects as this way suppliers can reduce their costs, increased efficiency and then increase profit margin. G-Star RAW always encourages innovation and tries to get the best output from there. Virtual salesman samples are the can be introduced massively for ordering and displaying collection of G-Star RAW. This way importance of physical samples will be reduced.

5.1.2 From environmental perspective usage of rain water through rain water harvesting could be immediate next KPI as few of the suppliers of G-Star RAW already started rain water harvesting as this could be done easily and there are huge down fall at monsoon. Apart from this reuse of water from ETP need to be increased. Right now reusing is limited up to first wash process and bathroom flashes but the extent can be even more. There should have initiatives to make this water up to drinkable and that would be the most sustainable use of discharged water from factories.

5.1.3 From social perspective diversity and inclusion in the supply chain could be applied more effectively for greater productivity. Including worker from all race, age, gender, and ethnicity and so on and establishing leadership, suppliers can get optimum output from there. A team with people including all possible demographic, should work more effectively and efficiently. Similarly a diverse supply chain will be more useful in fashion brand like G-

Star WAR as they have unpredictable demand sometimes and agility is more vital then. Sometime G-Star RAW offers quite aggressive styles with very limited qty and which selling prices are sky-high. For such programs a diverse boutique suppliers can do better than traditional suppliers. Also such suppliers can come with better ideas which can lead huge business growth. Another issues regarding working on day light which is start working early in the morning and finish is at afternoon when the day light still there and this way workers can improve their productivity and feel more comfortable.

5.2 Conclusion:

G-Star RAW appreciate sustainability should be in thoughts and in actions not just some paperwork's and reports. Also there should have ground reality what suppliers and doing and G-Star RAW as well. This report shows how procurement strategy should be created at the sourcing stage to guide the selection of suppliers and to evaluate them. By implementing sustainable aspects govern with KPI suppliers can see improving revenue generation and satisfied stakeholders which will lead them to find out more practices on sustainability and then in KPI. If there are pressures from supply chain to include more and more KPIs in evaluation process, it can be the outstanding improvement on sustainability. Most of the suppliers suffer on payment issues and they need to invest a lot to serve G-Star RAW. Hence G-Star RAW also ensures more collaborative approaches for such luxury products and complex supply chain and work closely to implement sustainability and provides financial support to attract sustainability in the form of early payment. Finally G-Star RAW works for win-win position as nothing will be sustainable if it's not felt win-win from all the stakeholders.