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Ensuring Ethical Sourcing

By Denise Power

Reebok International and Federated Department Stores are among those companies testing a new Web-based application designed to manage and share information about workplace conditions in factories abroad and promote ethical sourcing.

Barring any surprises in the test phase, the first version of Fair Factories Clearinghouse software should be available to the market on April 29, according to Peter Burrows, senior vice president and chief information officer at Reebok. The \$3.5 billion apparel and footwear company invested about \$1 million to build the database and used it internally for about three years. Reebok then donated the software to a nonprofit group so that it could be scaled up for multiple users to benefit from its features.

In addition to Reebok and Federated's Merchandising Group, other companies that began testing the software in January include The Wet Seal and Canada's Hudson's Bay Company and Mark's Work Wearhouse. All told, workplace conditions compliance data covering 5,000 factories are included in this initial test phase.

The founding companies of the Fair Factories Clearinghouse, incorporated as a nonprofit organization three months ago, also include the National Retail Federation and its counterpart to the north, the Retail Council of Canada. As a group, they are looking for industry buy-in.

"We've gone as far as we can without collaboration," Burrows said at the unveiling of the Fair Factories Clearinghouse at the NRF show in New York in late January.

Information-sharing about workplace conditions in overseas factories occurs today, he said, but it is ad hoc and not automated. The Fair Factories system is designed to allow companies to manage their own compliance programs and also share audit results if they choose. Trend data about everything from air-quality inspections to frequency of fire drills would be accessible in aggregate form so that individual companies' identities would not be revealed.

Burrows said the Fair Factories Clearinghouse is not a standards-setting body and it does not rank factories according to workplace conditions. Instead, the system is designed to bring efficiency to monitoring of factories, to guide sourcing decisions, reduce duplicate audits and ultimately, protect integrity of the brand.

To license the software, built on the Microsoft.Net platform, companies must join the FFC and pay annual dues ranging from \$6,250 for a company with revenues up to \$100 million to \$75,000 for a company with sales in excess of \$10 billion. Members of the NRF and Canada's RCC receive a 25 percent discount on FFC membership. In addition, FFC members pay a one-time setup fee, ranging from \$2,500 to \$11,500, based on revenue.

The Fair Factories Clearinghouse is also supported by a \$350,000 grant from the U.S. Department of State's Bureau of Democracy, Human Rights and Labor.