



Social Aspects of International Supply Chains

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Cost Calculations



- **Who gets how much of the sale price?**
- Labor costs (production): 0,4 %
- Material costs: 12,0 %
- Design, advertising 37,6 %
- Transport: 5,0 %
- Retail: 30,0 %
- Sales Tax 16,0 %

Is that fair?

Estimated cost by Werner / Weis (2009)

Cost Calculations

Question: How would the world change if producers of sports shoes agreed to pay 0,8 percent of the sales price of one pair in wages for production personnel?

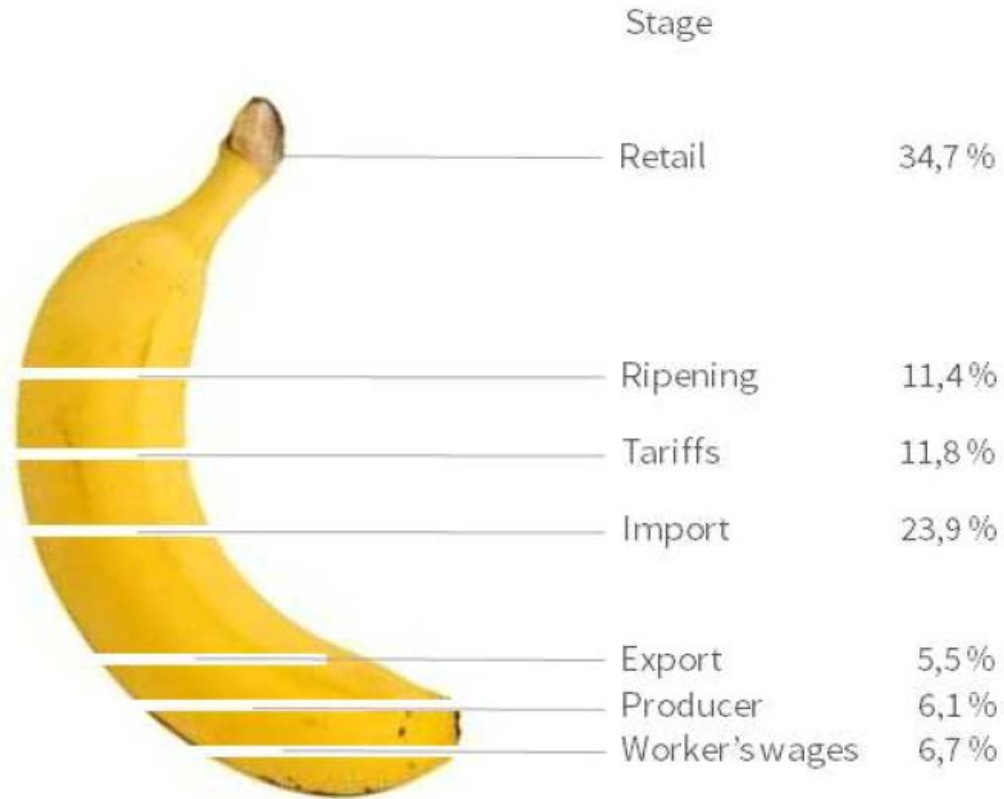


159,00 Euro



159,64 Euro?

Cost Calculations



Banana value chain breakdown between Ecuador and Germany

Source: BASIC

Analysis of German
Banana Value Chains and
Impacts on Small
Farmers & Workers,
BASIC, June 2014

Cost Calculations

BREAKDOWN OF COSTS OF A T-SHIRT



* Includes all costs at a retail level including staff, rent, store profit, VAT etc.

QUELLE: FAIRWEAR FOUNDATION 2014

Case: van Laak



Van Laak
(2013)

Case: van Laak

| | Per piece |
|--|---------------|
| Payment above tariff | 1,26 |
| Air conditioning | 0,10 |
| Bonus | 0,07 |
| Kindergarten | 0,04 |
| Training center | 0,14 |
| Free lunch | 0,21 |
| Bus shuttle, gasoline for employees, supervised parking | 0,06 |
| Sum | 1,88 € |

Van Laak
(2014)

Case: van Laak



RIVARA Tailor Fit
Haifischkragen,
Sportmanschette

199,95 €
inkl. MwSt.



RIVARA Tailor Fit
Haifischkragen,
Sportmanschette

169,95 €
inkl. MwSt.

Online
Shop
Van Laak
(2016)

Case: van Laak

Consequences of tariffs, taxations, absorption costing:

1,88 € → >> 15.00 €

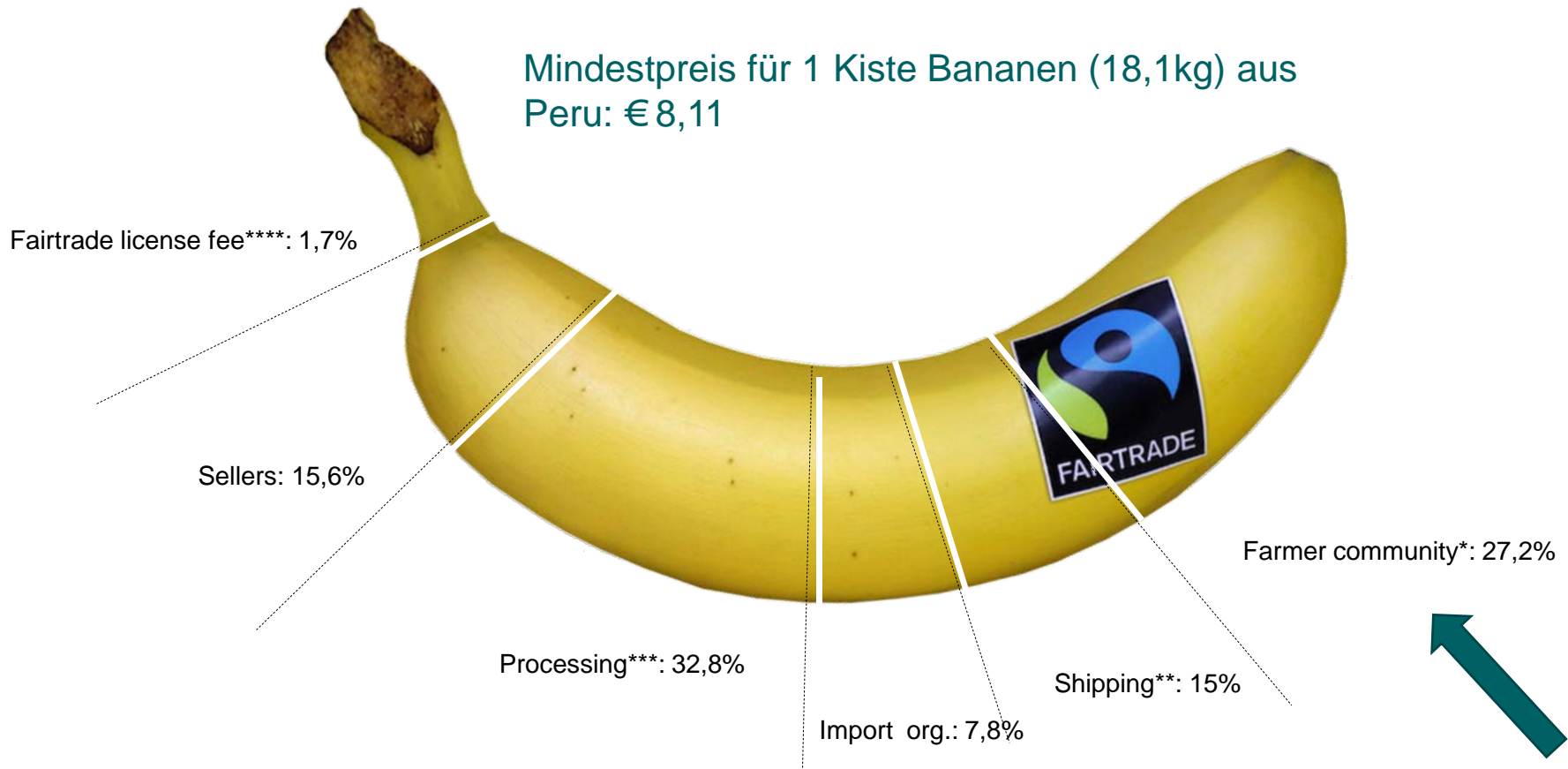


FAIRTRADE
DEUTSCHLAND

Fairtrade

Average Fairtrade price in Germany: 1,80€/ kg (100%) with:

Mindestpreis für 1 Kiste Bananen (18,1kg) aus Peru: € 8,11



Quellen: Banafair, Fairtrade (2015)

* Minimum price plus bonus from haven
** Incl. insurance
*** Transport, tariffs, ripening, packaging
****Marketing, promotion, PR

Difference of conventional and Fairtrade:

6.7 % wages → 27.2 % community

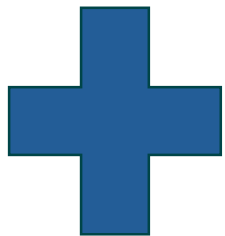
Plus higher sales price!!!

Charity



Charity

- For each case of beer Krombacher donated an amount of money to the WWF to save 1 m² of rainforest.
- Over a course of more than 10 years Krombacher donated 4 millions €.
- Most successful campaign of a German brewery ever: Increase in sales by 20%.



- No cost surcharge
- Costs only cents per box of beer



- Greenwashing: Enormous economic benefit for Krombacher and limited environmental success

SCM problems in international supply chains:

- Child labor
- Unfair wages
- Violation of human rights (e.g. forced labor)
- Health and safety
- Hazardous substances
- Unequal opportunity
- ...



**Brand
vulnerability!**

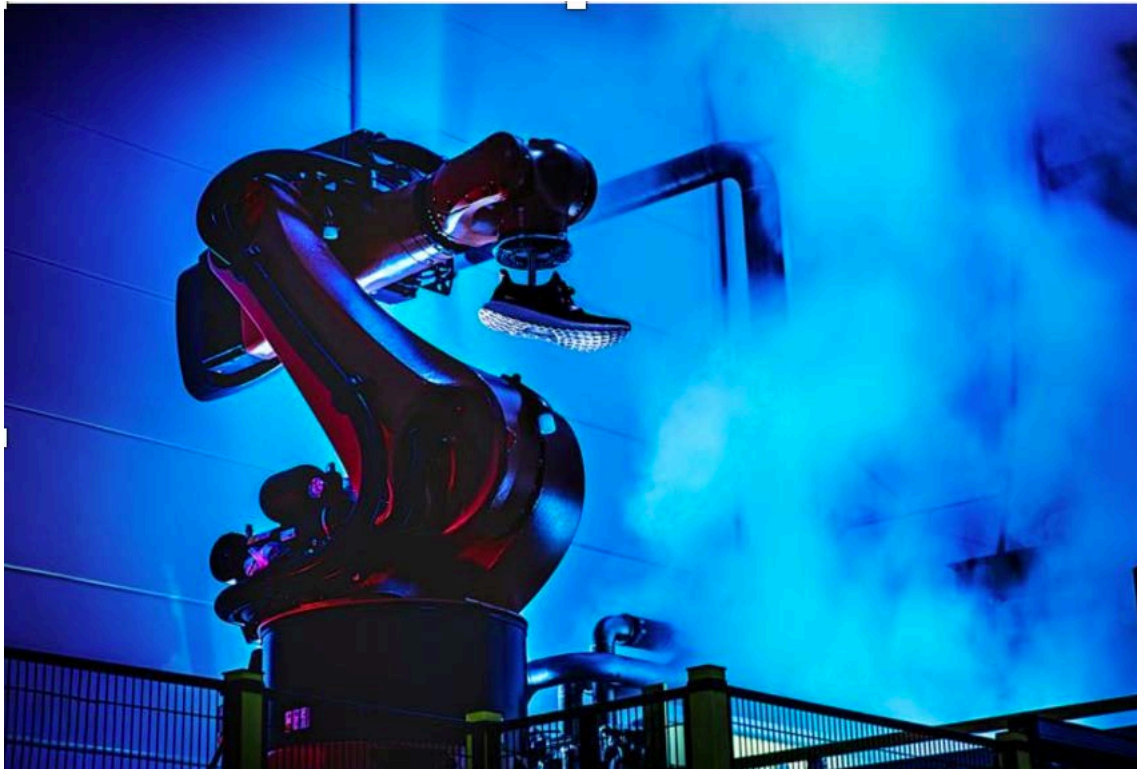
**Would it not be great if all
these problems can be
solved at once?**

What determines vulnerability to automation is not so much whether work concerned is manual or white-collar but whether or not it is routine.

Economist, June 25, 2016

Industry 4.0

Speedfactory Adidas



Source:
Adidas (2016)

Potential losses of work places in selected countries due to automation:

- Bangladesh: 77 %
- Guatemala: 75 %
- Thailand: 72 %
- India: 69 %

Sources: World Bank, Frey & Osborne, cited from: Die Welt (2016)

What
is the nature of the problems?

Who
are the problem owners?

Which
are appropriate methodologies?

Beyond Optimization

- Goal function: e.g. create workplaces
- Maximize number of people leaving poverty
- Issue of modern slavery
- **Dealing with the broader picture**



Beyond Optimization

