Ethics and Consumer Protection in Fashion Marketplace

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Ethics

• *Ethics*: a system of moral values or set of principles that define right and wrong
  – Ethical standards can be established for an entire culture or profession
    - Example: medical ethics
  – Ethical standards can be personal, formed by upbringing, experiences, and beliefs
    - Example: not wanting to kill animals for fur
Ethical issues in Fashion Industries

- Shoplifting & Fraudulent Returns
- Fur consumption
- Counterfeiting
- Consumer privacy
- Ethical advertising
- Labor practices (sweatshops)
- Equal opportunity
- Environmental concerns
Shoplifting

- *Inventory shrinkage* includes:
  - Employee theft
  - Shoplifting
  - Vendor fraud
  - Administrative error

- It costs U.S. retailers more than $35 billion a year—or about 1.4 percent of their total annual sales
Shoplifting

- Accounts for just over one quarter of retailers’ losses
- Includes organized retail theft by multiple shoplifters working together
- Causes retailers to invest in security measures
- Results in higher prices for all consumers
Shoplifting Video

• The secret world of shoplifting
• http://www.youtube.com/watch?v=7seOlegcOis
Fraudulent Returns

• Cost U.S. retailers more than $16 billion a year

Examples:
  o Buying an expensive dress, wearing it once, then returning it to the store as new—called “wardrobing”
  o Returning an item to a store other than where it was bought
  o Shoplifting an item and then returning it for cash or store credit
Counterfeiting

• Counterfeit goods
  – Unauthorized copies of designer or branded products
  – Cost U.S. business as much as $250 billion a year
  – Selling counterfeit products: against the law
  – Buying counterfeit products: not illegal but unethical
Counterfeiting

- Surge – internationally
  - Profitability
  - Consumer demand for branded goods
  - Advanced technology
  - Globalization of commerce
Counterfeiting

- What’s wrong with buying a fake?
  - Legitimate companies lose business
  - Counterfeit manufacturers don’t pay taxes
  - Workers making counterfeits probably don’t receive fair wages or benefits
  - Factory conditions may be unsafe
  - Sales of counterfeits may fund criminal or terrorist groups
Business Ethics

• The line between unethical and illegal is not always clearly defined
• Marketers must rely on their own sense of right and wrong to reach decisions

➢ Listening to customers is crucial
  o Example: Monitor comments and feedback about an issue on social media
Consumer Privacy

• Protecting customers’ personal data is a serious ethical issue for marketers.

• Potential concerns:
  – Credit card security
  – Loyalty programs
  – Online/mobile activity
  – RFID tags
Ethical Advertising

• Aspects of advertising can raise ethical questions

• Examples:
  o Trying to create a need where none exists
  o Children being targeted inappropriately
  o Photo editing
  o Use of thin models
Fur and Animal Testing

• One of the most emotional topics for those discussing ethics in fashion
• Some consumers boycott companies that sell fur fashions or test products on animals

— Question:
How do you feel about wearing fur?
Why do you feel that way?
American manufacturers are increasingly scrutinizing the factories where their goods are produced, to ensure they follow ethical labor practices:

- Reasonable work hours
- Safe conditions
- Fair wages
- No child labor
Equal Opportunity

• Everyone should be treated equally.
  – Hiring attractive people is not illegal
  – Discrimination in hiring practices on the basis of age, gender, race, or ethnicity - Illegal

• Equal Employment Opportunity (EEO) laws prohibit discrimination in hiring based on race, color, religion, sex, national origin, or disability

• Americans with Disabilities Act (ADA) protects the rights of people with disabilities
A&F: Hiring for Looks
A&F: Calif. Woman says she was fired over headscarf (2010)
Group Discussion

• Why would Abercrombie & Fitch want to hire employees with a certain look?
• From a business perspective, do you think this is a good idea? Why or Why not?
• What about from an ethical perspective or a legal perspective?
Social Issues

- Challenges can affect the entire planet
- Marketers that take social responsibility are acting ethically
- Socially responsible marketers also win customer loyalty
  
  ➢ Research shows that 91% of consumers would switch brands to one associated with a good cause if it offered comparable price and quality
Environment

- Consumers want fashion to be environmentally friendly
- Marketers are taking steps to lessen their environmental impact in their operations:
  - Reducing use of harmful chemicals
  - Using renewable natural resources
  - Reducing carbon emissions
  - Reducing paper and other waste
  - Reducing excess packaging
  - Eliminating idling of trucks to conserve fuel
Environment

- Fashion and design companies are finding ways to be more environmentally friendly in their products:
  - Using sustainable and environmentally sound fabrics, such as organic cotton, soy, bamboo
  - Using ‘repurposed’ (recycled) fur, leather, denim
  - Using blends of cotton and recycled plastic soda bottles
  - Using wood obtained through sustainable forest management programs
Discussion

• Have you noticed changes in environmental awareness in any of the retailers you regularly shop or brands you regularly buy—such as stores offering reusable cloth bags or manufacturers reducing their excess packaging?

• Would changes such as these influence your shopping decisions? Why or why not?
Federal Agencies

• Government plays an important role in the fashion marketplace
  – Enforces laws to ensure that products are safe and marketed truthfully
  – Gives consumers the tools they need to make an informed purchase
Consumer Product Safety Commission

- The CPSC monitors the safety of 15,000+ kinds of consumer products sold in the U.S.
  - The *Flammable Fabrics Act* regulates flammability of clothing and a variety of home furnishings
  - Other monitored product hazards include:
    - Bunk bed mattresses (risk of falling)
    - Small parts in toys (risk of choking)
    - Children’s costume jewelry (high lead content)
    - Drawstrings on children’s hoodies (risk of strangulation)
Federal Trade Commission

- Protects consumers against unfair, deceptive, or fraudulent practices, and prevents anticompetitive business practices
Federal Trade Commission

- Textile products labeling among FTC’s most visible mandates
  - *Textile Fiber Products Identification Act*
    - Clothing and fabric household products must carry a label to accurately reflect their fiber content
  - *Wool Products Labeling Act*
    - Products that contain any amount of wool must list wool on the label
  - *Fur Products Labeling Act*
    - Garments made entirely or partly with fur must have a label disclosing type of animal and other specifics
Discussion

• Do you check the fiber content label whenever you’re buying clothes?
• Does the fiber content influence your purchase decision?
• If so, how?
Federal Trade Commission

• Care Labeling Rule requires manufacturers and importers to attach care instructions to their garments
  – Must provide complete instructions about regular care
  – Must ensure care labels are easily seen by consumers at point of sale
  – Must ensure that labels remain attached and legible throughout the product’s useful life

Question: How might this help consumers make a fashion purchase decision?
Federal Trade Commission

- *Truth-in-Advertising laws* are also enforced by the FTC
  - Require advertisers to create advertising that is truthful
  - Require advertisers to be able to support any claims about a product with reliable objective evidence
  - Applies to both express claims and implied claims
Federal Trade Commission

- Other key areas of FTC jurisdiction:
  - Price fixing
  - Advertising and marketing to children
  - Children’s Online Privacy Protection Act
  - Mail or Telephone Order Merchandise Rule
  - Do Not Call Registry
  - Consumer credit and financial privacy
  - Truth in Lending Act
  - Fair Credit Reporting Act
Federal Trade Commission

- U.S. Patent and Trademark Office
  - Protects intellectual property investments
- Trademark Act
  - Gives trademark users exclusive rights to their marks
- Trademark Counterfeiting Act of 1984
  - Makes intentional use of a counterfeit trademark a federal offense
- Stop Counterfeiting in Manufactured Goods Act
  - Makes illegal the shipment of fake labels or packaging
Independent Agencies and Services

• Independent agencies and business groups also work to educate consumers and promote ethical business practices
  – Better Business Bureau (BBB)
    • Local/regional branches across the country
    • Dedicated to fostering fair and honest relationships between businesses and consumers
  – National Consumers League
    • Nonprofit membership organization
    • Works for health, safety, and fairness in the marketplace and workplace