Ethics Across The Curriculum

Case study assignment

General Instruction:

- Make small groups of 4-5.
- Read the assigned case.
- Discuss the case with your group members and answer the following questions.
- Elect a group leader and she/he should serve as scribe and report to the class.

Once you are done, develop a short PowerPoint presentation (5 minutes max) including the summary of the assigned case and your discussion. Other group members can fill-in or add to the presentation to contribute additional information.

Discussion questions:

1. Describe the ethical dilemma presented, and explain why the situation described is an ethical dilemma.
2. On a scale of 1 (not an ethical dilemma) to 10 (strongly an ethical dilemma), rate the extreme to which you believe this situation to be an ethical dilemma. Explain your response/rating.
3. What, if anything, could have been done by the parties involved to reduce the existence of the ethical dilemma?
4. Would you have done anything differently from the actions of the decision makers in this case? If so, what? And, why?
5. Do you believe that this ethical dilemma could have been avoided? Should it have been avoided? Why or why not?
6. How can legal behavior and ethics be tied together in retailing and manufacturing? Cite some examples of laws that exemplify this interdependence.
Case 1: Counterfeiting - When is Imitation not the Highest Form of Flattery?
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Williams-Sonoma, Inc. is a premier specialty retailer based in San Francisco, California. The company operates Williams-Sonoma stores, as well as Pottery Barn stores. Products offered include furniture, home furnishings, and products for bedrooms, bathrooms, kitchens, as well as decorative accessories for the home. Williams-Sonoma puts significant resources into the development of creative and distinctive products to appeal to its upscale customers.

Over the years, Williams-Sonoma developed a series of signature patterns. One pattern was used in the development of a line of holiday including stockings, tree skirts, and table linens. The stockings featured a red and white gingham fabric used in both the toe and top areas. A band of white quilted fabric was also used in the top and in the ankle areas of the stocking, along with a light blue fabric featuring appliquéd snowflakes. The snow scene was connected to a band of corduroy fabric. Highlighted on the stocking was a Santa Claus. This distinctive combination of fabrics and motif was also sued on other types of holiday decorations. The stockings were retailed through Pottery Barn outlets and had been available since 2002. Williams-Sonoma sold more than 5 million of the holiday stockings between 2002 and 2005.

Target is a Minneapolis, Minnesota-based discounter and one of the biggest retailers in the United States. Target offers customers a wide variety of products including home furnishings and bed and bath items. Target is positioned as a fashion discounter with the strategy of design for everyone, and it offers well-designed items with a reasonable price point. To this end, Target has partnered with well-known designers including Isaac Mizrahi, Todd Oldham, and Michael Graves.

Several years after Pottery Barn first offered its unique holiday stockings, Target introduced a holiday stocking that contained several design elements that were similar to the Williams-Sonoma stocking. The Target stocking featured the use of red and white gingham as well as a light blue fabric appliquéd with snowflakes. The stocking featured a Santa Claus motif, and the stocking was also topped by a band of quilted white fabric, followed by gingham fabric. Toward the end of that same year (December 9, 2006), Williams-Sonoma filed a federal lawsuit that accused Target of copyright and trademark infringements. The suit charged that the quilted holiday stocking sold at Target stores contained several distinctive elements of the Williams-Sonoma holiday stocking. Williams-Sonoma also claimed Target copied its reindeer sculpture in a line of reindeer ornaments, candle holders, and a wire-tree votive candle holder Williams-Sonoma referred to as Scary Tree. Williams-Sonoma began to sell their Scary Tree in the Halloween season of 2002.

In 2004, Target introduced a similar Halloween tree-shaped votive holder. Target even placed a testimonial on its Web site from a consumer that noted her friends could not tell the difference between the Target and William-Sonoma votive holders. The lawsuit suggested that Target made indemnity agreements from vendors who offered the Scary Tree, Spiral Votive Holder, and reindeer products to Target. Williams-Sonoma believes that Target requested these knowing exactly what the products looked like and those agreements were made on condition of continuing business with Target. This was not the first time Target had been accused of copying the designs of others. Lucky Brand Dungarees, which sells jeans that retail for more than $100 and have been worn by celebrities such as Salma Hayek, also filed a lawsuit in federal court in New York. Target was sued over copying Lucky Brand’s distinctive floral design jeans and its
rear-pocket stitching. In a response to the lawsuit, Target and its vendor denied the accusations. Target claimed its embroidered floral pattern “represents a mere trivial variation of public designs.”

Case 2: Counterfeiting

Wal-Mart Stores (WMT), the world's biggest retailer, has often been compared to a flea market because of the bargains that one finds there. The biggest difference for shoppers is that they know they're getting authentic goods at Wal-Mart or at its Sam's Club warehouse unit. Or at least that's what buyers believe.

In 2006, Fendi, a purse and handbag brand of French luxury goods company LVMH Moët Hennessy Louis Vuitton (LVMHF), sued Wal-Mart Stores in federal court in New York, alleging that counterfeit versions of its Fendi brand bags and wallets were being sold in Sam's Club stores. According to the complaint filed, Wal-Mart has never purchased Fendi products from Fendi or any entity or person affiliated or approved by Fendi. "Handbags, shoulder bags, purses and wallets, and keychains that imitate the designs of Fendi products and carry the Fendi trademark are sold at Sam' Club stores," it said. Some counterfeit Fendi handbags sold for as much as 68% less than the actual Fendi products, according to the lawsuit. One example cited in the suit was a handbag that goes for $295.03, vs. $925 for the original. John Simley, spokesman from Wal-Mart counters: "Our policy is not to sell counterfeit goods."

SIMILAR LAWSUITS. This isn't the first time Wal-Mart has been sued for selling counterfeit goods. And Wal-Mart has offered a similar defense in the past. In 1998, after many rounds in court over several years with Tommy Hilfiger it paid out $6.4 million to settle a lawsuit that it was selling fake Hilfiger brand T-shirts. And in 1999 it paid more than $1 million to Nike (NKE) after being sued on similar charges. Wal-Mart has also settled lawsuits on similar claims with Nautica, Polo (RL), and the Fubu group at Inter Parfums (IPAR). "You'd think that these cases would stop with Wal-Mart being one of the largest and most sophisticated companies in the world," says Steven Gursky, partner at law firm Dreier LLP in New York, who represented Tommy Hilfiger, Polo, Nautica, and Fubu in their cases against Wal-Mart. "I suspect that there was a breakdown in communicating the simplest of instructions down the hierarchy to the actual people who purchase and sell goods," says Drier. Still, such breakdowns could hurt Wal-Mart as it tries to attract more upscale consumers. After seeing that its stores were beginning to draw wealthier customers, Chief Executive Lee Scott laid out a strategy to get them to spend more time at the store.

IMAGE BRUISER. But the same upscale customer could bolt if they believe that the goods at Wal-Mart or Sam's Club are of an inferior quality or even fake. "Yes, luxury consumers from all rungs of the income spectrum want a bargain," says Pamela Danziger, president of luxury research and consulting firm Unity Marketing, and author of Why People Buy Things They Don't Need. "But when they walk into a Sam's Club, they expect the real deal, not what they'd get at street corners."

Big-name luxury brands are determined to protect their reputations. Most counterfeiters make shoddy products and cannot emulate the quality of a legitimate brand owner. Not only does the brand stand to harm its reputation if a counterfeit product malfunctions or falls apart, but it also stands to lose substantial revenue. "After all, counterfeit products are just riding the tails of big advertising and promotional expenses spent over many years by big brands," says Nils Montan, president at International Anticounterfeiting Coalition, a group that combats trademark and product counterfeiting.

Case 3: Fraudulent Return

CASE IN POINT 15.1
Retailers Change Tactics to Combat “Wardrobing”

Until businesses like Rent the Runway came along a few years ago, there was no legitimate way for fashionistas of limited means to wear a fancy frock to a gala event and then return the dress afterward. But that didn’t stop some consumers from trying. High-end retailers have long been plagued with the problem of wardrobing, where customers purchase a pricey dress for a special occasion and then return it to the store the next day—without admitting it was worn, of course. And while retailers are well within their rights to refuse a return, some feel the risk of alienating a loyal customer is not worth it, so they bite the bullet and offer the refund. Says Richard Mellor, vice president of loss prevention at the National Retail Federation, “It is a delicate balance of loss prevention and good customer service, and the relationship has to be handled with appropriate finesse.”

Clearly, it’s a tricky situation. But because of an uptick of wardrobing activity in recent years, many merchants have decided it’s time to take a firmer stance regarding the practice. Among them: Bloomingdale’s and Nordstrom.

In early 2013, Bloomingdale’s started placing three-inch black plastic tags, nicknamed “b-tags,” on dresses that cost more than $150. The tags, along with a paper tag explaining the devices’ purpose and how to remove them, are placed conspicuously—such as in the front along the hemline—to make it impossible for the dress to be worn in public without the tag being seen. Store associates are tasked with explaining to consumers that they can take the garment home without removing the tag, until they’re sure they want to keep it; and shoppers on the Bloomingdale’s website are alerted to the presence of the tag on a dress’s product page details, so they aren’t taken by surprise when the order arrives. After that, once the tag is snapped off, the apparel cannot be returned.

Taking a more subtle tack is Nordstrom, which is not using chunky plastic anti-wardrobing devices but instead is affixing silver-colored paper tags under the arm or sleeve of its expensive special-occasion dresses. The tags must still be attached to a dress in order for it to be returned.

After Bloomingdale’s began using the black tags, some complaints quickly began to appear on social media—such as one Twitter user who said the tags tore some items when she removed them at home—and other retailers will surely be paying close attention to how the policy plays out. But Bloominies stood by the tags’ use, saying they reinforce that the company “will be unable to accept return merchandise that has been worn, washed, damaged, used, and/or altered.” And noted one retail consultant, “They [Bloomingdale’s] are going to alienate customers that abuse the policy. And I don’t think that is so bad.”


Case 4: Social Responsibility

CASE IN POINT 15.3

Patagonia Ups the Ante on Social Responsibility

It’s a bold move for an apparel company to encourage consumers not to buy so many clothes—but that’s exactly what Patagonia has been doing for a couple of years now. It began with a pre-holidays full page ad in the New York Times in 2011 that proclaimed, “Don’t buy this jacket.” Since then, the outdoor apparel retailer has been beseeching consumers to “buy less” stuff, including via a 28-minute documentary film the company produced, called Worn Wear. The film features hard-core customers wearing Patagonia apparel until it is literally falling apart, at which point they slap on some duct tape to hold the clothes together and wear them some more.

The campaign may seem slightly hypocritical for a retailer that’s in the business of selling goods—and in fact, in the two years following the jacket ad, the company’s sales actually increased by almost 38 percent. Nonetheless, it is very much in keeping with the overriding Patagonia philosophy of taking better care of the planet. For three decades, the company has pledged 1 percent of sales to the preservation and restoration of the natural environment, and has donated more than $46 million to grassroots environmental groups. And it encourages customers to collaborate in efforts to repair, reuse, and recycle its clothing, even adding a “Worn Wear” section to some of its stores, where it sells reconditioned garments that customers have traded in for store credit.

What’s more, Patagonia is taking its social responsibility efforts beyond just the environment. For one thing, the company announced the 2014 introduction of a line of “Fair Trade certified” clothing, produced in factories that are monitored and certified by the nonprofit Fair Trade USA organization using social and environmental standards for fair wages and safe conditions. The initial offering includes nine yoga styles, and for every piece of clothing sold, Patagonia will pay a premium into a workers’ fund that can be used for scholarships, medical care, disaster relief, or whatever the workers themselves collectively decide.

Going even further, Patagonia recently launched a corporate campaign that is meant to address more than just new technologies that can help protect the planet by reducing resource use and waste. Its “Responsible Economy” project goes deeper to the core of what it identifies as a greater societal issue: namely, growth-based capitalism, and the assumption that a growth economy equals prosperity and a healthy society. The goal is to inspire other businesses to reexamine their business models that rely strictly on compound annual growth, and start a conversation that might lead to a more sustainable future for everyone on the planet.


Case 5: Fabric Labeling - The Flannel Organic Fiber Fiasco
Connie Ulasewicz, San Francisco State University

Lewis & Lee is a contemporary domestic clothing manufacturer of a line of whimsical layette items and accessories for the infant to 4T set. The line includes hats, booties, blankets, and bibs offered in bright novelty stripes, prints, and solids. The Lewis & Lee layette collection is marketed as a 100 percent organic cotton, gift-packaged, flannel program. The layette items are continually available for stores to reorder 12 months of the year. Lewis & Lee products are available in a variety of department stores including Macy’s and Saks, independent specialty stores, hospital gift shops, and through its Web site. The manufacturer is successful because it delivers a high-quality, domestically manufactured, well-priced, organic fiber product.

One of the fabrics with wide consumer acceptance in the layette line is a 100 percent organic cotton flannel. Moms seem to love the softness next to their babies’ skin and are willing to pay a higher price for an organic cotton receiving blanket, cap, and booties from Lewis & Lee versus a nonorganic or blended flannel from their competition. Based on the success of their flannels, the company offered a second product line this past year: corduroy hats and booties lined in flannel. The products are quite sturdy and still have the softness of organic flannel next to the infant’s head and toes.

Finding a consistent quality of 100 percent organic cotton flannel available year-round in solids, prints, and matching yarn dyes at an affordable price is a real challenge. The responsibility of the Lewis & Lee fabric merchandiser, Kayla Woolsey, is to swatch, sample, and test fabrics from many different resources. The fabric tests performed are for shrinkage and colorfastness. Both finished garments and fabric squares are tested. When Kayla approves a quality, an order is placed. Most of the solids and basic prints are ordered three to five months in advance through a fabric distributor in Oregon. The lead times are long because the flannels are manufactured in China. This requires long-range planning, but it has been worth it for the ability to reorder the same color and prints throughout the year and the great price received when purchased in large quantities.

One day while taking the fabric inventory of a recent shipment, Kayla discovered a fiber content label reading 60 percent organic cotton/40 percent polyester stuck inside one of the rolls of fabric. The fabric and color number on the tag was the same as the flannel she had been ordering for four seasons. After looking inside several more tubes, she discovered three more of these 60/40 content labels. She was shocked. Was there an error? She had order confirmations for 100 percent organic cotton flannel. Had she been sold 60 percent organic cotton/40 percent polyester goods all along with the assumption she would not know it was not 100 percent organic cotton? She immediately telephoned her fabric manufacturer in Portland to find out what was going on.

After a sleepless week of investigation, the situation became more complicated. Indeed, Lewis & Lee had been shipped from Oregon some 60/40 flannel on this and past orders. The fabric supplier had contracted for 100 percent organic cotton flannel from China and was unaware of the switch. Unfortunately, all current available solid red flannel would need to be the 60/40 blend. At this time, another concern was raised regarding the cotton: was it really organic? As there are no standards for methods of growing organic cotton, the owners of Lewis & Lee began to question if the cotton in their fabric was organic. They no longer trusted their fabric distributor and questioned the company’s integrity.
The owners of Lewis & Lee were outraged. The company’s image was based on delivering an organic fiber product, not a blend like their competition. Also, all the garment labels sewn in the products and in the warehouse clearly stated 100 percent organic cotton. The owners knew that legally all textile products must be correctly labeled with the percentage of each fiber present listed in order of greatest percentage. With the new knowledge of the actual fiber content, all garments containing red and blue flannel in production and in stores were incorrectly labeled.