

FAIR TRADE V. PROFIT SCENARIO

There are questions at the end of the scenario for you to consider in your response, but you should focus on your own interpretation of the materials and also go beyond a simple choice of one alternative or the other. You should explain why your choice is the ethical one in the circumstances and also discuss a strategy for implementing your choice that would diminish the negative aspects or make the choice more profitable or ethical.

NOTE: This scenario is a lot longer than it needs to be, but when I am using material from other sources under "fair use" law, I do not edit materials.

Student-prepared scenario from *Markkula Center for Applied Ethics, Santa Clara University*.

<http://www.scu.edu/ethics/practicing/focusareas/business/sourcing.html>

Easy on the Wallet or Easy on the Earth:

A Case About Ethics in Sourcing

By Meghan Skarzynski

Fashionforward! is an online auction site where those who have more style than money can bid on designer apparel. The site registers members for \$30, who are then allowed to bid on exceptional deals. In an effort to stand out from the crowded field of online bargain sites, Fashionforward! reached out to the local community in search of help marketing their company to college students.

Part of this effort included hiring a student intern, Carly LeBlanc. At that point, Fashionforward! had no formal marketing strategy for targeting consumers. As someone who grew up in the digital age, LeBlanc knew she had to kick start the company on the Internet. Her marketing knowledge centered on the benefits of viral technologies, especially Facebook and Twitter.

LeBlanc immediately revamped the Fashionforward! Facebook page to make it more user-friendly--adding quizzes, polls, discussion boards, and photo albums--as well as setting Twitter blasts to go off repeatedly throughout the day. During her three-month internship, LeBlanc quadrupled the Fashionforward! Facebook fan base. Her project helped catapult the company

into prominence. In the three months of her internship, Fashionforward! increased the number of items offered on the site threefold.

The CEO noticed LeBlanc's success in social networking and asked her to launch a guerrilla marketing campaign on her own campus to create buzz for Fashionforward! among her peers. The CEO challenged her to register 100 new clients within the week.

A member of a sorority since her freshman year, LeBlanc decided to use her Greek connections. She appeared at four campus sororities that week. Promising a free Fashionforward! T-shirt with the sorority's name for every membership purchased, LeBlanc registered 300 new members in one night.

Reporting to work the next day, LeBlanc was excited to share with the team the quick acceptance Fashionforward! had received on campus. She believed she had developed an easy and effective marketing strategy that could be replicated at schools all over the country. LeBlanc planned to order different T-shirt designs for different sororities, highlighting the Fashionforward! logo in bold lettering.

That's when she faced a difficult ethical decision: She could order the shirts from a low-cost company in China or she could order them from a fair-trade company in San Francisco, which provided safe conditions and higher wages for the workers who made the clothing. The fair trade shirts were \$28.65, making the grand total for her project \$8,595. In contrast, the Chinese T-shirts were \$5.50 each, and the company's Web site promised fast and free delivery for a grand total of \$1,100.

LeBlanc remembered from her Venture Capital Finance class that startup companies need to focus on making the most money during the first two years. She also knew that the T-shirts from China would be cheaper so that she could create a more elaborate design with more graphics and color. She realized her school was a "testing campus" for Fashionforward! and that if her marketing module worked, her internship work would spread to other college campuses. She thought of how easy it would be for a factory in China to produce large quantities of shirts to give away for free as a promotion that she could promote on the Facebook page she had worked so hard on. She also wondered if the higher cost of the T-shirts would affect the grade the CEO gave her for the internship.

On the other hand, her International Management class had exposed her to the harsh reality of working conditions in China: low wages, rigorous work schedule, poor safety regulations, and the complete lack of worker's compensation and benefits. When LeBlanc had sailed on the Human Rights and Social Justice Voyage with University of Virginia's Semester at Sea, she saw first-hand a Bulgarian clothing factory's destitute environment. She wasn't sure how the public would react if they knew Fashionforward! had taken advantage of outsourcing cheaper t-shirts rather than supporting a U.S. company during the global recession.

Then LeBlanc weighed her other option of ordering t-shirts from a San Francisco T-shirt company she had already used once when she worked with a community service student organization. While the shirts were more expensive, they were fair-trade, organic, and eco-friendly, all attributes she thought would appeal to students. LeBlanc reasoned students would be more likely to wear a shirt that was fashionable and better quality than one that was made cheaply.

LeBlanc didn't want to disappoint her boss. She knew she was working on a deadline and didn't have time to research the prices of T-shirts at other companies. Even though she could have created a bidding war with local T-shirt companies for the business, she preferred to buy from a company that she could trust. At the same time, the \$7,495 she would save if she bought from the Chinese manufacturer was too good not to consider. She knew if she made her boss happy, she'd be promoted and enjoy more independence with her future projects.

LeBlanc wants Fashionforward! to increase its popularity and become a topnotch company among college trendsetters. What should she do and why?

- Should she quit her internship and drop the class?
- Should she ask for an extension on her assignment?
- Should she order the T-shirts from a fair trade company?
- Should she assume the Chinese company doesn't treat its workers fairly?

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