

4th BMIC

BUSINESS MANAGEMENT INTERNATIONAL CONFERENCE



co-organized by



4th Business Management International Conference (BMIC 2017)

Theme: Challenges of Creative and Innovative Management

November 1–2, 2017

Holiday Inn Pattaya, Chonburi, Thailand

Burapha Business School (BBS)

Faculty of Management and Tourism, Burapha University



The 4th Business Management International Conference

“Challenges of Creative and Innovative Management”

The Future of Ethical Fashion Business

Ryuen HIRAMATSU, PhD.*

University of East Asia

2-1 Ichinomiya-gakuen-cho Shimonoseki, Yamaguchi 751-0807 Japan

Abstract

The fashion business has shifted business models over time from a product-centric approach to sales-oriented approach, and then to a customer-centric approach, continuously imbuing products with new value. As a result, it has led not only to environmental impact, but negatively affected the contexts of business management, planning, production, logistics, and sales, putting downward pressure on corporate profits and labor density beyond feasible limits, creating a downward spiral in which the very continuation of business is in question. One new keyword emerging to resolve these social issues is the idea of ethical.

© 2017 Published by Burapha University.

Keywords: *fashion business, beauty business, cosmetics, ethical, consumption, halal*

* Corresponding author. +81-83-256-1111

* E-mail address: ryuenhrmt@toua-u.ac.jp

1. Introduction

The fashion business has shifted business models over time from a product-centric approach to a sales-oriented approach, and then to a customer-centric approach, continuously imbuing products with new value. Through globalization, products become increasingly obsolete more rapidly, and an overly market-centric approach has invited uniformity of products, causing consumers to become tired of products more quickly. As a result, this has produced a cycle of mass production, mass consumption, and then mass waste. The emergence of fast fashion in turn spurred more price competition and the contraction of the product cycle and, as a result, has led not only to environmental impact, but negatively affected the contexts of business

management, planning, production, logistics, and sales, putting downward pressure on corporate profits and labor density beyond feasible limits, creating a downward spiral in which the very continuation of business is in question.

One new keyword emerging to resolve these social issues is the idea of ethical.

2. The Birth of Concept of Ethical

In the wake of the September 11 attacks, the 2008 financial crisis, Tohoku earthquake, people's awareness and life styles have changed markedly. Many people nowadays are increasingly concerned about the notion that profit-driven economies are not a system designed to bring happiness to all, but instead allow a select cadre to monopolize wealth, which leads to growing income disparity. Amid this, a concept that has risen to the fore is that of ethical.

The emergence of ethical today is not unlike the industrial evolution in England. The industrial revolution produced numerous issues, among them environmental damage, child labour, and long working hours in inferior conditions. England overcame these issues through a range of policies. With this historical context, England has for many years had a

high ethical awareness. This process led to the passing down of a national trust.

In 1989, "Ethical Consumer", a journal focused on the concept of ethical, contributed to the widespread penetration of ethical thinking. This encouraged evaluating companies and products from an ethical viewpoint, which led to readers of the journal communicating these ideas to consumers, fostering a movement towards ethical consumption such that companies could no longer ignore these trends. In 1997, then British Prime Minister, Tony Blair made remarks on promoting policies for Africa. He stated that the most critical approach to poverty in Africa was adopting an ethical stance to create programs based around ethical ideas; this produced a major response from the public. The fashion industry is the most sensitive to global changes and trends, and the British fashion industry immediately espoused ethical fashion and promoted it to the world at large. The word ethical is nowadays often synonymous with ethical fashion, but this is because the fashion industry was especially receptive to the ethical concept, which brought ethical fashion into the limelight.

3. What is Ethical?

Nowadays we often hear about ethical fashion, ethical brand, ethical product, ethical consume, and ethical business; the word ethical increasingly appears in more and more contexts. Heretofore, it was often discussed in the context of ethics and morals when debating social issues. Other distinctive expressions around this idea are "ecology" and "green." When discussing social issues like poverty and disasters, terms like "fair trade," "volunteer," and "donation" have been used. While terms like "ecology" and "green" describe environmental concepts, they do

not encompass wider social issues. By contrast, terms like fair trade, volunteer, donation describe social issues, but they do not encompass environmental awareness. In this way, it is “ethical” as a keyword that comprehensively encompasses a range of issues spanning from environmental awareness to social and, by extension, human rights issues. In recent years, however, we find terms like “social business, social design, social branding, and social product being used, so the boundary between “ethical and social” is unclear.

In this way, the exact definition of the term “ethical” remains inconsistent, and it is interpreted in a variety of ways depending on where and how it is used. For example, “Ethical Consumer” describes a set of five key standards for evaluating companies, products, and services in an ethical manner. 1. Animals: Animal Testing, Factory Farming, Animal Rights & Cruelty, 2. Environment: Environmental Reporting, Climate Change, Pollution & Toxics, Habitats & Resources, Palm Oil, 3. People: Human Rights, Workers’ Rights, Supply Chain Management, Irresponsible Marketing, Arms & Military Supply, 4. Politics: Anti-Social Finance, Boycott Calls, Controversial Technologies, Political Activity, 5. Sustainability: Company Ethos, Product Sustainability (organic, fair trade, energy efficient, vegan & vegetarian products). Further, The Ethical Fashion Forum, an organization formed in 2004 and promoting ethical fashion with over 6,000 individual and institutional members in over 100 countries, defines a set of ethical fashion standards as follows.

1. Countering fast, cheap fashion and damaging patterns of fashion consumption
2. Defending fair wages, working conditions and workers’ rights
3. Supporting sustainable livelihoods
4. Addressing toxic pesticide and

chemical use

5. Using and / or developing eco- friendly fabrics and components
6. Minimizing water use
7. Recycling and addressing energy efficiency and waste
8. Developing or promoting sustainability standards for fashion
9. Resources, training and/ or awareness raising initiatives
10. Animal rights.

Ethical Fashion Japan also defines the nine standards below for the promotion of ethical approaches. These are:

1. Fair Trade
2. Organic
3. Upcycle & Recycle
4. Sustainable Material
5. Craftsmanship
6. Local Made
7. Animal Friendly
8. Waste Less
9. Social Product

In other words, if one were to define “ethical” as one concept, it is a form of sustainability movement in society at large that aims to solve a range of issues spanning from the environment, to society, to human rights in an ethical manner. Ethical is at once a concrete methodology for resolving social issues and also an ideological and philosophical framework for considering civil society and how we lead our lives.

However, developing better ethical approaches in a business context requires a more granular set of standards. When manufacturing products, it is critical to do away with unfair labour and exploitation and engage in dealings under fair partnerships. As exemplified by the concept of fast fashion, in today’s manufacturing industry, it has become the norm to produce items overseas under low labour costs. It is also critical to use natural materials produced by organic means and,

where using synthetics, ensuring that they have a minimal environmental impact. Considerations must also be made towards animal rights and animal welfare. In terms of manufacturing, we must work closely with production regions and local industry in order to vitalize these regions, create employment, and transfer technology and expertise while continuously improving those skills. To that end, we must incorporate the traditional skills of expert craftspeople and create a system for the transmission of these skills, along with the culture therein, to the future. Furthermore, we must eliminate waste at each stage of the product life cycle and reuse that which would otherwise have been thrown away. Another critical point is reclaiming dead stock materials and inventory to reuse them in ways that contribute to improved product quality. Furthermore, corporations must donate part of their profits to NPOs / NGOs and utilize their business models to create employment opportunities and make effective social use of resources.

This cannot be achieved with the existing fashion business model. This is because the traditional fashion business makes use of a model in which early orders are made for production, with large volumes of inventory gradually depleted. They select materials to be used about 18 months before they appear in stores. Next, they establish a set of plans for the designs and line up and present them at fashion shows generally speaking, they then select which materials to manufacture based on orders. Therefore, this structure is unable to cope with changes in market demand, leading to surplus inventory and the need for sales to dispose of it. Furthermore, the risks associated with shifts in demand are shifted onto prices, with consumers having thus far purchased products that are in fact at a mark up. Means of solving these issues have included seeking out hit products and

producing added inventory with short lead time through quick response, supply chain management, and demand chain management. However, this alone is not enough to achieve the up-cycle & re-cycle or concept of waste less. While the fast fashion Business Model adopted by brands like ZARA appears at first glance to emphasize reduced lead time and the production of small lots to rapidly bring inventory to stores, thereby dealing with some of these issues, 75% of ZARA's inventory changes every 3-4 weeks, producing deliberate obsolescence. In that sense, they have yet to tackle the issue of waste less, and their low-price merchandise also poses problems in terms of fair trade and craftsmanship.

Furthermore, the volume of clothing disposed of in Japan in 2016 was 1M tons. Converted to clothing (one article of clothing set at 300g), this represents 3.3B articles of clothing. The rate of recycling of clothing in Japan is 11%, with reuse at 13%. When recycled, clothing is used as fuel and insulation for vehicles. The remaining 73% is incinerated. This is because fashion does not translate to recycling, with most simply disposed of. It is especially critical to, having become aware of this fact; determine what the best choice is. ZARA procures its fabrics from Spain, Far East, India, Morocco, with cutting and dyeing being performed in Spain and shipments from a centre in Barcelona going out in trucks across Europe, with aircraft being used only for other countries and regions. Designing, patterning, and cutting are all performed in-house, with sewing performed by a network of 400 local companies, which makes major contributions to local industry. However, the environmental impact of shipping cannot be ignored. Further, brands like RALPH LAUREN and Tommy Hilfiger have approached the issue of waste less by negating obsolescence of past

products, instead emphasizing perennial fashion products that stay evergreen.

Fashion traditionally has a strong regional aspect and has reflected the local culture and society. Craftsmanship and local made were, in fact, forms of fashion. Since the industrial revolution, however, increasing rationalization and streamlining also affected fashion. In that sense, ethical may represent a return to how fashion was originally meant to be.

4. Ethical Consumption

According to the “Ethical Consumerism Report 2010”, ethical spending in England in 1999 was 241 £, while in 2009 it was 764 £, a threefold increase. In particular, Clothing / cosmetics have contributed to the growth of the ethical market, which has increased by 30% since 2007. This suggests that ethical consumption is not merely a passing fad. According to the “Sustainability Imperative” which was researched 30,000 people in 60 countries, among the 66% of global respondents willing to pay more, over 50% of them are influenced by key sustainability factors, such as a product being made from fresh, natural and/or organic ingredients (69%), a company being environmentally friendly (58%), and company being known for its commitment to social value (56%). Sales and coupons didn’t even make the top five. For this group, personal values are more important than personal benefits, such as cost or convenience. 21st century corporations can no longer turn a blind eye to ethical consumption.

5. Ethical at Beauty Business

Ethical has also drawn attention in the localized context of clothes as a more narrow interpretation of fashion. For example, Vivienne Westwood adopts a slogan of “NOT CHARITY JUST WORK”,

providing opportunities for high-quality work to women who have been otherwise left behind by society and aiming to improve their lifestyles and social status. Stella McCartney adopts a policy of using no animal skins and furs in its designs and production, and has established a scholarship at Central Saint Martins that supports the activities of students pursuing animal welfare.

However, taken in a wider context, fashion implies all physical items covering the body, including hat / cap, shoes, hairstyle, wig, beard / mustache, cosmetics, accessories, tattoo. In fact, various ethical business initiatives are being adopted in the field of cosmetics. For example, since its founding in 1976, The Body Shop has called for the banning of use of animal products in manufacturing cosmetics. Following the animal welfare movement of the 1980s, since 2003, the sale of cosmetic in the EU made from ingredients tested on animals has been banned in Europe. Furthermore projects are also underway to develop large-scale alternatives to animal testing. Neals Yard Remedies has pursued the concept of quality over quantity and produces and sells organic cosmetics that are environmentally-friendly and safe to use. Lush is promoting campaigns that raise awareness to social issues like animal protection, the environment, and defense of human rights. Going forward, the Cosmetic industry will be further stimulated through the pursuit of ethical business.

Currently, I am pursuing the “Ethical Beauty Business Project” with 22 students who are from China, Korea, Vietnam, Nepal including Japanese. This project involves planning and manufacturing cosmetics from an ethical standpoint. For example, we select ingredients that meet standards of fair trade, organic, sustainable material, and animal friendly. This year, we are developing a soap containing honey; that honey is sourced from Shimonoseki City, Yamaguchi, Japan, where the university is found. Cosmetics developed by students are in turn produced by local company for a local made approach. We are also cautious about the production of soap in an ethical manner. This effort is not only based on the ideas of local made and craftsmanship, but also involves sealing in small bubbles within the soap so as to

produce a smooth lather that greatly reduces excess waste in the form of soap residue, thereby contributing to a reduced environmental impact. In the future, when manufacturing cosmetics other than soap, we are considering the use of containers that are recycle able and manufacturing processes that will have less environmental impact.

The ultimate goal of this “Ethical Beauty Business Project” is not simply the production of cosmetic from an Ethical standpoint. In fact, our goal is manufacturing products in an ethical manner in order to develop ethical fashion brand for Muslims. Muslims lead their lives in accordance with halal rules. Generally speaking, these rules restrict the use of pork-derived products and alcohol, etc. Therefore, cosmetics, which tend to make use of these products, struggle to obtain halal certification. Currently, students are researching differences in national halal standards to consider which ingredients are best suited to our project. In Japan, with the growing boom in Muslim tourists, halal certification is increasingly sought for food products, but there are yet no precedents of this for cosmetics. With a population of 1.3B Muslims worldwide, producing cosmetic to meet the needs of this market would yield a business of unprecedented scale.

6. Conclusion

There are many aspects to the umbrella concept of ethical Fashion -- these include the use of environmentally-friendly materials, using fair trade to create job opportunities for people in impoverished regions, using items that would otherwise go to waste, and donating a portion of proceeds from the sale of fashion products to charitable causes. At its base, however, the idea goes beyond the interests of the consumer, who can buy the latest fashions at low prices, but about creating fashion products that make it clear who created a product and where, and in what way. Making use of products from ethical fashion brands is one good approach. When this does not prove possible, another key stance is considering the intended use of the product and endeavoring to practice ethical consumption that is, to the extent



Nikkei; 6 July 2017

possible, gentle on humans and the environment. There is now a need to create a system in which consumers experience joy at giving back to society and the environment and pay a commensurate price for that experience. It is critical that people become aware that products help others in some way and that they are not in and of themselves wasteful. In fact, research by the Japanese Cabinet Office found that people reporting that they wanted to help society were 47% in 1985, but then gradually climbed to 67% by 2012.

Fashion is tied to changes in society. Manufacturers provide products to consumers that reflect social changes. Unlike the days in which products were manufactured, consumed, and disposed of in a context local to consumers, today we can obtain and consume products / services from places around the world. The production processes up to arriving to the consumers and disposal thereafter are opaque to the consumer, with mass consumption being carried out without an awareness of the social and environmental impact of product life cycles. With growing globalization in society and the economy and the information age continuing, consumers can now obtain and consume a range of products / services from around the world, which allows consumers to lead richer lives. Nowadays, there is an increased need for these consumers to make rational and autonomous decisions about which products / services to use. We live in a day and age where consumers' decisions dictate fashion. Maintaining a sustainable environment

going forward requires taking responsibility for our actions. To that end, the keyword nowadays is “ethical.”

Reference

- Naoko ARATSU & Naoyuki TANABE (2017) The Relationship between Ethical Consumptive Behavior and Economic Preference, The basis : the annual bulletin of Research Center for Liberal Education, Musashino University
- Jae-Woong BYUN (2013) A Study of SPA Brand ZARA's Successful International Marketing Strategy, St. Andrew's University Bulletin of The Research Institute
- Hyun-joo CHUNG (2015) A Study on Formation of Japanese-style Fashion Marketing Strategy and the Characteristics Theoretically, Global Management
- The co-operative bank (2010) Ethical Consumerism Report 2010, <http://www.ethicalconsumer.org/portals/0/downloads/ethical-consumerism-report-2010.pdf>
- Syuichi FUJIURA (2012) Structural Change and Possibility of Textile Industry and Fashion Business in Japan, Journal of the Japan Research Association for Textile End-Uses
- Chieko MINAMI (2007) The theory of Fashion Business, Journal of Japan Industrial Management Association
- Shoko MIWA (2016) The Other CSR : Consumer Social Responsibility and Ethical Activities, The Gakusen contemporary management review
- The Nielsen Company (2015) The Sustainability Imperative, <http://www.nielsen.com/us/en/insights/reports/2015/the-sustainability-imperative.html>
- Megrim OKUTANI, et al. (2017) The concepts of ethical consumer -Based on interview for researcher-, Journal of Life Culture
- Aya SASAKI & Hisatoshi YAMAMOTO (2014) The Conditions for Sustainable Growth of Eco-Brand Business -A Case Study of Fashion Brand- Waseda Bulletin International Management
- Chieko SHIMAZAKI & Michiro KUBOZOE (2008) Structural Shift of Fashion Business : Effects, Problems and Prospective Tendencies, Research bulletin
- Syunichi TAKAMI (2009) The relation of the world multiple economic crisis at the change in consumers' action : Consideration from the fashion business point of view, Nagoya University of Arts and Sciences, School of Media and Design research bulletin
- Renli WAN & Takuo IKEGAMI (2017) Coanasaideration about the Ethical Brands of the World and the Ethical Trends in China, Bulletin of Japanese Society for the Science of Design