Stores Trashing and Burning Unsold Merchandise

Adriana Castillo

New York City College of Technology

In recent years, one has seen a tremendous increase in clothing purchases. This is a result of fast fashion as it has encouraged people to treat clothing as disposable and to discard it after a few uses. In a way to respond to this fast fashion era, brands and fashion stores have increased the production of its merchandise. However, because consumers' taste in clothing continuously changes due to trends and fads, brands and fashion stores end up with a great amount of unsold merchandise at the end of the season. Not only are many of them trashing unsold merchandise after cutting it with scissors and shredding it, but in some cases, are also burning it. While many believe that this practice is the best way for brands and fashion stores to protect their business, others believe that this practice is very unethical and irresponsible due to its negative impact on the environment and society.

There are many reasons why stores trash or burn unused merchandise. The first reason is that stores have an overproduction of certain styles or types of clothing at the end of each season. This usually happens when merchandisers miscalculate consumer shopping habits (Napier, 2018). They are not conducting enough research to see how consumer behaviors and taste in clothing are changing. Not only is the lack of research not permitting them to see those changes, but also it is not allowing them to forecast new trends that would give them an idea of how much clothing their customers will demand for a period of time. There are so many trends going on at once in the fashion industry nowadays, that brand and fashion stores just focus on responding to consumer's demand by increasing its production levels, without really thinking of the negative outcomes of this.

Another reason why stores trash or burn unused merchandise is that they need the space for new merchandise. When there is a new trend, collection, or a new season comes, retailers need as much space as possible for that new merchandise. According to Eaton (2019), "At some point, the inventory ends up costing you more to keep it". This is because when they have old merchandise that is not selling in the store, that merchandise is stopping them from selling new merchandise that will eventually generate money for them. This means that they are already losing money by not letting that old merchandise go.

Although many merchandisers would prefer sending their unused merchandise to be sold in another country, trashing or burning the merchandise end up being cheaper and more convenient for them. According to Brucculieti (2018), "trade regulations can make it more expensive for the company to ship excess merchandise to another country for legitimate distribution than to simply destroy it." Also, if a brand made or warehoused many of its merchandise in the European Union, import duties can make it cost-prohibitive to send those merchandise outside the EU because it would have more products than the European Union could absorb (Brucculieri, 2018). This would be a problem for them because they would be losing more money than they could have ever imagined. In addition to that, transporting these merchandise to a foreign country is also very costly.

When stores trash or burn their unsold merchandise, they get a refund on the taxes that they pay. This is usually called a rebate and it is something money that they obtain for "previously paid on imported merchandise that is subsequently exported or destroyed (McDonald, 2018)". According to the U.S Customs and Border Protection, if the merchandise that a brand has imported is unused and exported or destroyed under Customs supervision, they

will receive 99 percent of the taxes, fees, or duties paid on the merchandise and can be recovered as a drawback (McDonald, 2018). By doing this, not only are they saving the cost of transporting or sending the inventory to a foreign country to sell it, but they are also receiving money back on merchandise that is no longer generating them a profit.

Brands also benefit from this practice in many different ways. For example, when they trash or burn unused merchandise instead of donating it, they can remain in control of who owns their products. When they donate their unused merchandise, they can no longer decide what type of people will wear their clothing and this might negatively affect the brand's image. According to McDonald (2018), "destroying the goods removes any opportunity for the items to end up in undesirable hands". This is because the merchandise could be overexposed and end up everywhere, but also because it loses its exclusivity. Exclusive is very important for fashion brands, especially high end or designer brands because it is what drives consumers to shop there and choose them over non-exclusive brands. However, if they donate their merchandise to homeless people or charities and the brand is accessible to everyone, it is no longer exclusive for its customers.

Counterfeiting is another issue that results from brands donating their merchandise. This is something that brands always try to avoid because when it happens, their brand reputation is tremendously affected as their wares are sold cheaply on the counterfeit market or ending up in the grey market (Ferreir, 2018). Not only this depreciate the perceived value of luxury associated with the brand, but also the low quality of the merchandise might ruin how consumers look at the brand. This usually happens to expensive and luxury brands because they are more exposed to being copied or imitated. For example, Burberry, a luxury fashion house, " has destroyed more

than £28m of its fashion and cosmetic products over the past year to guard against counterfeiting (Ferreir, 2018)". Other brands such as Louis Vuitton, Chanel, and Hermes also destroy their merchandise to ensure that no one copies the designs (Spagnoli, 2017).

Many brands also choose to destroy their unused merchandise to avoid having their merchandise end up in a discount store. Brands such as H&M are concerned that their merchandise ends up in discount channels or comes back as unpaid returns at their cash registers (Kawalek, 2010). This devalues the brand, especially if is a luxury brand. That is the same reason why luxury brands never put their merchandise on sale because the value of the brand will decrease and its customers will not pay a premium price for something that will be on sale anytime soon. When branded merchandise ends up in a discount store, this creates competition with their own merchandise because people would rather pay a cheaper price at a thrift store, than paying full price at one of the brand's stores. In addition to that, brands and fashion stores also lose a lot of money when that merchandise is returned because it was never sold at full price.

Although brands and fashion stores opt for burning or trashing their unsold merchandise to protect their business, this practice can negatively affect how its customers see the brand. Consumers nowadays are more conscious about the merchandise or clothing they purchase and where it comes from. According to Slegle (2018), "Public outcry over the destruction of fashion overstock shows that these methods of disposal carry an unofficial public approval rating close to zero". Therefore, if they see a brand they usually purchase their clothes from is doing this type of irresponsible act, they might just stop buying there. One example of this is Burberry. After the brand burned $38 million of unsold merchandise, the brand came

under fire in social media (Slegle, 2018). Consumers responded to this news by creating the

hashtag #burnberry in a way to disvalue the brand and to bring this issue to the attention of

everyone.

Another brand that was affected by the consumer's disapproval was Abercrombie &

Fitch. After the brand CEO, Mike Jeffries stated that "he would have rather burnt the clothes

than to encourage the perception that 'just anybody" could wear the label by donating it", the

brand became very unpopular (Spagnoli, 2017). Not only this affected the image of the brand,

but it also affected the brand's sales as many people stopped buying from the bran. Similarity,

H&M was also under fire after a story hit the news about them trashing mutilated clothing as a

way to make it unwearable. People were so disconcerted that the story became the 2nd most

tweeted topic on Twitter (Kawalek, 2010). This was done as a way to show everyone the type of

retail store they are purchasing their clothes from.

The practice of trashing and burning clothes is very unsustainable. This is because all

the resources, such as coal for energy, water, and natural fibers, used to make clothing goes to

waste. Just the amount of water used in the process of making a garment is outrageous. For

example, it takes 2,700 liters of water to make a single cotton shirt (Del Valle, 2017). That is

equal to the amount of water a person drinks in two and a half years (Del Valle, 2017). This is

something that brands should consider before trashing their merchandise because they are

depleting the natural resources on the planet for something that will end up in a trash can.

When they burn unused merchandise, brands are also contributing to global warming

by emitting many greenhouse gases. For example, "making a pair of jeans produces as much

greenhouse gases as driving a car more than 80 miles (Drew & Reichart, 2019)". However, one

of the most emitted greenhouse gases is carbon dioxide (CO2). According to Slegle (2018), in

the process of making a garment, the fashion industry pumps out more carbon dioxide than the

total amount that is emitted for international flights (Slegle, 2018). This practice is impacting the

air quality by contaminating it with so many greenhouse gases.

One last reason why this practice is unsustainable is that it contributes to landfill waste.

According to Del Valle (2017), 26 billion pounds of clothing end up in landfills every year from

consumers and corporations. This amount is rapidly increasing as brands are massively

producing clothing to fulfill consumer's high demand. This has resulted in an increase in textile

waste. For example, U.S. post-consumer textile waste grew by 4o percent from 1999 to 2009

(Gilmore, 2018). Figure 1 shows the percentage of the merchandise that ends up in the landfill

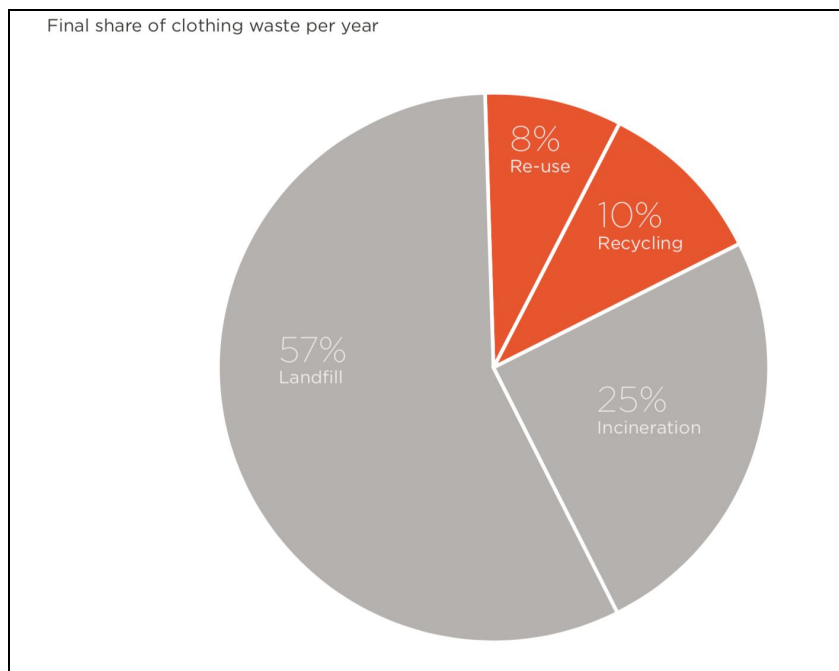(57%) compared to what is actually recycled (10%) or re-used (8%).

Figure 1. Pulse Report, 2017

There are several ways a brand can get rid of its unused merchandise without having to trash it or burn it. One way is to sell the textile to textile sorters or recyclers. As stated by Kawalek (2010), this is the savviest option because not only will the textile sorter or recycler pay the brand a portion of what they paid for the garment, but they will also cart away the garments for free to resell them in foreign countries. However, in the case that brands prefer not going through the process of selling the textile to recyclers or textile sorters, they can just recycle the fabric themselves and use it to create other garments or merchandise of higher value. This is what is called upcycling and many brands are opting for this because it benefits them as they are taking advantage of their own unused textile.

Brands can also sell their unused merchandise to discount stores. However, this option only benefits mass-market brands or stores such as Forever 21. The reason for this is that no luxury or high-end store will offer its merchandise on sale, or sell it at a discount store because the value would drastically decrease. However, mass-market brands can recover a partial amount of money for the merchandise instead of losing money if they would trash or burn it. Another option that only benefits mass-market brands is to donate its merchandise to charities. The reason why only mass-market brands should donate their clothing is that they are not exclusive.

There are many steps that fashion brands are taking regarding this issue. For example, after H&M came under fire several times for trashing or burning unsold merchandise, they announced its "Close the Loop" initiative in 2013 (Del Valle, 2017). This initiative was created to prevent discarded clothing from ending up as waste in landfills (Del Valle, 2017). Not only this, but the brand is also placing disposal bins in all its stores across the country, where its customers can drop off unwanted clothing for an exchange of a discount. H&M uses these

recycled textiles and materials to make new clothing (Del Valle, 2017). This is done by sorting

the textile into one of three categories: re-wear, reuse, and recycle (McDonald, 2018). The

merchandise that falls into the re-wear category is sold as secondhand clothes, the one that falls

into the reuse category is turned into other products and the one that falls into the recycle

category is transformed into textile fibers and it is used for insulation (McDonald, 2018). In

addition to that initiative, in Sweden, H&M is using power plants instead of coal to burn

discarded merchandise to reduce the negative impact of such practice (Del Valle, 2017).

Although it is still emitting CO2, the impact is not as outrageous as if it was burnt with coal.

Brands are also trying to reduce deadstock with the help of technology. Technology is

helping retailers manage merchandise by "allowing stores to better understand consumers' need

and buy for their stores accordingly (Spagnoli, 2017)". With the help of technology, brands can

also improve their websites and services to provide its customers with a virtual shopping

experience that allows them to order items in advance (Spagnoli, 2017). This gives retailers a

better idea of how much merchandise they need and at the same time, it reduces production

waste because many merchandise are only produced by order (Spagnoli, 2017). One example of

this technology is Nextail. This virtual assistant helps brands improve daily allocation and

replenishment decisions to optimize stock levels (Spagnoli, 2017). Another technology is Inturn

which helps brands to efficiently sell excess inventory to reduce waste (Spagnoli, 2017).

Many brands such as Tommy Hilfiger and Burberry are now moving towards circular

fashion. Figure 2 shows the different stages in a circular fashion. Circular fashion involves

repurposing textile waste into usable products or anything that could circulate responsibly. Other

brands such as American Eagle Outfitters and Patagonia have created similar programs that

involve directing used textiles into the recycling sector (Gilmore, 2018). For example, in

Arizona, a textile recycling company called Phoenix Fibers is turning old denim into a substance

called "shoddy fiber (Gilmore, 2018)". They are using this fiber for many different products

including prison mattresses, housing insulation, and even sound-dampening (Gilmore, 2018).

This company is repurposing old and unused textiles and is generating a profit by creating these

products and selling them. Similarly, the Kering group is involved in 'Worn Again', an initiative

to convert raw materials into yarn to make new fabrics and garments (Ferreir, 2018).

Figure 2. Redness Limite, 2019

Although brands' effort to stop this practice is noticeable, it will continue happening in

society until consumers' demand for fast fashion clothing and disposable clothing comes to an

end. According to Slegle, 2018, "It's estimated that we buy about 60 percent more clothes

annually than we did in 2000 and wear each item less before ditching". This proves that a

change in the fashion industry depends entirely on the consumer. The fewer merchandise

consumers purchase, the fewer merchandise brands will need to produce. This means that

consumers need to stop buying so much fast fashion clothing and opt for more sustainable

merchandise so that retailers and brands can decrease mass production. This will help reduce

excess inventory and the need to burn or trash unsold merchandise.

In spite of the fact that there are no laws in the United States regarding this practice,

France recently signed a law that punishes people or brands that trash or burn their unused

inventory. By 2023, fashion brands or stores in France will have to donate, reuse or recycle

unwanted or unsold goods (Karasz, 2019). According to Karasz (2019), "Under a new measure

that will be part of a bill set to be debated by the government in July, destroying unsold goods

could result in financial penalties or prison time". This law was created after the practice has

received bad press in the country recently.

In conclusion, the practice of trashing or burning unsold merchandise has become a

social and environmental issue that has been affecting society as a whole for many years. Brands

and fashion stores do this as a way to protect their business from counterfeiting, preserve the

brand exclusivity, protect the brand reputation, and remain in control of who owns their

products. Nevertheless, not only is this practice unsustainable as it is negatively affecting the

planet by emitting greenhouse gases and contributing to landfill waste but it is also unethical and

immoral when so many people are in need of clothing. Nowadays brands have so many options

when getting rid of the unused merchandise that trashing or burning it should be the last

resource. Not only that, but they can also benefit from selling the textile to recyclers or textile

sorters. Unfortunately, in order for this practice to come to an end, consumers will need to

change the way they purchase clothes. Consumers are the only ones that can help this practice

come to an end because if they stop buying so much clothing, brands and merchandisers would

not have the need to excessively produce great quantities of clothing.

References

Brucculieti, J. (2018). Here's why brands like Burberry burn excess inventory and how they

        could stop. *HuffPost.* Retrieved from inventory_n_5b92941ae4b0162f472ca263

Del Valle, G. (2017). Clothing companies are trashing unsold merchandise instead of donating it.

        Retrieved from https://theoutline.com/post/2602/clothing-companies-are-trashing-

        unsold-merchandise-instead-of-donating-it?zi=a2yrsdyx&zd=4

Drew, D. and Reichart, E. (2019). By the numbers: the economic, social and environmental

        impacts of 'fast fashion'. *Green Biz.* Retrieved from https://www.greenbiz.com/article/

        Numbers-economic-social-and-environmental-impacts-fast-fashion

Eaton, L. (2019). Donated or destroyed? What retailers do with unsold merchandise. *Fox 59.*

        Retrieved from

https://fox59.com/2019/11/19/donated-or-destroyed-what-retailers-do-wi

        th-unsold-merchandise/

Ferreir, M. (2018). Why does Burberry destroy its products and how is it justified?.

        TheGuardian. Retrieved from https://www.theguardian.com/fashion/2018/jul/20/

        why-does-burberry-Destroy-its-products-q-and-a

Gilmore, N. (2018). Ready-to-waste: America's clothing crisis. Retrieved from

        https://www.saturdayeveningpost.com/2018/01/ready-waste-americas-clothing-crisis/

Karasz, P. (2019). France to end disposal of $900 million in unsold goods each year, *The New

        York Times.* Retrieved from https://www.nytimes.com/2019/06/05/world/europe/france-

        unsold-products.html

Kawalek, E. (2010). Why H&M destroy unsold clothes. Retrieved from

  https://slate.com/human-interest/2010/01/why-h-m-destroys-unsold-clothes.html

McDonald, S. (2018). You won't believe how much luxury brands are throwing away. *Foot*

  Wear. Retrieved from https://footwearnews.com/2018/business/retail/luxury

  -brands-burning- stock-environment-1202636530/

Napier, E. (2018). Fashion merchandisers' slash and burn dilemma: A consequence of

  overproduction and excessive waste?. Retrieved from

  file:///home/chronos/u-9a93d134f88ccdf2de19407d8ae84bb0fa85cee1/MyFiles

  /Downloads/SSRN-id3289411%20(3).pdf

Slegle, L. (2018). Destroying unsold clothes is fashion's dirty secret. And we're complicit.

  HuffPost. Retrieved from

https://www.huffpost.com/entry/burberry-burn-clothes-fashion

  -industry-waste_n_5bad1ef2e4b09d41eb9f7bb0?guccounter=1

Spagnoli, C. (2017). From catwalk to...trash can? What happens to unsold clothes may surprise

  you! *Eluxe Magazine.* Retrieved from

https://eluxemagazine.com/magazine/what-happens

  -to-unsold-clothes/