

Casestudy:
CHEAPER THROUGH EXPLOITATION?

**Clean Clothes Campaign
versus
C&A**

In the 1990s, C&A gets repeatedly addressed by critical NGOs on her sourcing policies. CCC (Clean Clothes Campaign) targets C&A from 1993 onwards, with consumer actions, in order to discipline the company. Allegations are that the company does not take into account issues like child labour and labour circumstances in its sourcing strategy. In particular in its South-East Asian sourcing, for instance in the Philippines, C&A is held accountable by CCC and other NGOs for its international ‘chain responsibility’

Societal Interface Management Challenges

PUBLIC ✶ PRIVATE	PROFIT ✶ NON-PROFIT	EFFICIENCY ✶	ETHICS/EQUITY
Labour conditions as legal problem International rules for international retailers	Relationship with consumer (organisations) Community involvement Catholic background of founders Significance of family business	Cost-effective manufacturing of clothing, profitability, reliability and low-cost suppliers	No exploitation Decent working conditions Supply-chain responsibility No child labour?

This case has been written by Alex van der Zwart with Rob van Tulder (RSM Erasmus University). This case applies the methods and theories as used in the book "International business-society management: linking corporate responsibility and globalization" (2006, Routledge), www.ib-sm.org. The Dutch newspaper articles in this case have mostly been translated into English.

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C&A

The capital letters ‘C&A’ constitute the initials of the first names of the brothers Clemens en August Brenninkmeijer, who in 1841 in the Dutch village of Sneek founded a textiles company named C&A. The headquarters of the company is located in the World Fashion Centre in Amsterdam. C&A is one of the largest textiles/garment retail chains in Europe. It acquires its goods from all over the world. C&A’s visibility is very high: in almost every major shopping street in Europe you can find fully owned C&A shops with the rainbow logo figuring prominently on the stores façade. C&A is located in eleven European countries. The 1999 turnover was more than five billion euro. Intensified competition and continued losses forced a major scale restructuring operation since the beginning of 2000. All 454 affiliates in the UK and Ireland were closed. In other countries like Germany shops were closed as well. C&A does not hold a stock quotation. It is a traditional and very closed family-owned company – with a strong sense of social responsibility not in the last place due to its strongly felt Catholic roots. The Brenninkmeyer family is one of the richest entrepreneur families in Europe and rank first in the so called Quote 500 richest people in the Netherlands. Estimation of their wealth runs from 9 billion dollar (Quote list Netherlands) to 4 billion (Forbes-list). Only since 2001 does the company reveal some of its turnover and sales figures; the CEO of C&A even allowed for some interviews, thereby breaching the traditional policy of complete closedness of the company. The old dictum of Brenninkmeyer was: ‘openness is a sign of weakness’.



Percentage share of factories in top 5 supplier countries

China	20.2
Italy	10.1
Turkey	8.5%
Romania	7.1%
India	5.7%
Top 5 Total	51.6

Countries with both sales and production: France, Germany, Hungary, Italy, Netherlands and Poland

Note: Information is current as of September 2004

Source: Communication with C&A, company websites and Acting Responsibly C&A Report 2004 p5



Conflict

In the 1990s, C&A gets increasingly criticized for its international sourcing/purchasing policy. A considerable share of international sourcing is done with factories in Asia where very poor labour conditions exist. Long working hours, low wages and child labour prevail in the production process. In 1989, well before the conflict culminated in 1993, a Dutch research group (SOMO) had published a book entitled: *C&A, the silent giant* (Smit en Jongemans, 1989). The book caused substantial turmoil with consumers, because it accused the company of not taking into account forced (child) labour in its purchasing policies.

The suppliers in South-East Asia, in particular the Philippines, were criticized in particular. In the 1990s, protests coordinated by the “Stichting Opstand” (Foundation Revolt) – a semi-anarchistic research collective - claimed that C&A were making use of hundreds of illegal ‘ateliers’ (sweat shops) in cities in its lead market, like Amsterdam. This protest had limited success, also because the Foundation Revolt primarily targeted the trade unions and less consumer organisations. The international Chain Responsibility of C&A is addressed from 1993 onwards – with the “Clean Clothes Campaign” as the lead NGO¹. Between 1993 and 1995 repeatedly action is undertaken.

The slogan “through exploitation, cheaper” is a smart variant of the company’s own business motto, which makes it a potent action means. C&A officially states that it doubts it is doing much worse than its direct competitors. It reproaches CCC to have targeted its chain as an easy icon of the whole sector – not because there is really a problem.²



Clean Clothes Campaign (CCC)

The “Clean Clothes Campaign”) is a foundation, bringing together a coalition of single-issue NGOs and trade unions. They aim at improving labour conditions in the international garment and textiles industry. They represent the interests of the workers in the garment and textiles industry. CCC asks big clothing and sporting goods companies to respect the international conventions of the ILO (International Labour Organisation – a tripartite organisation representing labour unions, employers and governments), to fight for decent working conditions and for independent monitoring and verification of the agreed upon conventions. The actions against C&A marked the starting point for the CCC as a coalition of NGOs. In this particular controversy CCC is supported by a research group, called SOMO (Stichting Onderzoek Multinationale Ondernemingen) that performs research in particular for trade unions taking the operations of multinational corporations into account.

¹ <http://www.cleanclothes.org/companies/cena.htm>, consulted on 27 april 2004.

² Grijpma, D., "Clean and fair: the Max-Havelaar jeans are coming!", *NRC Handelsblad* (DUTCH NEWSPAPER, HEADING ORIGINALLY IN DUTCH), 9 October 1997.



Indicators of reputational damage

Consumers markets

Since the mid-1990s, profits in the UK, Ireland and Germany have deteriorated. Even though the company keeps relative silent on these issues, it became clear that for instance in Germany, its 192 stores show accumulated losses of DM 149 million. It is unclear whether these losses have anything to do with the public campaign against the company concerning its sourcing strategy. The company itself denies that there is any correlation. Many consumers in the high-end of the market, however, indicate that they have started to re-assess the company more negatively. The sheer re-assessment of consumers can be threatening for a company like C&A. When this gets combined with considerable weaknesses in its shop formula – as the company's directors have readily admitted – and 'opting out' effect of consumers to other competitors that are less negatively affected by consumer actions, can be supposed to have added to the company's reputational problems.

Capital market

C&A is a family company by intent and therefore is not dependent upon the sentiments of any stock exchange. The family owns most of the stock, and most of the investments are on the basis of own capital. The family tries to keep all the capital in-house and does not publish consolidated accounts. Because there are no major banks involved as stakeholders and because the company does not have shareholders, other than the family, the reputational effect on the capital market has been negligible.

Labour market

The company itself denies any lowering of its attractiveness as an employer. The number of job applicants has never deteriorated, whereas there have never been employees that have left the company out of dissatisfaction with its policies. To prevent internal concerns, the board of the company started an internal campaign to address the issue and its context to the employees. Communication with employees over its attitude towards labour conditions in Asia has been relatively permanent. The so-called Corporate Image Barometer granted in 1994 C&A the status of 'good' to excellent employer.

Conclusions: there are no clear and undisputed signs of reputational damage. But the protest actions in particular in front of many of the shops of C&A in the early and mid-1990s, at a time that this phenomenon was quite new, have had almost certainly effects on some strata of C&A's customers. It is likely that the company has suffered some reputational damage in its consumer markets.

Indicators of disciplining

In the beginning of the 1990s, the C&A board adopts an attitude of denial on account of the allegations of unjust purchasing practices. This can also be referred to as a 'buffering' attitude. This attitude is reinforced because the accusations are difficult to substantiate. Since the mid-1990s, the attitude of C&A changes towards "*bridging*". Eventually, however, the management of C&A conceded that production circumstances could be improved despite the complexity of the issue. They maintained to have always been willing to enter discussions to resolve the dilemma. The turnaround in the company's attitude is – according to an official spokesperson – attributable to a decision of 'the family'.



The exact motivation for the Brenninkmeijer family, owner of C&A, remains obscure. But inside sources allude to the fear of getting a bad reputation. C&A – due to its catholic origins – has always acknowledged that it has a societal task towards its environment and towards its own employees.

The company undertook a variety of (disciplining) initiatives to address the issue of labour conditions with its suppliers:

- In 1996 C&A – clearly under pressure of international stakeholders – drafted a code of conduct. In 1998, this code was redrafted and exacerbated. The code - named ‘C&A-Code of Conduct for the Delivery of Goods) – circumscribes the norms for business-like transaction C&A holds fundamental for its contacts with external suppliers of goods. Suppliers, who do not apply the code, get a limited period of time – on the basis of a so called “*Corrective Plan*” – to improve their performance. C&A officially denounces suppliers that use child labour, have unhealthy and unsafe labour conditions, pay below local and legal norms (wages) or inflict unallowable ecological damage to their environment. The code states that it also includes the right for employees to organise themselves, as long as these groups are legal in these countries. Despite the many and often conflicting cultures and value systems that are organised within this multinational, C&A nevertheless applies a number of general binding norms. These principles are core to all C&As commercial activities (C&A, 1998).
- To improve the monitoring of its suppliers, C&A in 1994 formed a team of specialists, specially trained to visit and check production facilities around the world. C&A created an own control organisation. March 1st 1996, this informal organisation got formalised under the name of SOCAM (*Service Organisation for Compliance Audit Management*). Annually more than one thousand enquiries are undertaken (in 2000 even 1800). SOCAM publicly reveals its findings. SOCAM is organised as a private limited company and located in Belgium.
- The control of around 1400 production facilities with 800 suppliers and importers resulted in a ‘warning letter’ which included concrete points of improvement to abide to C&A code. 80 contracts with suppliers were terminated. Suppliers where children were found on the production facilities were forced to become donator of a local school or to set up a day-care centre for children.³
- From 1999 onwards C&A helps organise a vocational training centre for former child labourers in India at annual costs of EUR 40.900 (Werner & Weiss, 2002: 215).



³ <http://www.fnv.nl>, consulted 1 October 2001.



Outcome

Whose interests were met?

Eventually, the pressure of CCC triggered a code of conduct and a relatively strict compliance of this code with suppliers. CCC's – and related to that the interests of the workers with suppliers – were served partially. C&A has never had problems with CCC any more, whilst other fashion retail chains like V&D at the beginning of the 21st century are still under fire of the CCC. C&A is now one of the 'best-practice' companies in the area of Corporate Social Responsible behaviour. All the conflicting parties of the 1990s admit so.

Has the Issue been solved?

For C&A the issue of labour circumstances in its chain of deliveries seems to have been solved adequately. The issue as such, however, has hardly been addressed. Child labour has increased in South-East Asia in general and in India in particular. The case shows a considerable disciplining on the side of C&A – partly due to its religious foundations.

After the issue?

C&A is at the moment considered one of the most progressive companies in CSR. In 1998 C&A received as first European fashion retailer the internationally renowned ISO 14001 environmental certificate. After the company dissolved most of its activities in the UK, the company – under a new and younger Brenninkmeyer as CEO – has moved further into the direction of more openness. It has re-enforced its marketing strategy towards specific middle-range consumers and has restarted an aggressive advertisement campaign to recover lost market share. Slowly, the company has become profitable again, although the latter can not be stated for sure, because the company remains firmly in the hands of the family and has not presented any annual report comparable to publicly quoted companies. The management of C&A want to win and keep the trust of their stakeholders by taking responsibility for their core business areas. The company has published its C&A report 2004 online in which they report on their progress and principles.⁴

Additional literature used

C&A (1998), C&A-Code of Conduct for the Delivery of Goods.

Smit, M. and L. Jongemans (1989), *De Stille Gigant: Van Kledingmultinational tot Thuiswerkster*, SOMO, Amsterdam.

Werner, K. and Weiss, H. (2002) *Black Book on Brand Companies* English version not yet available, German version (new version) *Das Neue Schwarzbuch Markenfirmen*, Deuticke Verlag, 2003.

⁴ Downloadable at: <http://www.c-and-a.com/aboutUs/socialResponsibility/>