

## **PHI 334 Lesson : Drop Shipping and Moral Issues Oct 6**

Today we are going to talk about drop shipping. Perhaps you can hear from my voice that I am under the weather. I am, however, feeling fine. I might illustrate more and speak less, but nonetheless, we will learn about drop shipping and the moral issues it gives rise to.

Drop shipping used to be more popular but online e commerce platforms have begun banning it due to negative side effects. Have you ordered something on Amazon and received something that resembles what you ordered but is not quite what you wanted? Perhaps a phone case that took longer than you expected to arrive and did not fit your phone quite right? A wrong colored item? These are commonly instances of drop shipping. Another way you can tell is if the item is clearly not the same but is styled to look like the item you bought. This is another instance.

The plan for today is this:

1. We will discuss what drop shipping is systematically
2. We will discuss the effects of drop shipping
3. We will think about the morality of such practice

### **What is Drop Shipping?**

#### **Rough Idea**

At its core, drop shipping is a retail fulfillment method where the retailer does not stock the goods it sells. Instead, when a customer places an order, the retailer procures the product from a third-party supplier, who then ships it directly to the customer. This model essentially positions the retailer as a middleman between the supplier and the customer.

#### **The Process of drop shipping:**

1. Customer Engagement: Through an online platform, the retailer showcases a variety of products. This online 'storefront' is curated based on what the retailer believes will appeal to its target audience. Customers browse the selection and place their orders directly on this platform.
2. Order Relay: Once an order is placed, the retailer doesn't fulfill it from an owned inventory. Instead, the order details are relayed to the third-party supplier.
3. Product Procurement & Dispatch: The supplier, upon receiving the order details, picks, packs, and ships the product directly to the end customer.
4. Revenue Model: Financially, the retailer's revenue is the difference between the price the customer pays to the retailer and the wholesale price

the retailer pays to the supplier.

To summarize:

Drop shipping is a retail fulfillment strategy where the retailer doesn't keep the products it sells in stock. Instead, when a customer orders from the retailer's online storefront, the retailer forwards the order details to a third-party supplier. This supplier then ships the product directly to the customer. The retailer's profit comes from the difference between the customer's purchase price and the wholesale cost paid to the supplier, acting as a middleman in the transaction.

### **Issues with Drop Shipping and Moral Corollaries**

1. **Quality Control Issues:** Since the retailer doesn't handle the products directly, there's limited control over product quality, packaging, and shipping standards. This can result in customers receiving faulty or subpar products. **Moral Issue:** Selling a product without assuring its quality can be seen as misleading or dishonest. Customers trust retailers to provide items as described.
2. **Longer Shipping Times:** Products often come from overseas suppliers, which can lead to longer shipping times than if sourced locally. **Moral Issue:** If customers expect quick delivery but experience delays, this can be perceived as a breach of trust. It's important for retailers to manage expectations and be transparent about potential shipping delays.
3. **Over-reliance on Third-Party Suppliers:** If a supplier runs out of stock or faces other issues, the retailer can't fulfill orders. **Moral Issue:** Promising a product that you can't deliver on constitutes a breach of promise and can lead to a loss of trust among customers.
4. **Environmental Concerns:** Dropshipping often involves shipping individual items from various international locations, which can have a higher carbon footprint than local sourcing. **Moral Issue:** The increased environmental impact can be a concern for those who prioritize sustainability.
5. **Potential for Misleading Marketing:** Some dropshippers might use photos or descriptions that don't accurately represent the actual product. **Moral Issue:** Misleading customers with inaccurate images or descriptions is dishonest and can damage a retailer's reputation.
6. **Complications with Returns and Customer Service:** Handling returns or addressing customer concerns can be more complicated since the retailer doesn't manage the inventory or shipping directly. **Moral Issue:** A customer's right to a smooth return process and good customer service can be seen as a basic expectation in retail. Failing to meet this can be viewed as neglecting responsibility.

7. Potential Unethical Production: Some dropshippers might source products from suppliers with questionable labor practices or where workers are not paid fair wages. Moral Issue: Supporting or indirectly profiting from exploitative labor practices is a significant ethical concern.
8. Price Inflation: Many dropshipped products can be found at lower prices directly from suppliers. Dropshippers might significantly mark up prices for profit. Moral Issue: While businesses need to make a profit, excessively inflating prices can be seen as taking advantage of uninformed customers.

### **Virtue Ethics and the Good Life:**

From the perspective of virtue ethics, which emphasizes the development of good character and the importance of virtuous action, engaging in or supporting dropshipping poses significant impediments to leading a good life. Quality control issues in dropshipping can foster dishonesty, as customers might be misled by products that fail to match their descriptions. The elongated shipping durations not only breach trust but also hamper the virtue of reliability. Relying heavily on third-party suppliers jeopardizes one's commitment to promises, thereby eroding the virtue of integrity. Moreover, the environmental toll of dropshipping challenges our duty to act as stewards of the planet, while the potential for misleading marketing can nurture deceit. Difficulties with returns and customer service can cultivate irresponsibility, and sourcing from suppliers with dubious labor ethics directly conflicts with principles of justice and fairness. Lastly, inflating prices unreasonably betrays the virtue of fairness. Thus, both as dropshippers and consumers, engaging with such a system makes it arduous to cultivate and maintain virtuous character, which is central to a life well-lived in virtue ethics.

### **Concluding Question:**

What do we do about this?