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Legal and Business Ethics Training in Inventory Management

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ABSTRACT

The retail business does not only consider profits, but also social responsibility towards consumers and society. Businesses must realise that the choices they make when purchasing goods can affect the company's reputation and consumer trust. Honesty, transparency, and fairness must be upheld in every transaction. The partners involved in the current community service (PKM) activities are engaged in the textile retail industry and are located in the Tanah Abang market. The main problem lies in the partners' lack of knowledge about the legal and ethical aspects of running a business. The activities were carried out through training related to legal and ethical issues. The training was conducted online via the Zoom platform. Through this activity, it is hoped that the problems arising in the partners' businesses will be resolved, and the partners will be able to increase their knowledge of ethical practices that consider the social and environmental impacts of their business when purchasing goods. Based on the results of this activity, it is recommended that business actors pay attention to legal and ethical aspects in the process of buying merchandise, in order to avoid legal risks and maintain good relationships with consumers and suppliers. As such, they should be able to uphold ethical values towards customers.

Keywords: Legal, Ethical Values, Training, SMEs.

1. Introduction

In the retail business, the application of business ethics is very important. Nuryanto and Bayu Dirgantara (2025) states that the application of ethics in a business context is very important. Retail businesses do not only consider profits, but they also consider their social responsibility towards consumers and society. Businesses must realise that the choices they make when purchasing goods can affect the company's reputation and consumer trust. Honesty, transparency, and fairness must be upheld in every transaction. Conversely, Fauzi et al. (2022) states that business ethics provide clear guidance to those participating in business. Morally and financially, retail store owners can make the right choices. For example, businesses must ensure that the goods they purchase meet quality standards and do not violate the intellectual property rights of others.

In terms of law, retail businesses must comply with various applicable regulations. To survive, Hasoloan (2018) states that understanding business law from a national legal perspective is very important. Retail entrepreneurs must understand consumer rights, applicable tax provisions, and product protection. Violating business law can result in legal sanctions and damage the company's reputation in the eyes of customers. Ethical practices consider the social and environmental impact of businesses when purchasing goods. According to Durin (2020), unethical actions, such as hoarding goods for excessive profits, can cause market imbalances and harm consumers. Therefore, businesses must avoid unethical actions and maintain integrity in the procurement process. Retail businesses often discuss price increases for goods, especially basic necessities. Keraf and Imam (1995) states that businesses have limitations. Business actors should not take excessive profits during a crisis. Unreasonable price increases can damage a business's reputation.

Overall, retail law and ethics are very important when purchasing products. Businesses must be able to balance social responsibility with financial gain. By understanding and applying legal and ethical principles in every transaction, they can build a good reputation and establish positive long-term relationships with customers. The involvement of businesses in ethical and legal practices will have a major impact on business sustainability as well as benefiting society and the environment.

In essence, the legal and ethical context of retail purchasing shows how important it is to incorporate law and ethics into every aspect of business operations. In addition to helping companies succeed, this also has a positive impact on society and the environment. When facing the challenges of globalisation and rapid technological developments, business actors must continue to learn and adapt to change. Retail human resource development must include training on legal compliance and business ethics. Business people will not only have the ability to compete well, but will also help build a more fair and sustainable market. Therefore, this activity aims to provide SMEs with knowledge about Legal and Business Ethics in Retail in the process of buying merchandise. From the results of this activity, it is recommended that retail businesses pay attention to legal and ethical aspects in the process of buying merchandise, in order to avoid legal risks and maintain good relationships with consumers and suppliers. According to Susandy and Ramdhan (2015), 'ethical businesses must be able to strike a balance between the interests of the company and its responsibilities to society and the environment,' which reflects the importance of applying ethics in every stage of business, including buying merchandise. One way to understand the legal and ethical aspects of buying merchandise is to use an ethical approach that considers transparency, fairness, and social responsibility. In this activity, business ethics variables are used, which relate to the company's moral obligations to its consumers and suppliers. Khalik et al. (2023) states that businesses must 'ensure that every transaction is conducted fairly and ethically.'

Thus, this understanding is very important for business owners in determining appropriate business ethics standards to increase consumer confidence in the products being marketed. Khalik (2023) also reviews ethical aspects in market segmentation with a focus on psychographic variables. As part of business ethics, psychographic market segmentation focuses on grouping based on consumer tastes and preferences, which is an important part of meeting customer expectations ethically. This activity is supported by a literature review sourced from several opinions, such as Keraf and Imam (1995), who states that retail businesses must comply with various regulations, such as consumer protection laws, taxes, and labour regulations. For example, laws governing returns and price transparency. Trevino and Nelson (2021) presents several theories, namely: Companies have a responsibility to all stakeholders, from consumers and employees to the community. This includes corporate social responsibility (CSR). Environmental Law Theory, which states that companies need to consider the environmental and surrounding impacts of their business activities and comply with government regulations on environmental protection. Business Ethics Theory, which covers the basic principles of ethics in business activities, not only in terms of legal compliance, but also honesty, transparency, and integrity, which can contribute in the long term.

2. Methodology

This activity is carried out to provide guidance to the Product in understanding market segmentation. There are many things that can be done to identify the target consumers for MSMEs. To carry out this activity, there are several stages that can be followed, as follows:

2.1. Preparation stage

This stage involves initial observations related to the partner's main problems. In this stage, the main focus of activities is:

a) Gaining a deeper understanding of the partner's situation through in-depth interviews with business owners to identify the main problems that need to be addressed immediately.

b) Determining the team of students involved and preparing a proposal to be submitted to the LPPM.

2.2. Implementation Stage

Preparing materials and determining the schedule for the socialisation activities. All requirements for the implementation of the socialisation are prepared and tasks are divided among all members involved in what will be socialised to SMEs/MSMEs, preparing various socialisation procedures, preparing equipment, supporting facilities and infrastructure for activities, delivering material on the importance of a deep understanding of marketing information systems, and concluding with a discussion.

2.3. Final Results Stage

At this stage, an evaluation is conducted to assess the success of the programme. A report is prepared, accompanied by outputs, both mandatory outputs in the form of publications and additional outputs in the form of articles and/or infographics.

3. Results and Discussion

3.1. Business Profile

The retail business where the activity takes place is the Maezura Collection retail store, which is a business engaged in the clothing industry. The business owner is named Anjani, located in Tanah Abang, North Jakarta. The products sold are modern trousers and skirts, with a variety of items available and of very high quality. The products sold are highly sought after by young people today and are suitable for marketing across various demographics. This business operates both online and offline.

3.2. Activity Materials or Material Delivery

A. Understanding Legal and Business Ethics

According to Cranston (1979), 'legal' in the retail business refers to all legal aspects that regulate retail operations, ranging from licensing, consumer protection, to compliance with tax regulations. According to Arief (2019), the legal aspect in the retail business is also related to the protection of consumer data, which is increasingly important in today's digital era.

According to Khalik et al. (2023), business ethics encompasses the values and principles that guide the behaviour of individuals and organisations in a business context and emphasises that ethics can help guide fair and responsible decision-making. He explains that ethics in business involves assessing actions and decisions that take into account moral values and social impacts. Schwartz (2017) defines business ethics as acting in accordance with recognised moral norms and standards and considering the interests of all stakeholders.

B. Legal and Ethical Benefits of Business

Manan (2009) states that there are several legal benefits in business, namely:

1. Reducing Legal Risk. Complying with business laws reduces the possibility of legal sanctions or fines. It also creates a safer environment for companies.
2. Protecting Rights. Compliance with the law can help protect the rights of the company, such as intellectual property rights (IPR) and contract rights, which can affect business continuity.
3. Enhancing reputation. If a company complies with the law, it will tend to have a better reputation in the community. This can also help build trust among consumers and other investors.

The following are the legal benefits in the retail business, which cover several aspects, namely:

1) Legal Protection Having a clear legal structure protects business rights, including trademarks, patents, and copyrights, thereby preventing infringement.
2) Consumer Trust When businesses comply with regulations and legal standards, this increases consumer trust. Consumers tend to prefer shopping at places that are legal and ethical.
3) Business Stability By following applicable regulations, businesses can avoid legal sanctions, fines, or closures that can harm the company's operations and reputation. Premium Store Brands

4) Ease of Cooperation Clear legality makes it easier for companies to establish cooperation with business partners, suppliers, and other parties, because all parties feel secure in the transaction.

C. Legal Issue

Retail penalties cover issues that violate legal regulations established by the government or relevant authorities. According to Levy, the five types of retail legal issues are as follows:

1. Intellectual Property Rights Violations Companies that use designs, logos, or products without permission may violate intellectual property rights.
2. Product Safety Negligence Selling unsafe goods that endanger customers is a violation of product safety laws.
3. Customer Discrimination Anti-discrimination laws prohibit customer discrimination based on race, religion, or gender. e.g.: refusing to serve certain customers due to ethnic or religious differences.
4. Privacy Regulation Violations The unauthorised use/distribution of customer data violates privacy regulations. e.g.: Without customer consent, a shop provides customer contact information to a third party.
5. Contract Breach Legal action may be taken if a contract with a supplier or employee is not honoured. e.g.: A shop unilaterally terminates a contract with a supplier.

D. Negative Legal Impact

According to Trevino and Nelson (2021), the negative impacts of not having business legality are as follows:

a. Loss of Legal Protection

Business owners become vulnerable to disputes and fraudulent acts, as there is no legal guarantee to protect their rights.

b. Legal Sanctions

Businesses may be subject to administrative sanctions, including fines and closure, which can harm business operations.

c. Reduced Consumer Trust

Without business legality, consumers will be hesitant to transact, which will negatively impact the reputation and income of the business.

E. Principles of Ethics

According to Keraf and Imam (1995), the principles of business ethics are as follows:

1. The Principle of Autonomy, which is the principle of a person's ability to make decisions and act based on their own conscience, which is considered good to do.
2. The Principle of Honesty and the existence of the principle of honesty in business activities, such as being honest in fulfilling the terms of agreements and contracts, to being honest in offering goods or services with comparable quality and price.
3. The Principle of Ethics: The principle of fairness requires that everyone be treated equally and in accordance with fair and accountable rules.
4. The Principle of Moral Integrity: This principle is an internal requirement for business people to conduct business while maintaining the good name of their leaders and companies.

F. Ethical Objectives

According to Ramzi et al. (2021), the objectives of business ethics are to build trust, maintain reputation, and prevent unfair practices.

G. Ethical Issue

Problems are issues related to actions that violate moral or ethical principles; these are not always illegal. According to Levy (2011), there are five ethical problems:

1. Misleading Advertising: presenting false beliefs/information to attract customers unfairly. e.g. Advertising beauty products with the label 'natural' even though they contain synthetic chemicals.
2. Use of Underage Workers: Although it may be legal, employing underage workers or employing them in poor working conditions is unethical.
3. Unreasonable Pricing: Raising prices drastically when demand increases. e.g. Selling hand sanitiser at high prices during a pandemic, even though it does not violate the law.
4. Sale of Low-Quality Products: Selling poor-quality or defective goods without providing clear information to buyers.

4. Conclusion

In the retail industry, businesses face various challenges due to technological advances and globalisation. It is essential for companies to comply with legal regulations and uphold ethical principles such as honesty, fairness, and integrity to maintain a good reputation and gain consumer trust. Compliance with laws, including those related to consumer protection and intellectual property rights, is essential to avoid legal consequences and ensure operational stability. Ethical practices in procurement and sales also foster positive long-term relationships with customers and support business sustainability. Companies that prioritise ethics have a competitive advantage because they can easily gain customer loyalty and trust. In today's society, where consumers are increasingly aware of social responsibility, the application of business ethics is a determining factor for long-term success and competitiveness in a dynamic market.

Retailers are advised to comply with legal requirements and apply moral values such as honesty, openness, and equality in every aspect of their business operations to maintain their brand and win the hearts of customers. Companies must avoid immoral behaviour such as hoarding goods and ensure that consumer data is protected in accordance with privacy laws. Regular training and the creation of company regulations that uphold business ethics principles are recommended to increase ethical awareness and legal compliance. Companies can build strong and lasting relationships with clients and support business sustainability amid fierce competition by incorporating ethical and legal practices into their business plans.

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