



Luxury & CSR

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Corporate Social Responsibility (CSR) has become one of the most frequently discussed subjects by politicians, businessmen, scholars, or economists. Global warming, social unrest, and natural catastrophes have raised concerns about the actions of companies worldwide. Luxury brands, on the other hand, until recently, seemed to have lived unaffected by the subject. However, even the luxury sector has witnessed transformations. It is no longer only reserved for the top 1% of society¹, and with masstige and the spread of luxury consumption in emerging markets, its impact has also grown. Consequently, luxury brands are more and more targeted when it comes to assessing and evaluating their activities and responsibilities when it comes to CSR matters.

This study aims at understanding how luxury brands (focusing on personal client goods) are adapting to these requirements and what are benefits they draw from doing so. As sustainability in luxury remains a rather unexplored topic in scientific studies, a qualitative methodology appeared more relevant to get deep insights into the phenomenon.

This white paper is a summary of major findings and insights from and for luxury actors.

Please do not hesitate to contact us if you wish to evaluate your CSR strategy or if you have any questions regarding this study: info@semioconsult.com.

¹ Cécile Lochard and Alexandre Murat, *Luxe et développement durable : la nouvelle alliance* (Paris : Eyrolles-Éd. D'Organisation, 2011)

What is CSR?

In 1987, The World Commission on Environment and Development (Brundtland Commission) defined sustainable development as a “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

Since 1987, sustainability has evolved and become a global concept. In today’s context, we discuss Corporate Social Responsibility (CSR) to describe the potential positive actions companies could do for communities and the fact that they would include environmental and social impact in their business decisions.

Luxury & CSR – An Oxymoron?

The two fields may seem opposite as luxury is the continuous pursuit of absolute beauty, quest for perfection and appreciation of knowhow and culture. Overall, it is associated with conspicuous consumption and a need for a lot of resources (raw materials, craftsmanship, complex supply chain...) which is contradictory. However, there are more similarities than one might think, as Luxury is ontologically defined with characteristics consistent with the concept of sustainability.

It is noteworthy to see the common and diverging features:

Common Features	Diverging Features
<ul style="list-style-type: none">• Quality• Durability• Rarity• Rejection of the disposable• Simplicity (real luxury)• Savoir-Faire• Craftsmanship• Pioneering• Sense of place and time• Respect of the materials and the people	<ul style="list-style-type: none">• Materialism• Exclusivity (social exclusion)• Excessive pricing• Elitism• Futility (need vs wants)• Ostentation• Use of rare materials• Secrecy• Ethics of waste

In the past decades the Luxury industry has taken a new turn which changed these ancestral values. Luxury massification, or “Mass-tige” (a combination of mass market and prestige), occurred when a wider number

of clients became part of the target market. With up to 98% of the luxury market² made of “Accessible Luxury” counter-nature features emerged, which eventually endangered the craftsmanship, heritage, and creativity of the Maisons. The major ones are related to:

- **Increase in production:** having more clients means higher volumes of products and in diverse areas, putting pressure on raw materials and driving some actors to relocate their production in countries where employees cost less.
- **Logistics:** with a global clientele the luxury industry handles complex supply chains and distribution networks, while production time is always more and more challenging.
- **Communication and marketing:** CSR in luxury is a quite tricky subject. Luxury houses have decided so far not to communicate about their efforts as their image is key and being accused of greenwashing could be devastating.

Growing CSR Pressures on Luxury Companies since 2015

The adoption of the United Nations Sustainable Development Goals (SDGs) in 2015, embraced by all member states, outlines a 2030 agenda for sustainable development. They serve as a guiding framework for companies, which are expected to either align their strategies with these objectives or, at the very least, work diligently towards them.

A significant shift is underway in the legal landscape, with both national and international laws exerting a higher weight and ever-increasing pressure. Laws on energy usage, anti-wastage, use of chemicals, and production standards are evolving, and companies (especially big-size firms) must comply more and more. This trend has placed a growing compliance demand on companies, particularly large corporations.

Besides, it is now mandatory for companies to report on aspects of their activities including policies, practices, and environmental and social engagement goals. The audience for these reports is extensive, including investors, clients, competitors, and employees. Expectations from this diverse readership are progressively on the rise, and companies that fall short of disclosing their CSR activities face mounting criticism.

² Cécile Lochard and Alexandre Murat, *Luxe et développement durable : la nouvelle alliance* (Paris : Eyrolles-Ed. D'Organisation, 2011)

Several sector-specific labels and alliances have then emerged, all having some significant impact on the luxury sector. Their primary objective is to enhance the transparency and sustainability of sourcing and production activities, e.g. The Kimberley Process, The Responsible Jewelry Council, Fairmined, or the Fashion Pact.

Luxury firms are also experiencing evolving demands from their clients. Transparency and traceability have become primary concerns, as these companies have faced criticism for their lack of transparency in the past. Sociological trends like the circular economy also impact luxury consumption, e.g., the market for secondhand luxury goods which is projected to reach €50 billion by 2025³.


Finally, the changing landscape extends to the workforce as well. "Purpose-driven businesses are winning the talent war," according to the Positive Luxury report. While luxury firms have always held an allure for employees, emerging trends indicate that younger generations seek different attributes in their job choices, including inclusivity, well-being, and positions that align with a meaningful purpose.

Positive Impacts of CSR on the Luxury Industry



In the world of luxury, the relationship with clients is characterized by their strong attachment to traceability. While they may not actively seek out "green" products, clients in the luxury sector care about the transparency of the supply chain, viewing it as proof that their purchases are different from

³ Joël Hazan and others, *Luxury Outlook 2022: Advancing as a Responsible Pioneer* (Boston Consulting Group & Comité Colbert, 2022)



fast fashion. They are also inclined to support causes that identify with them. Younger clients prioritize experiences, well-being, and health, factors that significantly influence their purchasing habits. They opt for quality over quantity, showcasing a preference for buying less but better. Furthermore, they actively seek uniqueness and exclusivity. However, their loyalty tends to be less steadfast, making them more susceptible to the impact of scandals or negative press.

Within the area of employee engagement, Corporate Social Responsibility (CSR) offers a multitude of benefits that hold relevance. This includes fostering a workplace that provides support, creates a positive impact on society, and enhances the overall well-being of employees. These aspects have a profound impact on employees, especially among the younger generation.

When it comes to the supply chain, sustainability plays a pivotal role in regaining control. This proactive approach serves to prevent potential future scandals and ensure compliance with evolving legal requirements. Sustainability also encompasses a broader transformation process aimed at conserving resources, improving sourcing practices, selecting components that promote circularity, and reducing material consumption.

In their interactions with governments and society, luxury firms are taking the lead in sustainability efforts. This enables them to cultivate strong relationships with decision-makers and regulatory bodies. A notable example is F.H. Pinault's appointment by President Macron to initiate the "Fashion Pact," presented at the G7 summit to heads of state. This pact outlines crucial guidelines for addressing global warming, restoring biodiversity, and protecting the oceans. Luxury companies have also directed their attention to education to safeguard and restore skilled craftsmanship. The demand for specific, refined skills is high, and luxury firms have encountered challenges in finding suppliers for such products as these crafts have gradually declined.

From the perspective of investors and shareholders, CSR is an area of increasing importance. Not only is it in response to a growing regulatory framework, but it is also grounded in the demonstrated fact that companies compliant with CSR principles tend to be more risk-averse, transparent, and focused on long-term sustainability. Furthermore, their ratings on major financial platforms, such as the Carbon Disclosure Project rating, hold significant importance in the financial world.

CSR in general brings about three main advantages. First, it leads to better choices and management of energy, opting for more durable and efficient solutions. Then, it fosters loyalty and productivity among the employees, encouraging circularity and a second-hand market, which in turn results in better margins on products and new revenue streams.

CSR as a Pioneering Standpoint

One of the most significant benefits for luxury houses is the intrinsic connection between excellence and the luxury DNA. Large luxury houses are actively pursuing leadership in the realm of Corporate Social Responsibility (CSR). Notably, Kering and Chloé have taken pioneering steps by introducing Impact Valuation tools. These tools serve a dual purpose: one is to assess the negative impact of their operations on the environment, and the other is to measure the positive societal impact. The luxury sector is also deeply invested in exploring the secondhand market and circularity, with some brands acquiring reselling platforms and others developing their own programs.

Luxury houses are actively engaging in powerful partnerships, which take on two key forms: vertical collaborations, where major luxury brands join forces with tech startups focused on precise materials research, and horizontal partnerships that bring together major players in the industry to address various aspects such as traceability and impact valuation.

Another significant aspect is the preservation of the sustainability of their business. Embracing a responsible path not only contributes to immediate positive impacts but also serves as a robust long-term strategy. This includes initiatives like restoring natural habitats, environmental conservation, promoting social causes, and safeguarding the resources from which a company sources or produces.

Innovation is another focal point, and luxury brands are charting various avenues. For instance, LVMH is collaborating with other brands to create a robust traceability tool through blockchain technology known as Aura Blockchain. Metaverse and NFTs (Non-Fungible Tokens) are anticipated to be harnessed for predicting quantities and collections. Material innovation is an area witnessing substantial investments, with brands like Kering directing significant resources toward the development of sustainable, high-quality materials for the future.

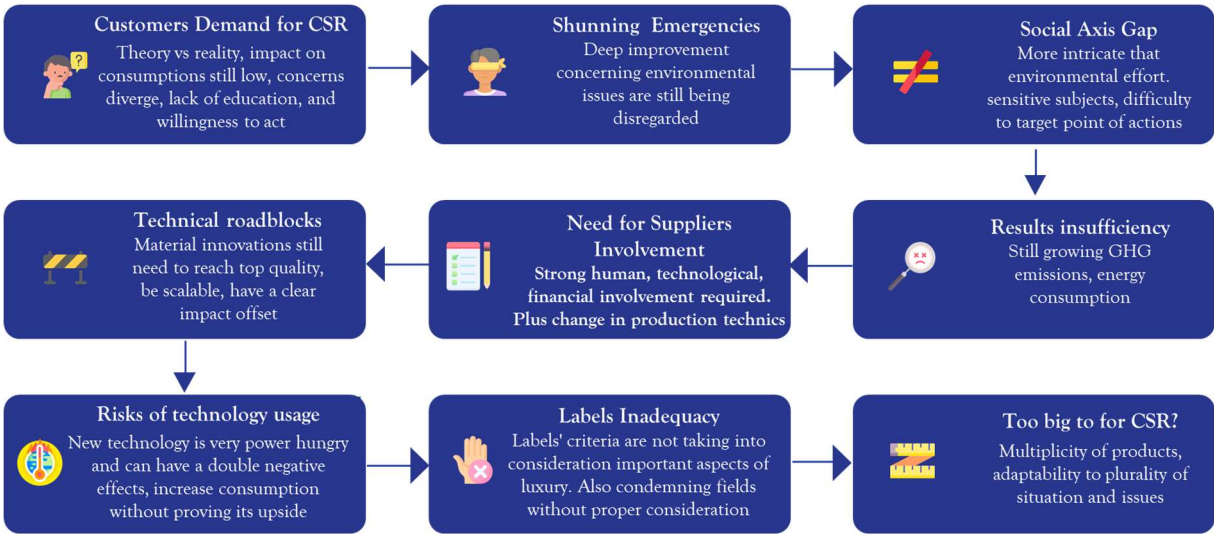
Furthermore, CSR offers luxury brands an opportunity to reaffirm and enhance their core. In a market influenced by mass-market products, CSR allows luxury to advocate for higher quality and durability. Products that stand the test of time and maintain their integrity over the years become emblematic of true luxury and are inherently more sustainable than fast fashion alternatives.

Embracing responsibility also offers luxury a way to craft a new and improved image. The luxury sector has sometimes been perceived as elitist and disconnected from broader social and environmental concerns. To counter this perception, it has become almost obligatory for luxury brands to undertake

responsible practices and not be viewed as laggards in the sustainability movement. They need not be flawless, but the general perception is that they must, at the very least, make a genuine effort in this direction.

Critics and nuances

The effects of CSR on the luxury industry are remarkable. However, some criticism can still be made and sometimes people have expressed reserves.



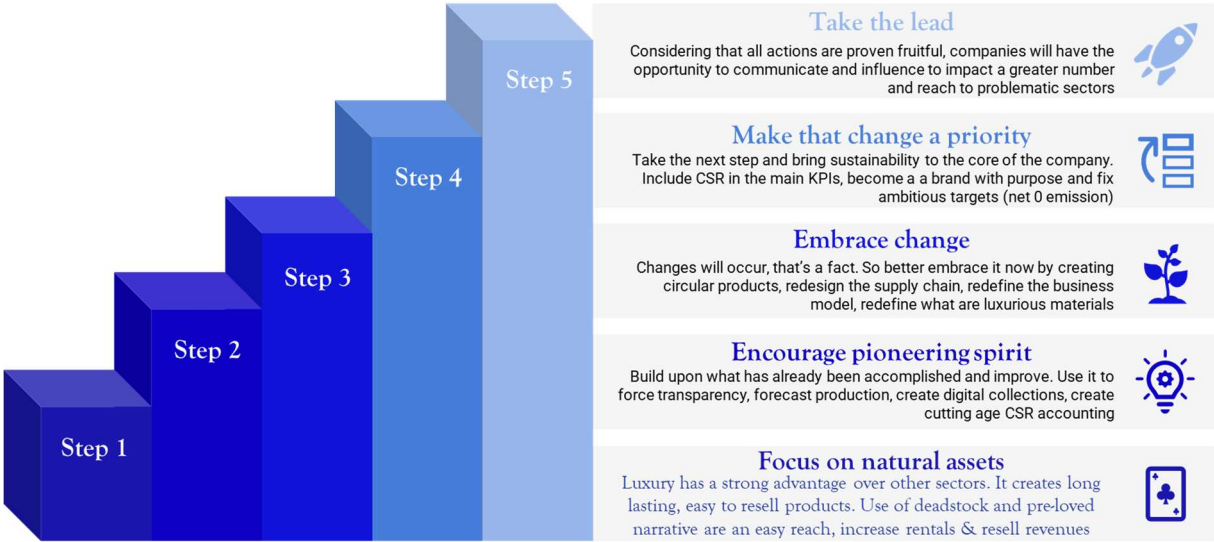
Conclusion

There are convenient intersections between luxury and Corporate Social Responsibility (CSR) that can be effectively leveraged. Initiatives like launching sustainable products, embracing the secondhand market, utilizing deadstock materials, and offering rental services present easy and accessible opportunities for luxury brands. The pioneering spirit that characterizes luxury aligns seamlessly with the pursuit of excellence and innovation. Encouraging and promoting these qualities should be a central focus for the industry.

In this era of fast-paced change, the luxury sector holds the power to proactively engage in transformation and stay ahead of the curve. Embracing change is not merely an option but a necessity.

To be truly effective, these changes must be taken seriously and placed at the forefront of strategic decision-making within luxury brands.

Furthermore, luxury has the potential to take a leadership role in specific areas, provided their actions yield beneficial results. By doing so, the sector can influence and inspire change across other industries.



** Methodology used for this Study*

15 interviews were conducted with top managers in French Luxury Houses in-between March and June 2023. Each interview lasted about 1.5 hours and was conducted in a face-to-face format.

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