

MARKETING

## Luxury invests in values, future through sustainability

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*Kering is working with the London College of Fashion on sustainability coursework. Image credit: Gucci*

By SARAH JONES

VENICE, Italy – Sustainability has become a necessity rather than an option for luxury, changing how brands approach all aspects of their businesses.

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During a panel at the Financial Times Business of Luxury Summit on May 21, speakers explained consumers' growing expectations for responsible supply chains and ecologically friendly production. The luxury business is often a trendsetter, allowing high-end companies to have an impact that extends beyond their own operations.

"If you are thinking about the most important issue of our century, loss of biodiversity, climate change, resource scarcity," said Marie-Clarie Daveau, chief sustainability officer and head of institutional affairs at **Kering**, "if we want to tackle this kind of an issue, it's not an option, it's really a necessity to implement sustainability.

"When you are in luxury, you set the trends, so it's also very key to show that you can be successfully in the business and still pay attention to people and the planet," she said.

### CSR commitment

From Kering's point of view, luxury is not just beneficial for the environment and people. It is also good for business.

Last year, the conglomerate launched a new sustainability strategy based on three pillars, focusing on caring for the environment and people, collaborating to achieve goals such as gender parity and creating new ways of doing things.

Following the debut of its Material Innovation Lab in 2013, the company is planning to drive sustainability in jewelry through similar experimentation.

The conglomerate is working to reduce its carbon footprint by 40 percent by 2020, and it aims to be PVC free.



*Artificial materials will likely supplant traditional ones in the future. Image credit: Kering*

Kering has seen more customers in its boutiques asking questions about the origins of products, wanting to know about its animal welfare and raw material sourcing.

Sustainability is also at the heart of **Gabriella Hearst's** eponymous fashion label. The rancher/designer opted for a direct-to-consumer approach rather than a wholesale distribution to keep production small.

Ms. Hearst is committed to cutting out plastic, and aims to be plastic-free by next April. The brand also ships some merchandise in compostable packaging.

Kering's Ms. Daveau noted that the private and public sectors need to work together.

While luxury labels are among the fashion industry's frontrunners in sustainability, these companies are facing challenges to achieve additional progress and impact.

A new report from the Boston Consulting Group and the Global Fashion Agenda finds that luxury brands improved their sustainability performance in the past year. Despite improvements in the overall fashion industry's sustainability, the report notes that there is still room for improvement.

The report suggests that brands collaborate with others in the industry to drive further sustainability ([see story](#)).

#### Digital disruption

In addition to embracing sustainability, luxury brands need to adapt to consumers who are increasingly digitally connected and global.

Chinese consumers are driving much of the luxury business' growth, and the market will soon account for 40 percent of sales.

Twenty years younger than luxury shoppers in markets such as the U.S., Chinese buyers are highly digital. Sebastien Badault, international director of luxury and fashion at Alibaba, noted that a greater portion of sales in China are made on mobile compared to Western markets.

These consumers are also highly aware of brands. They are able to name two times the number of beauty brands as those in the U.S.

However, despite this focus on digital, the store environment remains an important piece of the retail puzzle.

Digital is also changing the beauty business. According to Edgar Huber, global president of **Coty Luxury**, the rise of selfies has made consumers more focused on being photo ready.

While the increasing global connectivity in luxury opens up brands to more consumers, it has also presented threats from counterfeit goods and the grey market.

Unauthorized distribution of products on Amazon, also known as the "gray market," can be detrimental to any brand, but luxury accessories makers tend to be the hardest hit.

High-demand, high-price products in general are among the main targets for distribution on Amazon's gray market, but accessories have the largest ratio of third-party to first-party listings on the ecommerce site, according to a report from L2 titled "The Battle Against Unauthorized Sellers." Brands can protect themselves from harm from these unauthorized sellers by taking a more active role in how they, and Amazon as well, handle their relationship with third-party distributors ([see story](#)).

However, technology also offers opportunities to better protect brands' intellectual property. For instance, blockchain could be leveraged to help verify a product's authenticity.

"We work with governments because counterfeit can be sold online, but they're manufactured physically somewhere," [Alibaba's](#) Mr. Bedault said. "So we go with governments to go after counterfeiters and put them in jail, and we've done that many times in China in the past year.

"We have technology to be able to see where potentially they [are], because when you close the door, they try to go through the window, so we try to make sure we build the best technology," he said.

"It's a really complex thing, I think we've made major strides in the past few years, it's not 100 percent done, and might not be, but we work hard on getting rid of it."

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