

NONPROFITS

Are all the philanthropic and CSR budgets tapped out over COVID-19?

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Ralph Lauren highlights its contributions during the COVID-19 crisis. Image credit: Ralph Lauren

By DIANNA DILWORTH

COVID-19 is dominating philanthropic and corporate social responsibility (CSR) budgets this year, as luxury brands are left with less money to spend, allocating most of their charity resources towards entities responsible for research, causes and cures.

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While philanthropic budgets will go towards fighting the pandemic, allocated budgets will be smaller as the luxury market is likely to contract 20-35 percent this year, according to a newly updated report from Bain & Company.

"Remember that companies have a lot less money right now," said Milton Pedraza, founder/CEO at [the Luxury Institute](#), New York. "Kering and LVMH are carrying their employees on their backs right now, with stores being closed and online not being able to make up for the volume [that] they usually sell.

"Philanthropic budgets will be smaller because they are taking care of their budgets first and foremost," he said. "The immediate need is for COVID-19. This is the urgent issue. We have to deal with what is in front of us."



#LVMHJOINSFORCES

LVMH Joins Forces campaign shows how the luxury group is helping out during the coronavirus pandemic. Image credit: LVMH

COVID-19 support

As soon as the crisis hit, luxury brands across the spectrum scrambled to support efforts to fight the disease.

LVMH donated \$2.3 million and Kering \$1.1 million to the Chinese Red Cross Foundation to help with a medical supplies shortage in the Central Chinese city of Wuhan back in January.

When the crisis came to Europe, both companies turned factories into production lines for hand sanitizer and medical masks and donated more funding.

Bulgari also created hand-cleansing gels and provided funding to medical researchers.

Louis Vuitton donated N95 masks to hospitals in New York and also turned out its own face masks for those in need.

Moncler donated \$10.9 million for a new hospital in Italy.

Richemont donated \$1.4 million to COVID-19 causes.

Ralph Lauren, Herms, Armani, Gucci, Versace and Tiffany were among the companies to give money to medical causes and those supporting front line workers.

"Some of the companies have opted to donate for research," Mr. Pedraza said. "Companies are taking care of the immediate crisis and looking for the urgent thing to do.

"Meanwhile, other causes like women's rights and human trafficking will not have as much support right now as brands are allocating their budgets towards solutions for COVID-19, through the end of the year," he said.

Still, some companies stepped up to support abused women during lockdown, which was a time of increased threat for these victims.

For instance, Kering's Pomellato and DoDo jewelry brands donated \$109,000 to support efforts to stop domestic abuse in housebound Italy. The Pomellato brand is known for supporting women's causes.

"These companies are also very reasonable, I think they will do their best to commit to the entities they have committed to over the years, and they will continue to support them even if the donations are understandably smaller," Mr. Pedraza said.



Louis Vuitton has donated its resources to making masks to fight against covid-19. Image credit: Louis Vuitton

Causes that will not benefit

There will be winners and losers among beneficiaries.

While luxury houses are known supporters of the arts, they may have to cut back in these areas as budgets are

smaller and COVID-19 has created more tangible, human needs.

"When you see people don't have enough to eat, that tends to redirect brands into contributing to that as opposed to the arts, which is a great loss for society, but it is a question of survival of human beings versus other things that are nice to have," Mr. Pedraza said.

"Eventually, we will recover and we'll have rich, robust donations for the arts, but right now the focus is on human beings," he said.

But that will not happen anytime soon, as brands are looking at up to 35 percent decreases in revenues. Even the biggest heritage brands are in survival mode.

"We are all tightening our belts right now," Mr. Pedraza said.

"The money has to come from somewhere," he said. "You can't burn from whatever resources you have. It will take 12-24 months before any additional contributions are committed.

"It is a brand new world. It's as if someone has sliced off a third of the pie, we are all in survival mode."



Kering's Balenciaga brand is producing up to 7,000 surgical masks each week for distribution to French hospitals. Image credit: Balenciaga

Private sector role

The world needs luxury brands to help end the fight against COVID-19.

"They have allocated resources, they filled in where governments didn't," Mr. Pedraza said.

"Governments have failed us at many levels, but entrepreneurs and the private sector have taken on the role of government," he said.

The private sector can likely help model what a post-COVID-19 world looks like as it imagines scenarios for testing employees, implementing social distancing measures and hygiene practices, and providing safe workplaces.

"They have done an admirable job in really responding to this virus," Mr. Pedraza said.

"The luxury industry and wealthy people have done much better this year than they did in 2008 and it makes them good corporate and individual citizens," he said.