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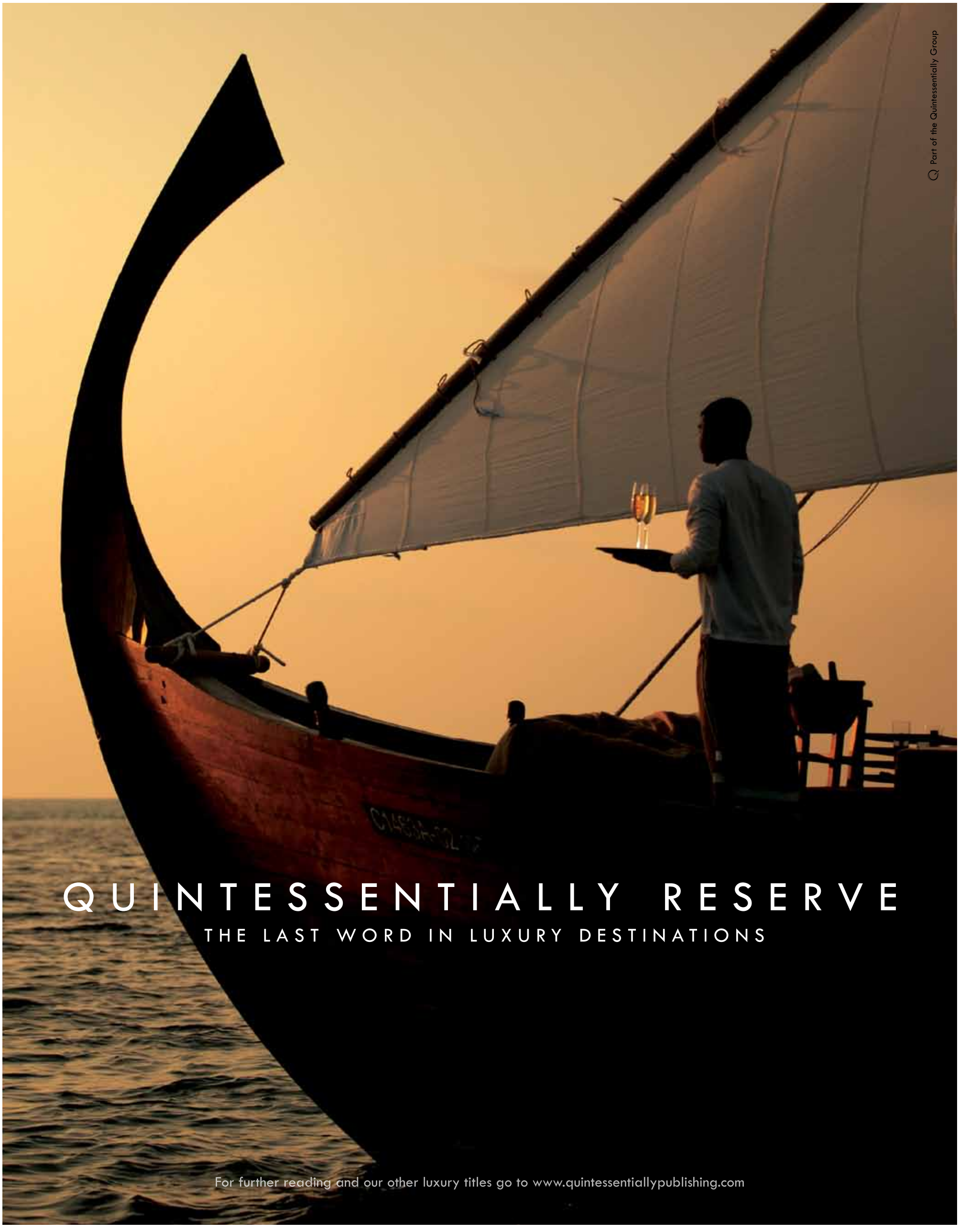
SUSTAINABLE LUXURY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Consumption is a key challenge to maintaining global environmental balance

SIMPLY THE BEST IS NO LONGER SIMPLE

MARKETING Luxury brands exist mainly to confer on their owners a feeling and an image of success. As the definition of success changes, so do our expectations of luxury, writes **Anthony Kleanthous**

Increasingly, successful people want to show that they understand and care about the environment and other people. Luxury products are expected not only to work beautifully and look fabulous, but also to be environmentally and socially responsible.

Luxury may be defined as the best of any given product or service category. Whatever you might look for in a car, a watch, a bar of chocolate or a holiday, the luxury versions give you more. They are the best-designed, best-made, highest quality and most expensive options available. They deliver the highest possible amount of customer satisfaction.

What satisfies luxury consumers – their perceptions of good quality and good design – varies greatly across the world, and has been evolving over time. The global luxury industry has sometimes struggled to keep up, but has recently been challenged and rejuvenated by a new trend for authenticity and sustainability.

The luxury industry has been globalising at a furious rate. Small, independent, niche western brands have been snapped up by multinational corporations, such as LVMH (Moët Hennessy - Louis Vuitton) and PPR, and turned into huge global brands in their own right.

Last year, global sales of luxury products reached £140 billion. Sales are growing fastest in economies with rapidly expanding middle classes, particularly China, which is about to become the world's largest luxury market. Already-wealthy Asian countries have long had a love affair with luxury.

With this growth have come growing pains. Counterfeiters have learned to make astonishingly convincing fakes, remarkably cheaply, and to sell them all over the world. There have been scandals over poor labour standards, blood diamonds, dangerous and dirty gold-mining practices, the trade in endangered species, corruption, inappropriate advertising messages, and anorexic models.

Luxury brands have been accused of fuelling fast fashion, driving conspicuous consumption and tightening tensions between rich and poor. In Beijing, the authorities have gone as far as to ban the use of billboards to advertise luxury products and services, because such advertising is, according to Beijing's mayor, "not conducive to harmony". India's prime minister has called on the rich to "eschew conspicuous consumption" and slapped a 114 per cent rate of tax on luxury goods.

In mature western markets, baby boomers and young consumers have driven a growth in "casual luxury", preferring designer T-shirts to Savile Row suits. We have fallen out of love with conspicuous consumption and in love with luxurious experiences, such as spa treatments and luxury holidays.

> We aspire to elegance, simplicity and spiritual reconnection more than to traditional luxury items

Wastefulness is frowned upon, so Range Rovers are out and hybrids are in. The roofs of the nation's rich bristle with photovoltaic panels and wind turbines. In a world of overwhelming clutter and rush, space and time have become luxuries in their own right; we aspire to elegance, simplicity and spiritual reconnection more than to traditional luxury items. We are gradually relearning the importance of buying fewer, better things and taking pride in them for longer.

In short, luxury is becoming less exclusive, less wasteful and more about helping people to express their deepest values. Those values now include a heavy dose of environmental and social responsibility.

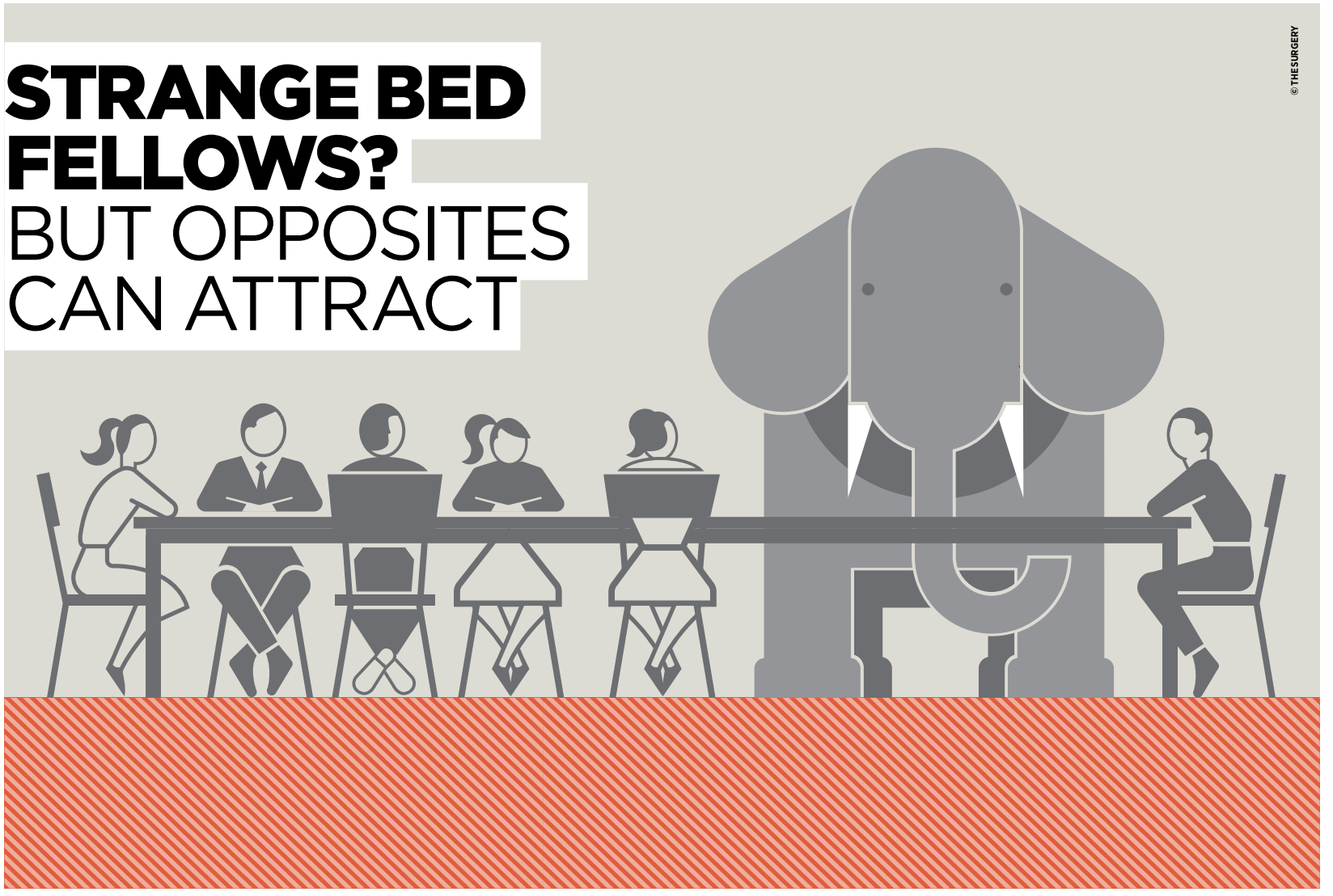
The great luxury houses were initially slow to respond to these changes and even slower to lead them. However, the industry has now launched or signed up to a number of initiatives to clean up its supply chains, including the Council for Responsible Jewellery Practice, the Kimberley Initiative (to eliminate the trade in conflict diamonds), and the United Nation's Global Compact.

Many are working with designers to develop sustainable fabrics and materials, and a few have just begun to embed sustainability in management practices across core business functions.

For example, French house PPR, (home to Gucci, Puma, Bottega Veneta, Yves Saint Laurent and a string of other luxury marques), now rewards its top executives for meeting environmental and social goals. It recently launched a new sustainability initiative called PPR Home – named after Jean Yves Bertrand's 2009 documentary, *Home*, which PPR financed – to promote "a new business paradigm, whereby the attainment of sustainability is driving creativity and innovation, and vice versa, to build businesses that deliver financial, social and environmental returns".

The rise of sustainability has been the first, and perhaps greatest, cultural shift of this millennium, and it poses huge challenges and opportunities to brand owners. The long-term success or failure of the luxury industry will depend largely on the ability of initiatives like PPR Home to foster deep and radical change, both in the nature of products and services being offered, and the willingness of middle-class consumers to embrace them with their hearts and their wallets.

STRANGE BED FELLOWS? BUT OPPOSITES CAN ATTRACT



BUSINESS Focusing on more than the bottom line makes sense for luxury brands and an increasing number are taking account of a growing demand for sustainable products. But the business case for sustainability is only slowly rising up the corporate agenda as companies face sometimes conflicting, short-term demands in a testing economic climate at home and abroad. **Mike Scott** reports

■ Luxury and sustainability are not concepts that seem to belong together. Luxury is all about conspicuous consumption, while sustainability is about modifying behaviour to reduce our impact on the planet. While luxury is more, sustainability is less.

Many luxury brands – by their nature exclusive and relatively small companies – have seen environmental issues as someone else's problem. In addition, many make great play on their history and the fact that they have created their products in the same way for decades, if not centuries. As a result, they can be reluctant to change the way they operate.

"Sustainability is not yet at the top of the agenda for most luxury CEOs," says Christopher H Cordey, chief executive of WholeBeauty and founding director of the Sustainable Luxury Forum. "However, things have changed in the last few years." Luxury brands are coming round to the idea that their products are "not of prime necessity" and that they therefore have an extra responsibility to contribute something more to society, and this beyond mere philanthropy.

They are also subject to the same increasingly strict regulations that other parts of the economy face in relation to issues such as climate change and use of resources. Many luxury brands, particularly in cosmetics, wine and spirits, and jewellery, rely on the natural world for their raw materials and are becoming more aware that to thrive they need to look after the ecosystems which are home to their supplies.

Furthermore, luxury brands have not been immune to the pressures of globalisation and many have outsourced their production to lower-cost countries where they do not have the same oversight of working conditions compared to when production is closer to home.

REPUTATION

All of these developments create potential pitfalls for brands. "Reputation is very important for luxury brands," says Seamus Gillen, a senior adviser at the Reputation Institute. "Intangible factors constitute a far bigger proportion of the total value of luxury goods than other products. Some companies are in denial, but most businesses realise their success depends on stakeholder support."

The rise of social media has increased consumer awareness and pressure on brands. "This new radical transparency has forced brands to tackle the issue in a more proactive way," Mr Cordey adds. "Luxury customers have the same concerns as everyone else."

High-end brands used to feel insulated from the rest of the economy to a certain extent because of the nature of their customers, but social media has turned the conventional rules on their head.

Issues such as blood diamonds, animal rights in the fur trade, animal testing in cosmetics and sweatshop labour for the fashion industry have the potential to propel a luxury brand on to the front page for all the wrong reasons. "And that is something no luxury CEO wants," Mr Gillen says. "No one can assume they are unaccountable any more."

This concern has led to the establishment of initiatives such as the Responsible Jewellery Council, which is "committed to promoting responsible ethical, human rights, social and environmental practices in a transparent and accountable manner throughout the industry from mine to retail".

According to Mr Cordey this focus on all aspects of the luxury value chain is crucial and the luxury sector has a responsibility to try to lead the way because of the totemic nature of its products.

"Luxury brands have very large advertising budgets. If they can incorporate sustainability messages into their advertising it is very powerful," says public relations guru Lynne Franks, who now focuses on encouraging companies to implement sustainable business practices aimed at empowering women. "However, you have to be really careful that it is not all greenwash. If you are going to bring sustainability into your marketing, you really have to be able to substantiate it," she says.

> Sustainability is not yet at the top of the agenda for most luxury CEOs

But the sustainability agenda is also a real business opportunity. "Being a luxury business and trying to be sustainable attracts attention because it moves away from the stereotype of what green is and also of what luxury is," says Debra Patterson, the green ambassador for London's Savoy Hotel, which introduced a host of green measures when it underwent a three-year refit. "You might ask why those who can afford luxury products would be interested in sustainability – but they are," she says. "There is often money to be saved from introducing sustainability issues, too."

At first glance, luxury and sustainability may not sit comfortably together

SUSTAINING ITS NATURAL ROOTS

CASE STUDY Fragrance specialist Givaudan has taken steps to secure supplies of the ingredients that are vital for its business, as **Mike Scott** discovers

Givaudan, the fragrances and flavours company, is a key player in the perfume industry with many of its raw materials rooted in the natural world.

"If we want to have a long-term business model that is sustainable, we need to safeguard our crops," says Rémi Pulverail, head of natural materials at the company, which launched its Innovative Naturals Programme in 2007, at a time when sustainability was not very fashionable.

With a history spanning two centuries, Givaudan sources more than 200 pure and natural raw materials from around the world. It is not a huge company, but in the esoteric world of fragrances and flavours it is one of the biggest buyers of crops, such as sandalwood, tonka beans and benzoin. These are often concentrated in underdeveloped communities in countries such as Madagascar, Haiti, Venezuela and Laos.

The viability of many of the company's crops is under threat from factors ranging from a shift to the cultivation of food crops, the spread of tourism and the difficulty of getting farm workers to stay on the land.

In the most recent additions to its programme, Givaudan has launched ethical sourcing initiatives to strengthen the sustainable supply of ylang ylang from the Comores Islands and vanilla from Madagascar. The company is investing in new stills and technical support on Moheli, the smallest of the Comores Islands, to improve the growing of the essential oil, the distillation process and the energy efficiency of production. It is also investing in supplies for local schools to help expand the provision of education on the island.

An earlier project that helps growers of benzoin in Laos also financed the building of a secondary school, which meant that families no longer have to move or send their children to the cities to get secondary education. "This rural exodus not only threatens the fabric of social cohesion, but eventually the future of benzoin production," the company points out.

"This is not charity," Mr Pulverail adds. "If we want to keep our key crops alive, we have to get involved."

Sustainable hotels are staying the course

Left: Radisson Blu Resort & Thalasso, Djerba, Tunisia, is located directly on the beach

Below: Radisson Blu 1835 Hotel & Thalasso, Cannes, France, is situated by the elegant harbour

Check in at the stunning new Missoni Hotel in Kuwait and you'll find the experience rather unusual, but certainly quicker and easier than the familiar arrival ceremony of waiting at the reception desk to sign your name and write your address on a card

As you relax in the lounge, the check-in staff come to you. They'll ask you to sign in with a wifi-enabled tablet PC and moments later you'll be shown up to your room. It's a procedure that isn't just better for guests, it's better for the environment too.

"It means that we we're not printing any check-in cards which saves paper and, in the near future, we might not even be printing any check-out invoices either," says Inge Huijbrechts, director of responsible business, at the Rezidor Hotel Group, which manages the Missoni hotels in Kuwait and Edinburgh, as well as many other hotels around the world.

This is just one of the latest examples of high-end hotels addressing an increasingly important issue: can you enjoy a luxury hotel experience and still be green? In other words are five-star service, opulent surroundings, relaxing spas and excellent food incompatible with protecting the environment?

For Rezidor Group, the company behind such well known hotel brands as Radisson Blu, the answers to such questions has been a resounding 'yes'. But satisfying these two very different aspects of the hotel business, still considered by many to be mutually-exclusive, has required imagination and a commitment by the whole company.

To take another example, which is less obvious to guests but has an even greater impact than paperless check in and out, at the Radisson Blu Resort & Spa, Malta Golden Sands, balcony doors are double-glazed with tinted glass to limit heat from entering the rooms. Hollow bricks and roofing slabs minimise heat loss during the winter and, more importantly, greatly reduce heat penetration during the summer months.

"The important thing is that none of this affects the guest experience in anyway – guests would never notice that these features exist and that's very important for us because as a luxury brand we need to ensure that the quality standards of all our hotels are always maintained," says Ms Huijbrechts.

The hotel's building management system senses when no one is occupying a room and then automatically allows the room to fluctuate towards the natural ambient temperature by controlling the air conditioning system. It will also manage the boiler temperature and boiler flue gasses, to minimise air emissions.

"Water is very scarce in Malta, because of the density of the population, so we have various water treatment technologies in place: a sea water reverse osmosis installation which produces top-quality drinking water, a sewage treatment plant and a water catchment area on site," she says. "The water from the sewage treatment and the catchment area go to irrigation. Excess water is even delivered free of charge to local forestation projects."

> Are five-star service, opulent surroundings, relaxing spas and excellent food incompatible with protecting the environment?

For one of the largest hospitality groups, with 317 hotels and resorts in Europe, the Middle East and Africa and plans to open 100 more over the next few years – nearly one every week – the challenge has been to bring all staff on board, wherever they work.

"All our employees are specially trained and every hotel has a responsible business champion. Above them are the regional champions and I co-ordinate this network," she says. "We allow each hotel and each member of staff to take control and empower them to do what they can. But it's also important to lead from centre so we set targets and standards and share best practice."

In 2007, the Radisson Blu Hotel & Spa Cork committed itself to reducing its impact on the environment by employing a chief engineer to implement an environmental management programme which has been taken forward by the staff themselves. A new waste, water and energy management training schedule was put in place with all staff introduced to the new regime.

Their commitment and enthusiasm has meant that the hotel and spa has won a gold certification from the Green Hospitality Award scheme in Ireland for their efforts, as well as several other environmental award nominations from organisations, including the Sustainable Energy Authority Ireland, the Irish Hospitality Institute, Chambers Ireland, 2010 Green Awards, and Greenme.ie.

Many of the ingenious green innovations introduced by Rezidor go unnoticed by their guests, but not necessarily by those living near the hotels. The Missoni in Edinburgh, for instance, has teamed up with the nearby Radisson Blu to co-operate on an organic waste recycling scheme which sees compostable food waste used in farms outside the city. Organic waste collection is organised by the local branch of the Cyrenians, a charity which supports homeless and vulnerable people.

In Egypt, as is the case with most cities, El Quseir is facing a huge problem of discarded plastic bags and food packing. So staff at the Radisson SAS Resort, El Quseir, have organised a monthly clear-up campaign. Local children have also been involved. Not only does this mean that the environment is cleansed of this ugly pollution, but it ensures that the next generation is learning about the importance of looking after the beautiful, rugged landscape that surrounds them so that future generations of visitors can also enjoy it.

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GIVING THE ENVIRONMENT A SPORTING CHANCE

SUPPLY CHAIN When consumption is under attack as a key challenge to maintaining environmental balance, how is a consumer brand leading the charge on transparency and environmental reporting? **Felicia Jackson** asks Jochen Zeitz, chief sustainability officer of luxury group PPR and executive chairman of sports lifestyle brand PUMA

One of the great challenges in addressing sustainability issues is that, while it is clear the world is overusing its resources, it is less clear what specifically should be done. Jochen Zeitz believes that transparency about how products are designed, made and distributed is the most important step towards sustainable business.

He believes that everyone can contribute to a more sustainable life and that luxury brands, which are all about desirability, have a tremendous opportunity to change consumer behaviour. "We need global solutions but we can't wait for them," he says.

Working with PPR Home, PPR's sustainability initiative, PUMA has launched an environmental profit and loss (EP&L) account to address this challenge. The EP&L attempts to put an economic value on the impact of the company's greenhouse gas emissions and water use. Working with PricewaterhouseCoopers and Trucost, the company has reported that the cost of these external impacts is equivalent to €94.4 million (£84 million) per year. By measuring these impacts, the company can then manage them more efficiently.

It is how that cost is broken down that is noteworthy, however, with only a small percentage of its impact being under the company's direct control. The direct ecological impact of PUMA's operations is equivalent to €7.2 million (£6.4 million) with an additional €87.2 million (£77.5 million) falling across four tiers of its supply chain. Of the total, PUMA's direct operations accounted for 15 per cent of the overall greenhouse gas emissions (GHG) analysed and 0.001 per cent of water consumption.

Clearly, the bulk of its ecological impact lies in the supply chain and, unsurprisingly, the largest impact is at the greatest distance, where raw materials are garnered through the use of natural resources, from the water used for growing cotton to cattle ranching for the supply of leather. This part of the supply chain accounts for 36 per cent of the total GHG (€16.7 million or £14.8 million) and 52 per cent of water consumption (€24.7 million or £22 million).

What makes the EP&L so exciting is that PUMA has taken a significant step away from addressing environmental concerns as a purely corporate social responsibility (CSR) issue and made it one for the finance team. The EP&L can be integrated into overall profit and loss, providing a basis for embedding reliance on ecosystem services into business strategy.

IMPACTS

Mr Zeitz says: "The business implications of failing to address nature in decision-making is clear: since ecosystem services are vital to the performance of most companies, integrating the true cost for these services in the future could have significant impacts on corporate bottom lines."

What the EP&L does is provide a strategic framework that any brand within the PPR network, or elsewhere, can use to address costs within its operations. It is a tool that allows companies to visualise their impacts and then manage them. It is important to note that it is not replacing other CSR activities by other brands. These range from social accountability standard SA 8000 certification for Bottega Veneta and Gucci, which also uses FSC (Forest Stewardship Council) certified paper for its packaging, to certification of the company's main logistics platform LGI (Luxury Goods International).

SAVINGS

It is a tool which is expected to provide the basis for a growing strategic framework. For any business, strategic planning requires an understanding of how prices may change and how that might affect the bottom line. By looking at the numbers, PUMA can see where energy use, emissions or water consumption are costing the most and, therefore, where it is most likely to find efficiencies – and that means cost savings.

Mr Zeitz says that these measurements of environmental profit and loss are just the first stage of the journey for PUMA. It is already working with tier-1 suppliers to work sustainably and plans to require these suppliers to push PUMA standards further down the supply chain. The goal is to influence change all the way along the line.

The EP&L has flaws. It does not address the disposal of goods, which is a growing problem as the cost of landfill increases and availability decreases. It is a work in progress, with a broader evaluation, including impacts on land-use, waste and acid rain, due later in the year. The group also hopes to integrate reporting on social and economic impacts, from the creation of jobs and tax contributions to philanthropic initiatives and other value-adding elements.

Most important, however, to Mr Zeitz is the opportunity provided by the EP&L to act as a catalyst for change. He believes in business as a force for better, saying: "Whether you look at it as a responsibility or as an opportunity, government and corporations need to work together." By enabling the company to truly understand the impact of its actions, by enabling that framework to be used by others and by integrating the real cost of our actions into economic activity, we could be facing a cultural shift in the way in which we do business. And, if that is the case, understanding those costs is going to become an integral part of doing business.

> Environmental profit and loss can be integrated into overall profit and loss, providing a basis for embedding reliance on ecosystem services into business strategy

PUMA is replacing cardboard shoeboxes with a reusable, eco-friendly bag

HUMAN BEINGS ARE CURRENTLY USING THE CAPACITY OF **1.5 planet Earths**

Source: WWF

WE WILL NEED THE RESOURCES OF **2 Earths** BY 2020

Source: WWF

THE WATER FOOTPRINT OF A CAFFÈ LATTE, WITH SUGAR, WILL BE **200 litres** BY 2020

Source: WWF

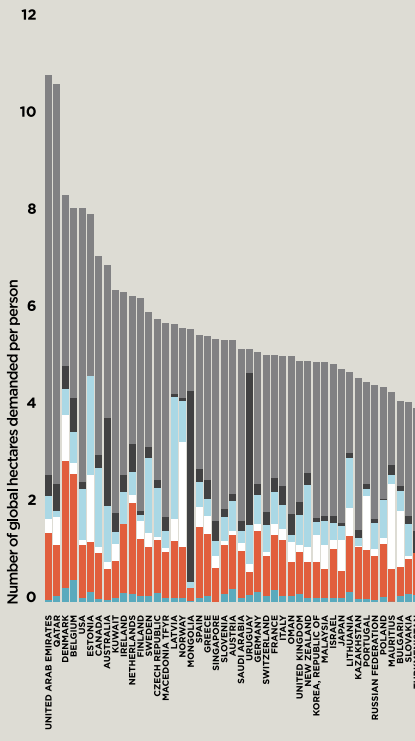
TOYOTA'S PRIUS HYBRID HAS A LIFETIME CARBON FOOTPRINT OF **44 metric tons** COMPARED TO THE JAPANESE MANUFACTURER'S TOYOTA 4RUNNER SUV WHICH HAS A FOOTPRINT OF 118 METRIC TONS

Source: Toyota by Kreider & Associates

2.2 lbs OF BEEF IS RESPONSIBLE FOR THE EQUIVALENT AMOUNT OF CARBON DIOXIDE EMITTED BY A CAR EVERY 155 MILES AND ITS PRODUCTION BURNS ENOUGH ENERGY TO LIGHT A 100-WATT BULB FOR NEARLY 20 DAYS

Source: National Institute of Livestock and Grassland Science

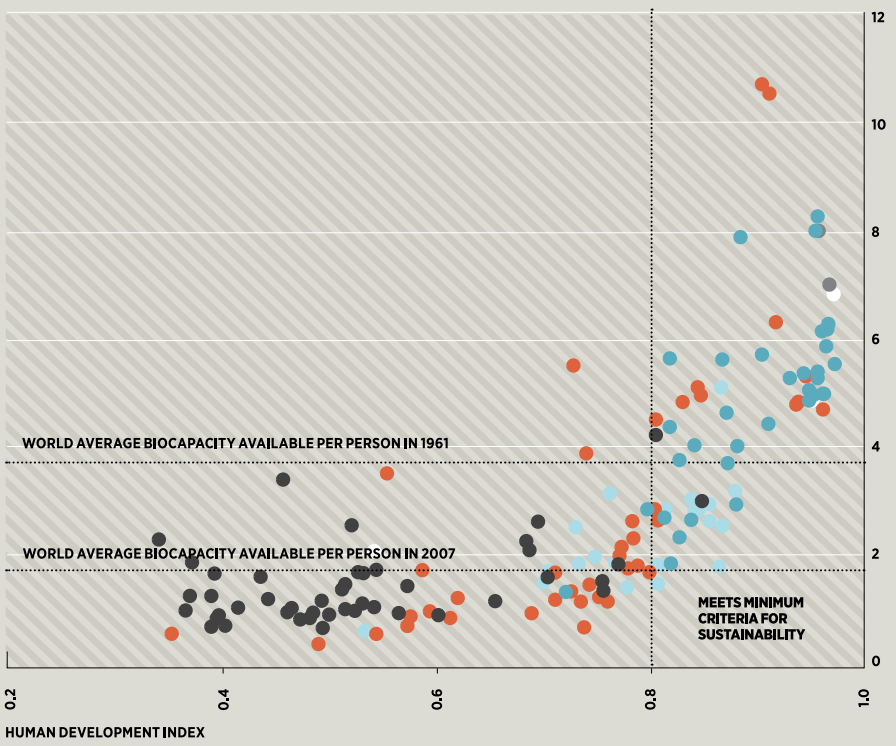
EVERY HUMAN ACTIVITY USES BIOLOGICALLY PRODUCTIVE LAND AND/OR FISHING GROUNDS. THE ECOLOGICAL FOOTPRINT IS THE SUM OF THIS AREA, REGARDLESS OF WHERE IT IS LOCATED ON THE PLANET



Source: WWF *Living Planet Report*, 2010

SUSTAINABLE LUXURY: THE CHALLENGE AHEAD

HUMAN DEVELOPMENT INDEX CORRELATED WITH ECOLOGICAL FOOTPRINT (*GLOBAL FOOTPRINT NETWORK*, 2010)



FISHING GROUNDS FOOTPRINT: Calculated from the estimated primary production required to support the fish and seafood caught, based on catch data for 1,439 different marine species and more than 268 freshwater species

CARBON UPTAKE FOOTPRINT: Calculated as the amount of forest land required to absorb CO2 emissions from burning fossil fuels, land-use change and chemical processes, other than the portion absorbed by oceans

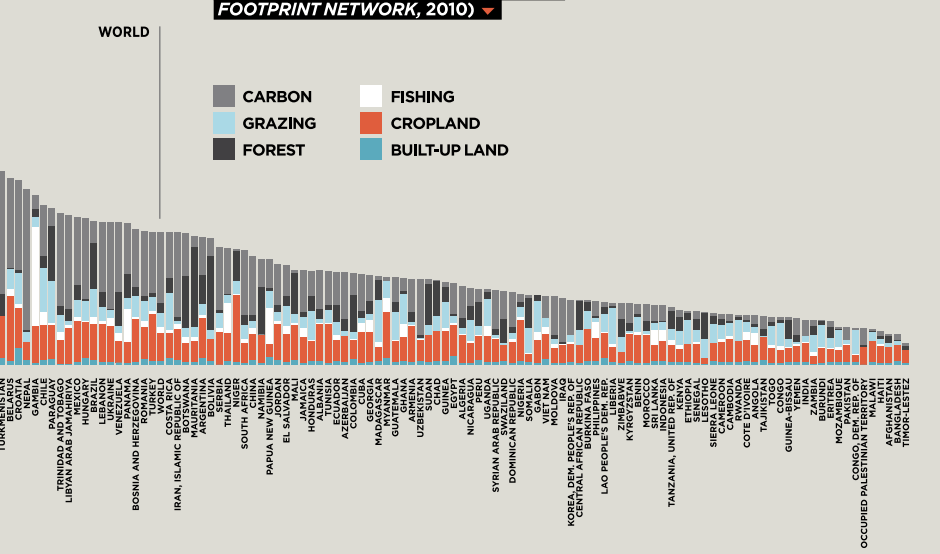
FOREST FOOTPRINT: Calculated from the amount of lumber, pulp, timber products and fuel-wood consumed by a country each year

CROPLAND FOOTPRINT: Calculated from the area used to produce food and fibre for human consumption, feed for livestock, oil crops and rubber

GRAZING LAND FOOTPRINT: Calculated from the area used to raise livestock for meat, dairy, hide and wool products

BUILT-UP-LAND FOOTPRINT: Calculated from the area of land covered by human infrastructure, including transportation, housing, industrial structures and reservoirs for hydropower

ECOLOGICAL FOOTPRINT PER COUNTRY, PER PERSON, 2007 (*GLOBAL FOOTPRINT NETWORK*, 2010)



FOR RICHER, FOR POORER? FOR THE SAKE OF PLANET EARTH

OPINION WWF-UK's head of business & industry **Dax Lovegrove** asks can luxury brands truly embrace deeper values while avoiding conflict with the needs of those who are less well-off?

We are already using natural resources well beyond the planet's ability to replenish them and we know that this ecological debt will have to be repaid.

WWF's *Living Planet Report* shows we are currently using the equivalent resources of 1.5 planets to support our activities and that a continuation of current trends on a global scale would mean that by 2030 we would need the equivalent of two planets' productive capacity to meet our demands.

So how do we start to ensure our resources are best used for rich and poor while operating within the planet's natural limits?

In developed economies and within the growing middle classes in emerging economies, there is an increasing appetite for luxury goods, which can often have high environmental impacts. For example, the consumption and impacts around jewellery are spotlighted within WWF's footprint calculator, (http://footprint.wwf.org.uk).

Jewellery production has made progress with mining industries making significant improvements in environmental management. But diamonds and gold remain among the most carbon-intensive items of adornment in terms of the energy inputs around their extraction and processing. Extractive activities also require and impact a great deal of land, fresh water and other resources that many would argue could be better used to support the needs of the poor.

As a case in point, the Grasberg gold mine has created friction in Indonesia with local communities. It produces hundreds of thousands of tonnes of mining waste which has impacted the water quality of the Aikwa River, local fishing and subsistence farming in the region.

On a smaller scale, modern-day 49ers in California, who champion their rights for continued gold prospecting, have come up against reports of declining Pacific salmon as a result of the pollution impacts from dredging activities. California now looks set to rule in favour of the salmon and could soon outlaw prospecting.

Just as jewellery production is coming under increasing pressure to balance the desires of the rich, the needs of the poor and environmental considerations, so is high-fashion clothing.

Bulk turnover in clothes and new fashions from season to season require increasing use of textiles, which can have a significant water footprint in India, Pakistan and China, where they are often sourced, and in regions where water scarcity is an increasing problem for poorer communities. Various businesses are working to improve practices through the Better Cotton Initiative in the face of increasing water crises.

But how can luxury industries move into new opportunities that embrace deeper values and manage social and environmental impacts? The answer potentially lies within the innovative thinking that is emerging in parts of the sector.

Vivienne Westwood, for example, has encouraged customers to 'choose well and buy less', and recycle clothes. She has warned against the 'drug of consumerism'.

This push on reducing consumption and recycling helps to drive the industry to dematerialise and therefore lessen its impacts. It also supports a future when far more equitable use of vital natural resources, such as fresh water, will be rising up international agendas.

Perhaps we will see clothing companies go even further, and luxury clothing leased and shared rather than wastefully bought, worn rarely and thrown away to make room for next season's fashions.

Additional support for dematerialisation comes from increasing waste-to-resource practices. Worn Again is an example of a business that 'upcycles', converting textile waste into a resource to create new products. Its latest product uses postal workers' decommissioned storm jackets which are turned into everyday bags.

Innovative upcycling has also featured from the outset for luxury goods producer Elvis & Kresse. The company has actively sought ways of turning waste into luxury goods. Its Fire-Hose range, available at Harrods, includes high-end bags and wallets made from decommissioned fire-brigade hoses that would normally end up in landfill. Fifty per cent of profits from the fire-hose line are donated to The Fire Fighters Charity.

These innovations manage to combine the essence of luxury with the deeper values of social and ecological enterprises. They point the way for luxury brands to drive consumers to value quality and sustainability. Moreover, luxury goods that provide net benefits rather than harmful impacts to rich, poor, and the natural world will be more resilient in the face of increasing resource constraints and greater scrutiny on activities within the supply chain.

> Perhaps we will see luxury clothing leased and shared rather than wastefully bought, worn rarely and thrown away to make room for next season's fashions

NEW FRONTIERS IN LUXURY MAY SHAKE UP OLD GUARD

EMERGING MARKETS The jury is out, but some analysts think that the emerging economies could prove a driving force in the spread of sustainability among luxury brands. However, new consumers overseas could prefer luxury goods produced closer to home, challenging the established order. **Josh Sims** weighs up the evidence

■ Growing economies, most notably the so-called BRIC countries of Brazil, Russia, India and China, are boom markets for the luxury goods industry, with rising numbers of mega-rich and a rapidly increasing middle class aspiring to world-class international brands.

Certainly, emerging markets look set to further boost demand for luxury goods, not least because of societal restructuring. China, for example, is now planning to reduce its relatively high taxes on luxury imports, as well as launching initiatives against the counterfeiting of luxury goods.

It is no surprise then that the likes of Prada can plan to float on the Hong Kong Stock Exchange, with a flotation value at £9 billion. Nor is it surprising that luxury goods are set to be the fastest growing consumer category in China over the next five years, according to research company CLSA, who predict the greater China region will account for 44 per cent of the luxury goods market by the end of the decade, compared with the 10 per cent it accounts for now.

The assumption has been that consumers in emerging markets are allowing the luxury goods industry to further delay a high-profile ethical overhaul. The notion is that they, unlike their more developed western counterparts, are still primarily driven to buy by the appeal of status and the ostentation of high prices.

PRESSURES

"And this is in large part true," says Jill Telford, UK chief executive of market analysts Synovate. "For the moment consumers in these countries don't appear to be interested in sustainability in their purchases, much as they're not concerned about local river or air pollution. They could change faster than the West did – the Chinese, for example, have a love of connoisseurship and learning that could be developed – but the right pressures will need to be applied."

Indeed, other commentators are now suggesting that the change to more socially conscious shopping may come sooner than imagined and that ethics will become core to brand image as much in Moscow as Manhattan, Beijing as Berlin.

Milton Pedraza, chief executive of specialist research body the Luxury Institute, for example, notes how consumers in emerging markets are typically highly educated and subject to the same cycle of awareness in ethical issues. "And the emerging markets are unlikely to let luxury goods companies off the hook for long," he adds.

ASPIRATIONS

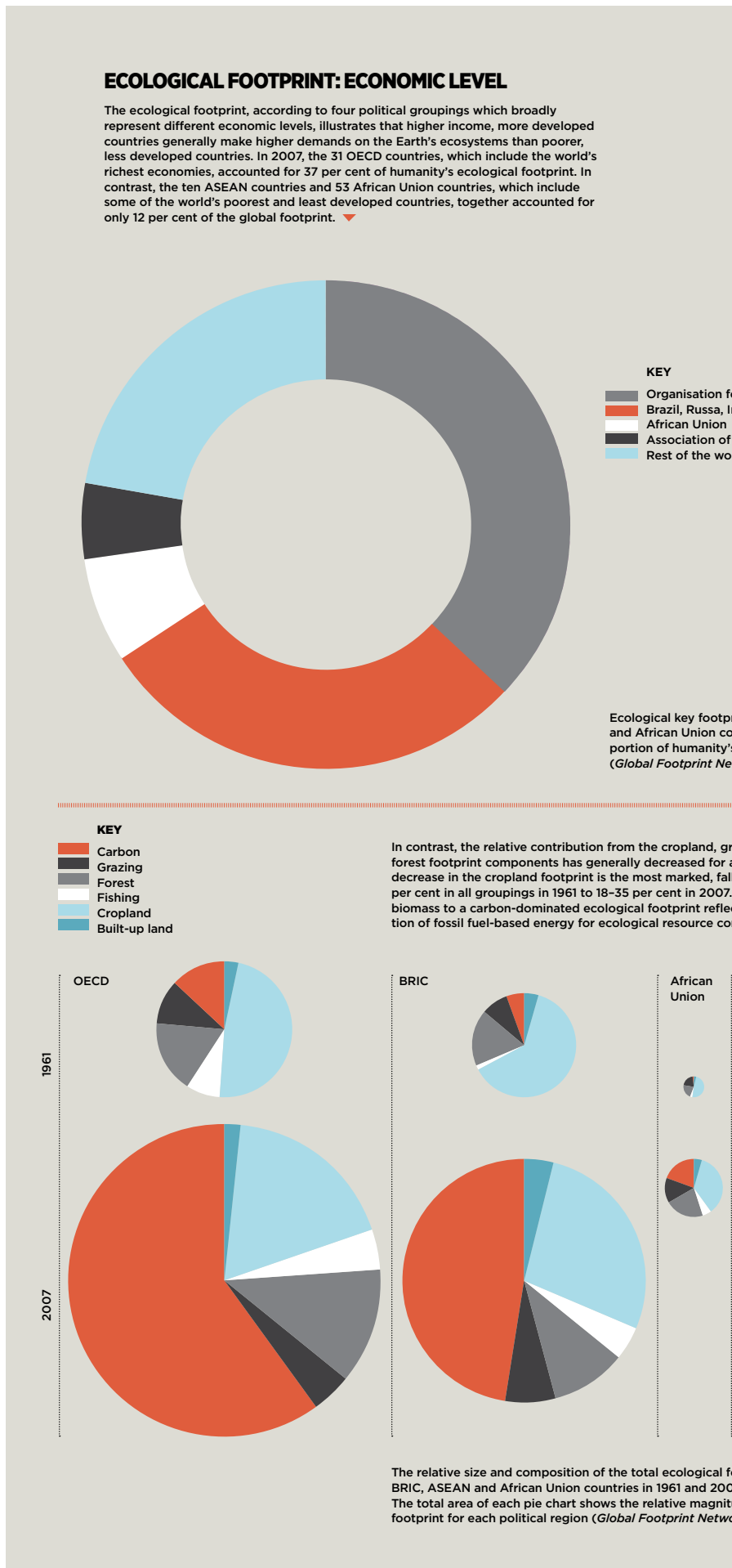
Other factors may play a part too. "There is a structural quality to sustainability and growth's appeal to the people of emerging markets – they're both responsive to very human aspirations," says Francis Quinn, head of sustainability for L'Oreal, which published its first country-specific sustainability report last year. "The link made between luxury and quality of life in the emerging markets is very strong and, although there is a big income disparity, there is widespread acceptance of privilege and wealth because there is the sense that everyone is in the same rising boat."

Furthermore, with the very wealthy in emerging markets tending to be younger than in the West, with each new generation generally more ardent in their ethical consumption and with internet access increasingly a vital tool for disseminating understanding of the ethical ramifications of purchases, emerging markets could be set to ask difficult questions of even the most elite producers. "Collectivist thinking means there are greater social pressures to think about sustainability even more so than in the West," says Dr Quinn. "It's less about the personal freedom of the individual, as working together for future generations. There's a cultural divide between the West and emerging markets, China especially, that will show up soon."

Small wonder the likes of both Jaguar and Roll-Royce have recently trialed electric versions of traditionally gas-guzzling vehicles. "It's an exploration of what our new clients think about a more environmentally-friendly engine," says Rolls-Royce chief executive Torsten Muller-Otvos of the Phantom 102EX. "It is perhaps less about whether they really want it so much as responding to changes in legal issues in certain countries that might encourage them to look into the area. Get it right though and there's definitely a market there."

HOW HARRY POTTER'S MAGIC CAST A SPELL ON HIS CREATOR TO DO GOOD WITH A BOOK AND MOVIE FORTUNE - **PAGE 12**

Even demand in the emerging markets for the ultimate luxury item – a yacht – is in part already being shaped by sustainability issues, according to Ed Dubois, founder of Dubois yacht designers, who are currently working on a £16-million yacht for a Chinese client. "The West may be ahead on the cycle but interest in emerging markets is growing," says Mr Dubois. "There is an awareness that in buying a yacht one is, for example, investing in almost entirely artisan skills, even seeing such luxury



> The assumption has been that consumers in emerging markets are allowing the luxury goods industry to further delay a high-profile ethical overhaul

FOOTPRINT V BIODIVERSITY

A country's ecological footprint is a measure of how many renewable resources it uses to feed and support its citizens. These resources can come from around the world — a country's ecological footprint can exceed its own country's capacity if it's using resources that are taken from other countries. And, if we look at the last 40 years, while wealthier countries' ecological footprints have risen drastically — implying that they are using more ecological resources than before — their biodiversity (as measured by the *Living Planet Index*) has increased. At the same time, the biodiversity of poorer countries has plummeted. Are wealthy countries using more resources at the expense of the less-well-off?

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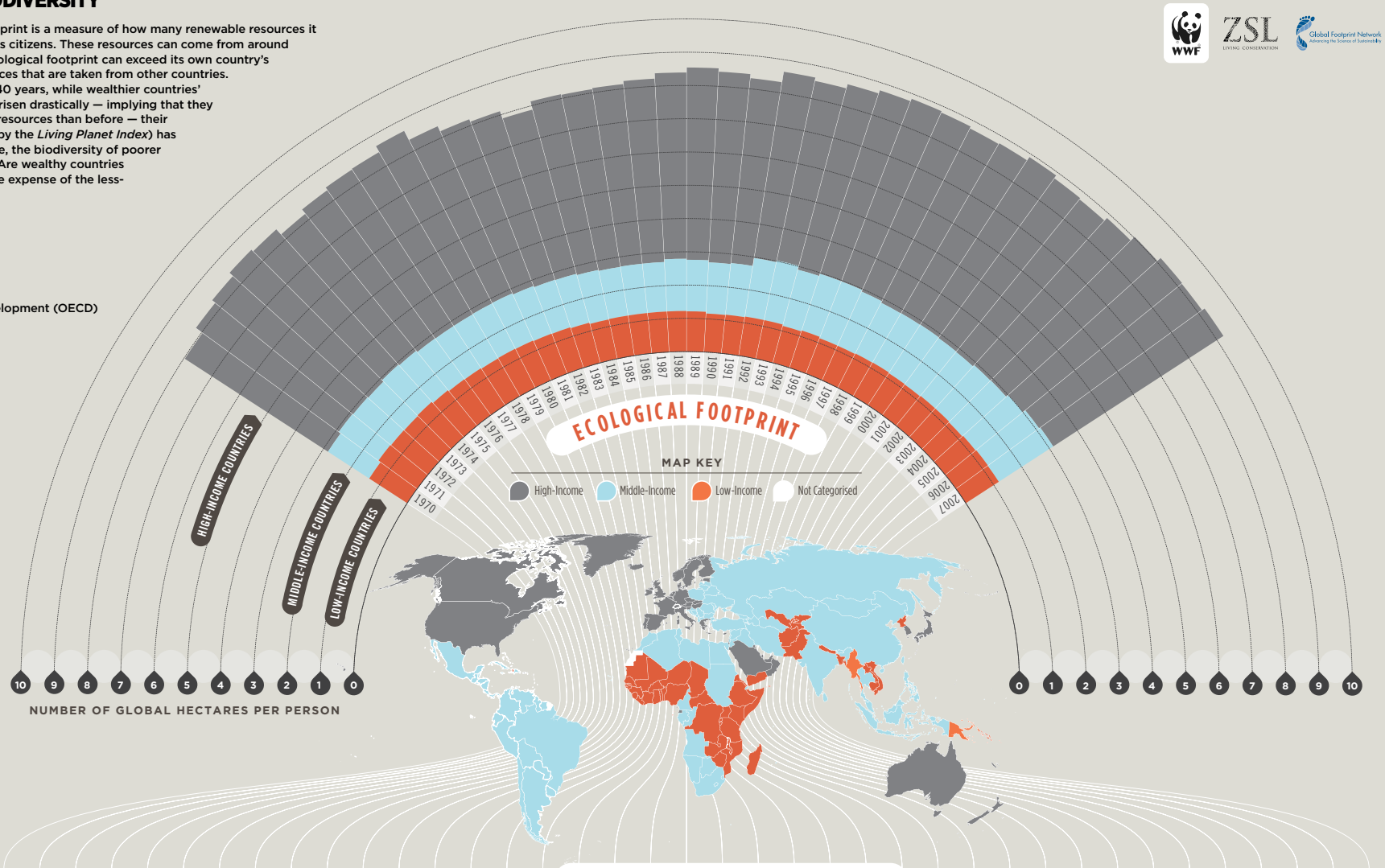
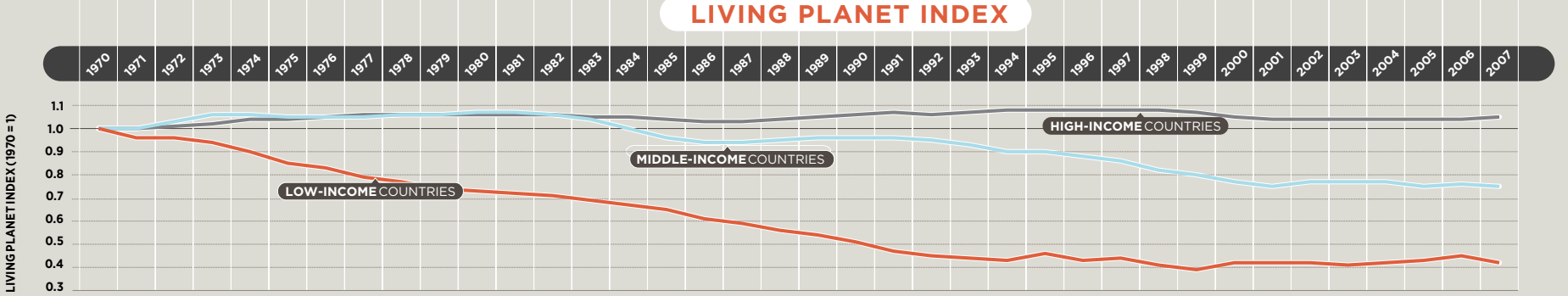




COUNTRY CATEGORISATION

HIGH-INCOME: ANDORRA, ANTIGUA AND BARBUDA, AUSTRALIA, AUSTRIA, BAHAMAS, BAHRAIN, BARBADOS, BELGIUM, BERMUDA, BRUNEI DARUSSALAM, CANADA, CAYMAN ISLANDS, CHANNEL ISLANDS, CYPRUS, DENMARK, EQUATORIAL GUINEA, FINLAND, FRENCH POLYNESIA, GERMANY, GREECE, GUAM, HUNGARY, ICELAND, IRELAND, ISLE OF MAN, ISRAEL, ITALY, JAPAN, REPUBLIC OF KOREA, KUWAIT, LIECHTENSTEIN, LUXEMBOURG, MALTA, MONACO, NETHERLANDS, NETHERLANDS ANTILLES, NEW CALEDONIA, NEW ZEALAND, NORWAY, OMAN, PORTUGAL, PUERTO RICO, QATAR, SAN MARINO, SAUDI ARABIA, SINGAPORE, SPAIN, SWEDEN, SWITZERLAND, TRINIDAD AND TOBAGO, UNITED KINGDOM, UNITED STATES OF AMERICA, US VIRGIN ISLANDS.

MIDDLE-INCOME: ALBANIA, ALGERIA, AMERICAN SAMOA, ANGOLA, ARGENTINA, BELIZE, BHUTAN, BOLIVIA, BRAZIL, BULGARIA, CAMEROON, CAPE VERDE, CHILE, CHINA, COLOMBIA, CONGO, COSTA RICA, CUBA, DJIBOUTI, DOMINCIA, DOMINICAN REPUBLIC, ECUADOR, EL SALVADOR, RIJO, GABON, GRENADA, GUATEMALA, GUYANA, HONDURAS, INDIA, INDONESIA, ISLAMIC REPUBLIC OF IRAN, IRAQ, JAMAICA, JORDAN, KIRIBATI, LEBANON, LIBYAN ARAB JAMAHIRIYA, MALAYSIA, MALDIVES, MAURITIUS, MAYOTTE, MEXICO, MONGOLIA, MOROCCO, NAMIBIA, NICARAGUA, PANAMA, PARAGUAY, PERU, PHILIPPINES, POLAND, ROMANIA, SAINT LUCIA, SAINT VINCENT AND GRENADINES, SAMOA, SEYCHELLES, SOUTH AFRICA, SRI LANKA, SUDAN, SURINAME, SYRIAN ARAB REPUBLIC, THAILAND, TIMOR-LESTE, TONGA, TUNISIA, TURKEY, URUGUAY, VANUATU, BOLIVARIAN REPUBLIC OF VENEZUELA.

LOW-INCOME: AFGHANISTAN, BENIN, BURKINA FASO, BURUNDI, CÔTE D'IVOIRE, CAMBODIA, CENTRAL AFRICAN REPUBLIC, CHAD, COMOROS, DEMOCRATIC REPUBLIC OF CONGO, GAMBIA, GHANA, GUINEA, GUINEA-BISSAU, HAITI, KENYA, DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA, LIBERIA, MADAGASCAR, MALI, MAURITANIA, MOZAMBIQUE, MYANMAR, NEPAL, NIGER, NIGERIA, PAKISTAN, PAPUA NEW GUINEA, RWANDA, SENEGAL, SIERRA LEONE, SOLOMON ISLANDS, SOMALIA, TOGO, UGANDA, VIETNAM, YEMEN, ZIMBABWE.

Source: WWF *Living Planet Report*, 2010

purchases as a means of redistributing wealth. Certainly the extreme wealth that some emerging-market customers have gives the luxury of being able to spend with consciousness about such issues."

Yet perhaps they will prefer to spend at home, to keep money within their own economies, which is arguably another form of sustainability in straitened times. The lure of the "patriotic purchase" is strong. According to a recent Synovate report, the middle class of India, which has tripled in the last 20 years to some 250 million people, may have been raised on western media, but 68 per cent now believe locally-made goods are just as good as international brands. That is one reason why luxury goods houses are set to look at ways of employing local artisan skills in these buoyant markets and, in time, might help foster an appreciation for quality, regardless of the place of manufacture with which it is still closely associated. Indeed, perhaps the bigger question is not whether the luxury goods companies can sell to emerging markets on the sustainability ticket, highlighting its credibility through advertising and marketing, so much as whether they will in fact be beaten to it by new competition? The first luxury goods brands native to the emerging markets, are now launching and are arguably better placed to understand the psyche of the home consumer. And those anti-counterfeiting measures are as much to protect these new domestic luxury brands as imports from Italy, France and the UK.

The signs are already there. The Chinese contemporary art market is booming and the first Chinese work is expected to sell for $100 million (£63 million) by the end of the year, while Russia is leading the way in cutting-edge multi-media arts. Brazil has elected its new president on an ecology ticket. US First Lady Michelle Obama wears not the couture of old Europe but dresses by Chinese designer Jason Wu.

And, attempting to debunk any idea that a luxury brand takes decades or centuries to build, Hermes has now launched Shang Xia, the first bona-fide Chinese luxury goods brand, specialising in Chinese crafts and Chinese materials. It opens its second standalone store this year – in Paris.

CUT AND THRUST OF **SAVING TRADITIONAL SKILLS**

CRAFT A reawakening of traditional and bespoke skills is honouring heritage and proving a useful marketing tool in selling luxury goods, as **Josh Sims** discovers

Fibres from lotus flowers are woven into luxurious fabric

A new tome from Hermes called *La Maison*, part coffee-table book and part marketing exercise, has the usual pictures of the brand's iconic Kelly bag. Only something is wrong – this time it's in bits. The imagery comprises templates and cutting tools, the gritty stuff of workrooms rather than the razzmatazz of red-carpet walks or celebrity snaps.

Meanwhile, at the Savile Row tailor Gieves & Hawkes, a poster campaign features not its new handmade shoes, but the apron-clad shoemaker at his bench.

And, when Dior's womenswear show at this spring's Paris Fashion Week ended, the catwalk was graced less by the designer and more by an unpolished group wearing white work-coats – the artisans who actually made the clothing.

FASHION, HOTELS, PRIVATE JETS AND THE TUNA FISH ... EXAMPLES OF SUSTAINING LUXURY LIVING – **PAGE 15**

Just a few years ago, the decision of luxury goods brands to showcase the production process behind their products would have been the pulling back of the Wizard of Oz's curtain. But, in recessionary times, this makes sense. With less money to spend and, thanks to growing business and media literacy, more awareness of brand froth, consumers are seeking both convincing reasons to pick one brand over another and an honest appraisal of why its products are worth the money.

A sense that goods are crafted with care – Tod's and Gucci have both set up travelling workshops for in-store visits – is reassuring, much as revelations of poor working conditions exploited by some high-street companies can be dissuasive.

"There is a hunger for knowledge about the luxury products we buy because we're beyond the first flush of interest in them, when we bought more into the logo. Now we want to know we're making the right choice, which means having knowledge of how products are made," says Guy Salter, deputy chairman of British luxury goods trade association Walpole, and founder of Crafted, a programme launched three years ago to link big business mentors with small craftspeople.

RESPONSE

In part, the luxury industry's new trumpeting of craft is a response to a growing interest in craft in general. The craft sector in the UK alone was worth some £913 million last year, craft courses have waiting lists and new books, such as Matthew Crawford's *The Case For Working With Your Hands* are best-sellers.

Small wonder then that a new investment in training by Gieves & Hawkes, for example, is paying off with half of all its tailors training apprentices over three to five years, or that French lacemaker Sophie Hallette, whose work was recently showcased on Kate Middleton's royal wedding dress, is also reaffirming its apprenticeship scheme.

> The decision of luxury goods brands to showcase the production process behind their products would have been the pulling back of the Wizard of Oz's curtain

Similarly, it is why the International Centre for Continuing Education in Watchmaking, a Swiss public-private partnership established two years ago, is seeing a boom in trade schools for watchmaking, resulting in 318 watchmakers being trained last year and each guaranteed employment.

"Those brands that really have the artisan element will be able to position themselves in a new kind of true luxury marketplace, rather than today's mass luxury, which consumers are increasingly questioning the validity of," says Gieves & Hawkes chief executive John Durnin. "And yes, with only so many skills or materials to go around and with demand growing globally, by definition that means that true luxury will be limited, as it was 20 years ago when it suggested rarity. Luxury goods companies today have real incentive to protect and nurture skills and materials."

It will not, however, be easy. Just as increased efforts are being made to support crafts and just as shoppers take a new interest in them, the required skills-base becomes ever harder to maintain. In the information and service economies, we want to buy crafts but, our perception of manual work is so skewed, we don't want employment in craft industries ourselves.

"There needs to be a major push to make craft skills or working with your hands more socially acceptable, because it isn't right now," says Mr Salter. "Sustaining crafts should be a matter of concern for everybody, not just luxury goods companies and their customers. Not enough is being done."

LUXURY FROM LOTUS FLOWERS PICKED ON A BURMESE LAKE

CASE STUDY **Josh Sims** explores the exclusive world of Loro Piana cashmere and discovers a plan to safeguard future production

"Of course we have long-term profit in mind," says Pier Luigi Loro Piana, joint chief executive of Loro Piana, the Italian luxury goods company and cashmere specialist. "But right now this is more about keeping alive an artisan community making something unique. In the end I don't care how much the resulting jacket might cost."

At € 3,000 (£2,700) a piece, that is some statement. But then it is made of lotus flowers, picked between May and December each year on Lake Inle, Burma, from which fibres are extracted by hand and woven within 24 hours to prevent their deterioration. Only 120 grams of yarn can be produced each day.

With Loro Piana basing its credibility on the quality of its raw materials, the company last year backed and bought the entire output for the foreseeable future with a view to using the resulting super-exclusive fabric – akin to raw silk or a "summer vicuna" as the company describes it – to produce just 20 jackets a season. Each jacket is packed in a lacquered box also made by hand by the local Lake Inle community.

"The project gives the natives the possibility to work in their original environments, so this very antique tradition will not be lost; on the contrary, it will become the means to support future generations," says Mr Loro Piana. "The quantity today is really very limited, but we hope the long-term project will allow it to increase. That might also allow the locals to improve their quality of life."

His brother and also joint chief executive Sergio adds: "Sustainability is going to become more and more important in the luxury fashion market. It's not just a marketing tool. Increasingly it's going to be part of the purchase decision because the eco story can give as much pleasure to the consumer as the product itself."

FORTUNE FAVOURS **THOSE WHO KNOW HOW TO HELP OTHERS**

PHILANTHROPY The ultimate luxury is having money to give away, but there are a host of different ways to do it. Billionaire philanthropists Bill Gates and Warren Buffett are among the biggest individual givers who donate on a not-for-profit basis, for example. **Mike Scott** looks at the various models of how to give away a fortune and make the cash count

Perhaps the ultimate luxury is having enough money to give it away to good causes. As JK Rowling, author of the Harry Potter books, says: "Large amounts of wealth bring a certain responsibility. If you're any kind of human being, then after you fulfil your family's needs, you think, well how do I do some good with this?"

There are countless examples of wealthy individuals and large corporations using their financial muscle to help others, but it is by no means as straightforward as it might seem – there are a number of models of how to put your money to good use.

One of the most obvious and high-profile ways is to set up your own charitable foundation, as Microsoft founder Bill Gates and his wife Melinda have done. Thanks to their input and donations from another of the world's richest men, Warren Buffett, the Bill and Melinda Gates Foundation is one of the biggest charities in the world.

Because of its scale, the Foundation can take on some of the biggest challenges there are, extreme poverty and poor health in developing countries, for example. "We focus on only a few issues because we think that's the best way to have great impact and we focus on these issues in particular because we think they are the biggest barriers that prevent people from making the most of their lives," the couple say.

ROCKEFELLER

While the Gates Foundation is not-for-profit, other wealthy individuals and organisations hope to do good and generate a profit at the same time, in a process known as impact investing. "Government funding, international aid and philanthropy alone are insufficient to solve the world's most challenging problems," says Judith Rodin, president of the Rockefeller Foundation, one of the oldest charitable foundations in the United States. Impact investing could attract huge sums of private money to complement philanthropy in addressing pressing social challenges, Dr Rodin adds.

The Global Impact Investing Network says that five sectors – affordable urban housing, rural access to clean water, maternal health, primary education and microfinance – serving the "base of the economic pyramid", provide a potential investment opportunity of between US$400 billion (£250 billion) and $1 trillion (£630 billion), with potential profits of between $183 billion (£115 billion) and $667 billion (£418 billion) over the next decade.

GOLDSMITH

Another approach is to set up your own investment fund focusing on a particular field. One area that is very popular at the moment is clean technology, where a number of family investors have started their own funds to invest in the start-up companies that characterise the sector. Prominent examples include Ben Goldsmith, brother of Conservative MP Zac and a co-founder of London-based WHEB Ventures, Andre Heinz, whose Sustainable Technologies Fund is based in Sweden, and Al Gore, the former US vice president who is co-founder of Generation Investment Management.

Luxury brands have tapped into this philanthropic spirit with their own initiatives. The luxury pen and

> De Beers, the mining company that is synonymous with diamonds, says investment in the future of communities is core to receiving its social licence to operate


© BILL & MELINDA GATES FOUNDATION

Philanthropists Bill and Melinda Gates work in developing countries to tackle the causes of extreme poverty and poor health

watchmaker Montblanc, for example, commits to a charity initiative each year. In 2009, it raised more than $4 million (£2.5 million) for the UNICEF Signature For Good project to fight illiteracy worldwide, while in 2010 the company launched a John Lennon Edition of writing instruments which saw proceeds donated to music charities around the world. This year, it has teamed up with the Princess Grace Foundation-USA, a charity dedicated to identifying and assisting emerging talent in the performing arts.

De Beers, the mining company that is synonymous with diamonds, says investment in the future of communities is core to receiving its social licence to operate. In its 2010 *Report to Society,* the company says that it spent $29 million (£18 million) on community investment last year ranging from HIV and Aids programmes to strategic philanthropy in the areas of education, health, youth development, environment and cultural projects.

FOCUSED KIDS' CHARITY GETS MEASURABLE RESULTS

CASE STUDY The ARK Foundation uses its financial expertise to ensure the charity's funds are put to the most effective use, writes **Mike Scott**

A mainstay of the luxury market in recent years has been London's hedge fund community. Masters of conspicuous consumption, they are also adept at conspicuous philanthropy.

One of the most adept is Arpad Busson, who runs the £8-billion EIM hedge fund, but is better known for his colourful love life – former partners include model Elle Macpherson and actress Uma Thurman – and his ARK (Absolute Return for Kids) Foundation.

ARK's tenth anniversary fundraising dinner in June was notable for being the first public appearance since their honeymoon of the Duke and Duchess of Cambridge, and for the huge sums spent by guests on lots that included a weekend at Blenheim Palace donated by the Duke of Marlborough, a work by artist Tracy Emin, a weekend at the Oscars, and a day at a fashion show with Vogue editor Anna Wintour. The dinner raised more than £17 million to add to the more than £150 million the Foundation has raised since its establishment.

ARK says its aim is "to transform children's lives" and it focuses on health in sub-Saharan Africa, education in the UK, United States and India, and child protection in Eastern Europe. Since it started, 200,000 children have benefited from its programmes, the charity says.

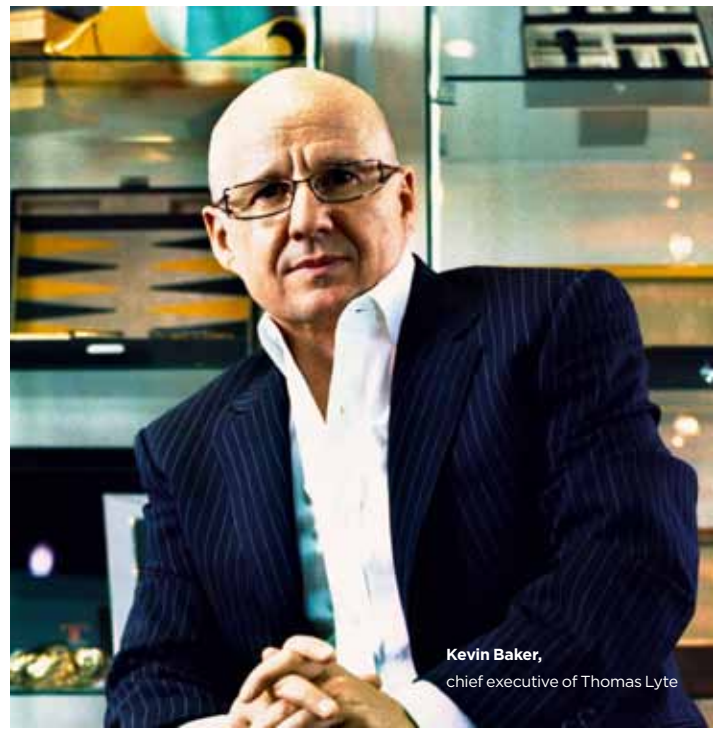
The financial background of the charity's trustees is evident in its philosophy, which requires projects to deliver:

- High impact – focusing programmes on the most disadvantaged children and on interventions where it can make a real difference
- Measurable social returns – applying sound business disciplines, emphasising measurement and evaluation
- Catalysts for change – ARK sticks with a programme until it can stand on its own feet, supported by a mix of local, national and supranational partnerships, to ensure programmes act as a catalyst for long-term, systemic change
- Leverage – the Foundation maximises the value of voluntary donations by leveraging additional funding from governments and international grant-making bodies.

This approach clearly produces results. At the annual UK Charity Awards 2011, ARK won the international aid and development award for its work in Bulgaria to support children in leaving institutional care and prevent children from being abandoned.

Most recently, ARK doubled its contribution to the Global Alliance for Vaccines and Immunisation to £2 million to help fund the roll-out of the rotavirus vaccine to treat diarrhoea in Zambia. Diarrhoea is the second biggest killer of under-fives in Africa.

BANKING ON AN ECO-PARTNERSHIP


Kevin Baker, chief executive of Thomas Lyte

SUPPORT Ask most people to think of eco-fashion and visions of drab designs using coarse fabrics will spring to mind, writes **Simon Brooke**

Wearing them might make you feel virtuous, but you certainly won't feel stylish or comfortable - and neither will there be anything luxurious about them.

Not any more, though. Over recent years both the image and the reality of eco-luxury and eco-fashion have changed radically.

Founded by the British Fashion Council five years ago and sponsored by retailer Monsoon, Estethica showcases the growing movement of cutting-edge designers committed to working along sustainable and ecological lines.

"It shows how sustainable design is not about an itchy hemp sack. Instead it can be a beautiful dress or a fabulous piece of statement jewellery," says Caroline Rush, British Fashion Council chief executive.

Carol Bagnald, HSBC regional commercial director, is on the board of the British Fashion Council and has seen some of these exciting innovations first-hand through the work of Estethica and also their own customers, such as Thomas Lyte and Orla Kiely.

For Thomas Lyte, a new British luxury leather brand, being green is not simply an add-on, it's been an essential consideration since the company was founded in 2007. "We decided that we would be a modern, ethical, luxury brand and we enjoy a supportive relationship with the HSBC team," says chief executive Kevin Baker.

The company has hired ethical strategy consultants to advise them on everything they do from design through to manufacture and distribution.

Silver residue from the manufacturing process is collected and recycled, while vegetable dyes are used on its leather pieces instead of chemical products. Ten per cent of the company's profits go to help new, young creative talent.

Orla Kiely, known for her beautiful bags and accessories, also uses vegetable dyes. "We have a recycling policy and all our paper is reused," says managing director Dermott Rowan. "We also have a company bike scheme which encourages people to ride to work."

An Orla Kiely bag designed for Tesco, to discourage shoppers from using plastic bags and which includes a 50p donation to charity, is now so sought-after that some early editions are currently selling on eBay at many times their original price – a great example of sustainable luxury.

> Over recent years both the image and the reality of eco-luxury and eco-fashion have changed radically

LEADING BY EXAMPLE WITH SUSTAINABLE BUSINESS PLANS

INNOVATION Reducing the environmental impact of luxury goods requires a combination of new technology and a new way of thinking. **Mike Scott** reports on best practice across four sectors

FASHION

■ By definition, fashion is an ephemeral, here-today gone-tomorrow business that is fast-moving, disposable and dynamic. But it is also a sector with a wide variety of sustainability issues that range from agriculture – the use of pesticides and fertilisers, and water availability – to child labour and sweatshop factories.

According to the Centre for Sustainable Fashion: "The fashion industry is based on a model of continual economic growth fuelled by ever-increasing consumption of resources." The Centre points out that the unsustainability of this model is widely acknowledged.

Globalisation of the industry, during the last 20 to 30 years, has contributed to a trend of overconsumption, says Orsola de Castro, founder of the label From Somewhere, which makes clothes from "pre-consumer" offcuts of luxury materials that would otherwise be thrown away, and focuses on the issue of recycling in the industry. "Waste is a huge problem and there are also issues around the environmental impacts of crops such as cotton."

While some brands retain the handmade, artisanal approach in their traditional European bases, where the ratio of price to the craft that goes into the manufacture of the good is about right, many have outsourced production to countries such as China and Vietnam, exposing them to the possibility that their goods are being produced in substandard conditions by poorly paid workers.

"Ethical fashion is about rebalancing and encouraging people to engage emotionally with what they buy," says Ms de Castro, who also curates Estethica, a sustainable fashion initiative at London Fashion Week. "Buy less, buy better is our credo."

Customers are now more interested in where and how their clothes are being made, and by whom, so the industry has to "create an alternative where people are aware that something made in the UK will be a bit more expensive but also a lot more sustainable," she says.

"We need to redefine the word luxury. At the moment, it just means 'glossy'. It is important for customers to know that luxury is not just about your own private definition, but that it extends throughout the supply chain."

> Waste is a huge problem and there are also issues around the environmental impacts of crops such as cotton

Ms de Castro's own brand perhaps comes closest to embodying the concept of sustainable, luxury fashion through its championing of "upcycling". While recycling often involves chemical or mechanical processes to return a material to a state where it can be fed back into the supply chain, upcycling takes that material and creates new products with it.

It is, therefore, ideally suited to the fashion industry, which is full of creative people able to spot the opportunities to take unwanted fabrics and materials and turn them into new products. "Upcycling is very cost-effective, but also incredibly creative and visually very strong. It really makes sense for the fashion industry," says Ms de Castro, whose commissions include a dress for actor Colin Firth's wife to wear to the Oscars and a collection made from the full-body swimsuits worn by Olympic swimmers after swimming's governing body banned the costumes.

HOTELS

■ The Scarlet Hotel, a luxury eco-hotel on the north coast of Cornwall, was built from scratch to incorporate a host of environmentally-friendly technologies and materials. "What took the time was not the construction, but thinking about what was needed," says Emma Stratton, one of three sisters who run the hotel.

The tourism industry is incredibly wasteful, whether in the way that there is air conditioning in every room or the "lavish overfeeding" of guests, she says. "We wanted a business model that could show people there could be a different way. People seemed to be doing more and more ridiculous things that passed for luxury. We deliberately wanted to challenge what luxury was."

The sisters were sure that they wanted to build something that was really luxurious. "But we questioned whether luxury had to be all about consumption," says Ms Stratton, who defines luxury as being about wellbeing, simplicity and a more caring approach.

This means that, while the Scarlet is decorated with water-based paints, heats its swimming pools using solar power and its rooms with a biomass boiler, as well as harvesting rainwater and recycling "grey water" which has been used for washing, its approach is as much about being part of the local community and sourcing local ingredients for its restaurant. "Luxury should always be sustainable if it is worth having," Ms Stratton says. "It is the simple pleasures in life that make people happy."

PRIVATE JETS

■ Few things spell out luxury – or excess – more than turning left, not on the plane but on the runway, to head to your own private jet. But even this symbol of conspicuous consumption is having to take account of pressures to be more environmentally-friendly.

Take the new HondaJet, which is due to come onto the market next year and is typical of the new breed of corporate aircraft. Even tycoons have to take account of the soaring price of fuel, which is one of the main costs for private jet owners. The £2.8-million light business jet has a number of fuel-saving features and lives up to the brand's reputation for efficiency in its cars.

These include engines mounted above the wing which the company says raises the aircraft's performance, improving fuel efficiency and reducing noise. It also has a fuselage made from lightweight composite materials and specially designed wings with a smoother surface that reduces drag.

Innovation in this field is not just about technology. NetJets, a company that allows users to fly privately without the expense of owning a jet, offers its customers the option of offsetting their carbon emissions and is also involved in research to develop low-carbon fuels.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BLUEFIN TUNA

■ Bluefin tuna is one of the world's most sought-after and expensive fish – and one of the most endangered. It illustrates some of the dilemmas facing the luxury market and the knots that companies can tie themselves in trying to deal with them.

The fish is prized in Japanese restaurants in particular for sushi and sashimi, and can grow to almost four metres long and more than 600 kilograms in weight. A single tuna sold at auction in Japan earlier this year for almost £250,000. It is not surprising, therefore, that the species is severely overfished, particularly in the Mediterranean. According to WWF, actual catches exceeded the quota by 1.5 times in 2004. Because they reach such huge sizes, bluefin take a long time to grow to maturity and many fish are being caught before they have had a chance to breed.

In response, companies such as Umami have started farming bluefin by capturing them in the wild and then towing them to feeding cages. Umami has tuna farms in Mexico and Croatia. There have also been attempts to breed the fish in captivity, but with limited success so far.

However, such initiatives have not stopped a campaign against restaurants such as Nobu, which still serve the fish. Unlike other restaurants that have removed it from their menus, Nobu serves bluefin but has a note on its menu that says: "Bluefin tuna is an environmentally threatened species. Please ask your server for an alternative." There are some problems that technology cannot solve.