WWF

Deeper Luxury

quality and style when the world matters

Jem Bendell &
Anthony Kleanthous

"A fascinating, ground breaking, must read wake-up call for all professionals and aficionados of the luxury goods industries, the consumers of their products and the celebrities that endorse them. The report says 'Consumers' increasing concerns with environmental and social problems are the greatest cultural shift of the 21st century' and points the way to how these industries must behave if they are to keep their cachet which they need to survive."

Katharine Hamnett, Ethical Fashion Designer

Contents

Acknowledgements
This report is the result of a team effort. First, we thank Elizabeth Goodwin for her efficient, insightful and enthusiastic support throughout, Fiona Harkin, who offered invaluable advice, and bwa design, whose flexibility was as valuable as their talent in designing this report and accompanying website. We are also grateful to the following, who have provided input or contacts that helped either the conception, research, writing, design or promotion of this report: Mark Bendall, Bianca Cheng, Indre Kleinaite, Vanessa Friedman, Antoine Mach, Tanya Mailangkay, John Manoochehri, Cristiana Schiavolin, Ariane Thomas, Diana Whittington, and staff at Covalence, Ethical Investment Research Service (EIRIS), Future Lab and Trend Buero. We are grateful to our pro bono media partners for this report, Hannah Lane and Diana Verde Nieto of Clownfish. In WWF-UK, we thank Greg Armfield, Georgina Bridge, Jane Caie, Pippa Carte, Adrian Cockle, Sarah Coombs, David Cowdrey, Glyn Davies, Peter Denton, Susan Gent, Oliver Greenfield, James Leaton, Dax Lovegrove, Jacqueline Morgan, Jen Morgan, Christina Palmer, Tanya Reed, Edwina Silvester, Oliver Smith and Heather Sohl.

Website
Electronic downloads freely available at www.wwf.org.uk/deeperluxury include:

- Executive summary
- This report in full
- Non-graphics 14 font “accessibility” version of this full report, in pdf for audio reading
- Press release and press pack

The authors

Executive summary

What are you made of?

This report provides a clear vision and rationale for a more sustainable luxury industry. A compelling business case is presented for a new type of luxury whose deeper values are fully embodied in the sourcing, manufacture, marketing and distribution of products and services. Authentic luxury brands are those that provide the greatest positive contributions to all affected by their creation and that identify their consumers as having the means and motivation to respect both people and the planet.

Luxury brands have the power to influence consumer aspiration and behaviour by editing consumer choices through product design, distribution and marketing; and by influencing how, when and for how long consumers use their products. They have both the opportunity and the responsibility to promote sustainable consumption.

The New Luxury Consumer

Many luxury consumers are part of an affluent, global élite that is increasingly well educated and concerned about social and environmental issues. These consumers use luxury products as a symbol of success. The definition of success – and the way it is perceived by others – is changing. Many successful people now want the brands they use to reflect their concerns and aspirations for a better world. This is true not only in Western luxury markets, but, increasingly, amongst the affluent middle classes of Asia, Latin America and Eastern Europe.

The New Luxury Marketplace

Sustainable business practice is a necessary response to the main strategic challenges facing luxury brand owners. Seven challenges are outlined in this report, including:

The democratisation of luxury:
Luxury brands have become more accessible, making it harder to appeal to consumers on the grounds of exclusivity. Instead, their added value for consumers could be derived from superior environmental and social performance, expressed through "deeper" brand values and more sustainable business practices.

Splendour amid squalor:
Luxury brands are experiencing rapid expansion in societies that contain both very rich and very poor people. Such societies can view displays of conspicuous consumption as a threat to social cohesion. This is true, for example, in China, where the authorities in Beijing have banned the use of billboards to advertise luxury products and services.

In this context, the credibility of luxury products and services will be derived from their ability to generate wellbeing, not only for consumers, but also for those involved in (or affected by) their production, use, reuse and disposal.

Environmental and Social Performance

Given a lack of public information about corporate performance on this agenda, WWF-UK analysed and ranked the ten largest, publicly-traded luxury brand-owning companies on their environmental, social and governance (ESG) performance. These brands include Gucci, Yves Saint Laurent, IWC, Garnier and Louis Vuitton. The ranking is derived from a combination of two types of information: what the companies themselves report to the ethical investment community; and what media and non-governmental organisations have been saying about them. This information was scored, weighted and combined to create a score out of 100, expressed as a grade from A (best) to F (worst).

No company was awarded higher than a grade C+. The French luxury group, L'Oreal, topped the ranking and the Italian group Tod's came tenth. As reported by themselves and others, the ESG policies and performance of luxury brands is inferior to that of other types of leading brands.

WWF-UK urges luxury companies to put sustainability issues at the heart of their business strategy and to benchmark their progress. To do so, they should measure and report their performance in accordance with international guidelines, as set out in the Global Reporting Initiative (GRI).

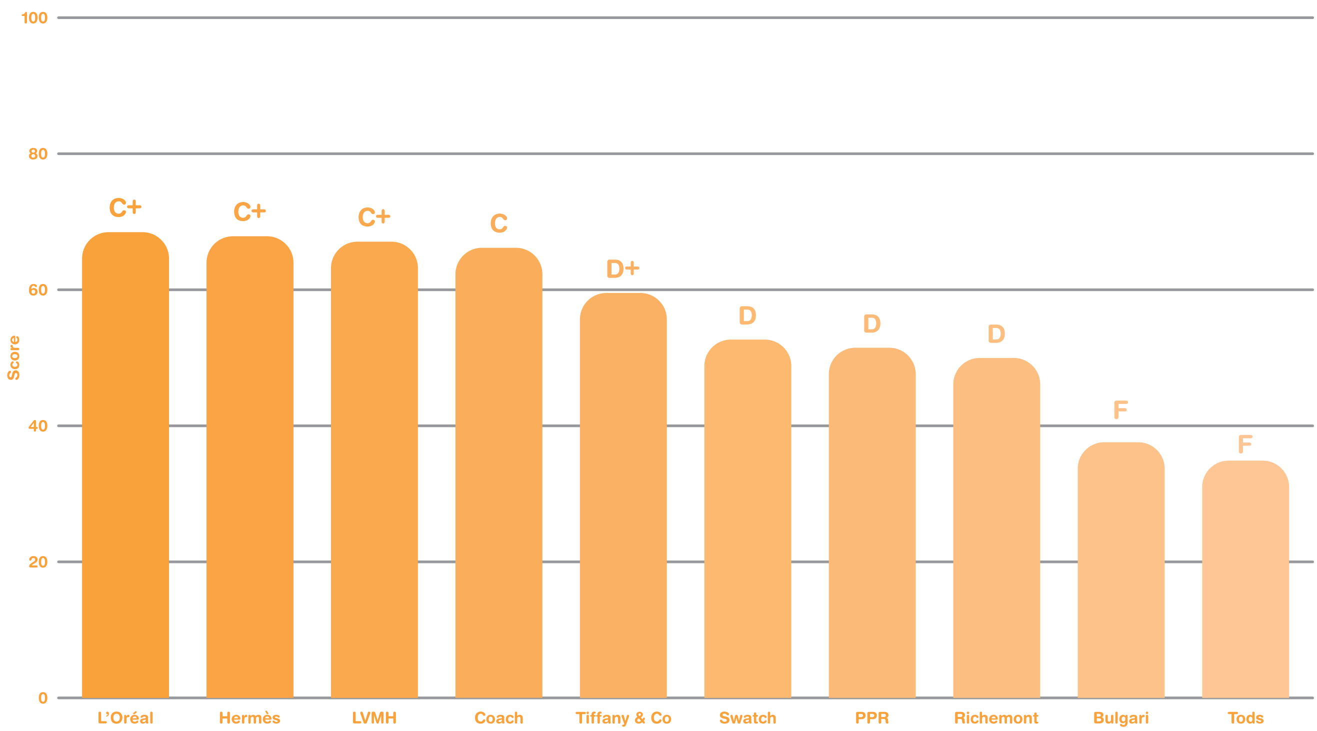
Coherent Celebrity Endorsement

Celebrity endorsement is an important driver of value for most luxury brands. Furthermore, the brands that these celebrities choose to endorse are seen as a reflection of their personal values. Endorsing brands with poor social and environmental performance can damage the reputation of these celebrities as well as undermining the good causes that they support. WWF-UK calls on celebrities to seek more coherence between the causes that celebrities support personally, and the brands that they endorse on a commercial basis. To help them to make the right endorsement choices, we have prepared a "Star Charter", comprising the following six principles:

1. To recognise their potential to influence consumer behaviour.
2. To encourage both consumers and companies to be aware of the social and environmental aspects of their activities.
3. To consider the social and environmental performance of companies before endorsing them.
4. To obtain independent expert advice on that performance before endorsing companies.
5. To address any public concerns over the social and environmental performance of the brands that they currently endorse.
6. To tell professional colleagues about their commitment to the Star Charter.

Conclusion

Luxury companies must do more to justify their value in an increasingly resource-constrained and unequal world. Despite strong commercial drivers for greater sustainability, luxury brands have been slow to recognise their responsibilities and opportunities. We call upon the luxury industry to bring to life a new definition of luxury, with deeper values expressed through social and environmental excellence. Their performance and progress on environmental, social and governance issues should be comprehensively measured and reported.



Introduction

Where's the bling? Stars arrive at the 2007 Academy Awards minus the showy diamonds

Luxury brands trade in aspiration. They are usually the highest-priced and highest-quality items in any product or service category and provide the consumer with an elite experience or sense of prestige. Watches, jewellery, high-specification interiors, high fashion, exclusive resorts and top restaurants are considered luxury items. Rare and enjoyable experiences also qualify as luxury purchases, and are becoming increasingly popular.[1]

The luxury industry is worth approximately £77 billion, and is now truly global. Iconic brands such as Chanel, Dior, Prada and Cartier influence the beliefs and behaviour of billions of people.[2] Global celebrities, advertising agencies and media owners collectively earn billions of dollars in advertising revenues and fees from these brands.

The market for luxury goods is expanding fastest in economies with rapidly expanding middle classes, with Asian countries setting the most furious pace.[3] China's luxury market is set to become the world's largest within just six years. In Tokyo, 94% of women in their twenties own Louis Vuitton bags. Hong Kong hosts more Gucci and Hermès stores than New York or Paris.[4]

Despite this boom, there are warning signs of a coming impasse. Titles and headlines such as "How Luxury Lost Its Luster"; "The Devil Sells Prada"; and "Has luxury's lap gotten too big?" indicate how fashion journalists are questioning whether the corporate globalisation of luxury brands has emptied them of their meaning.[5] Meanwhile, questions are increasingly raised about the ethics of luxury goods. For example, the 2007 film *Blood Diamond* fuelled (and responded to) so much concern over the trade in conflict diamonds that few diamonds of any sort were worn at the subsequent Academy Awards.

There were great stories on society in the 2007 green issue of *Vanity Fair*, but not a word about the environmental impact of the luxury brands advertised throughout the magazine.[6] If these brands trade in aspiration, how will they relate to our aspirations at a time when global challenges such as security and climate change have become daily concerns? What is the future of luxury, of quality and style, when the world seems to matter more than ever before?

New aspirations

An important part of the role of luxury products is to confer on their owners an air of success. In this report, we argue that the definition of success – and the way it is perceived by others – is changing. A sense of shared responsibility is pervading the more affluent sections of society, with corresponding changes in the tastes and aspirations of affluent consumers. Increasingly, successful people want to show that they care about environmental and social issues.

Some luxury brands, such as those featured in Chapter 7, have responded to the challenge of sustainability in appropriate and commercially successful ways. Others have tried to engage but failed, for reasons discussed in Chapter 4. Many have failed to engage in any significant way. Watch company TAG Heuer's question to consumers – "What are you made of?" – will increasingly be turned back on TAG and its fellow luxury brands by consumers who expect convincing answers to questions of environmental and social responsibility.

This report

To our knowledge, this report is the first systematic analysis of luxury brands' social and environmental responsibilities, performance and opportunities.[7] In Chapter 1, we describe the global necessity of sustainable consumption. We explore specific aspects of this sustainable consumption agenda that involve luxury brands, from mining and farming to design, manufacture, marketing, retail, use, re-use and eventual fate (Chapter 5). We present the world's first ranking of the social and environmental performance of the 10 largest luxury conglomerates (Chapter 6), responsible for a diverse range of brands, including Bulgari, Garnier, Tods, Kenzo, Hermès and TAG Heuer.

Although some large luxury firms have begun to work on this agenda, they are lagging behind many other makers of consumer products. This is due to a range of myths that pervade the industry, such as assumptions about a lack of consumer demand for sustainable brands within emerging markets (Chapter 4). We explain the commercial reasons why luxury firms should do more, based on general market trends (Chapter 2) and on the current dynamics of the luxury sector (Chapter 3). By showing how the key commercial challenges facing the luxury sector today necessitate social and environmental excellence, we remove any doubt about the commercial drivers for sustainability.

Towards Deeper Luxury

We observe shifts in the luxury paradigm, emerging from major changes in social dynamics. In future, the highest quality product or service will be the one that generates the most benefit to all involved in its production and trade. Consumers' knowledge of that benefit will be essential to their elite experience, and to the prestige ascribed to them by their peers. In future, luxury brands could represent the greatest positive contribution any product or service could make to people and planet: they would identify the luxury consumer as a person who has both the means and the motivation to ensure that others do not suffer. This deeper, more authentic approach to luxury would require truly excellent social and environmental performance; consumers expect excellence in this, because they expect it in all aspects of a luxury brand.

The direct environmental impacts of luxury brands are significant (Chapter 5) although light compared with other sectors such as oil and gas; lighter, even, than those of many fast moving consumer goods, which have a shorter average lifespan and are disposed of more quickly. However, luxury brands are more sensitive to reputational damage, because a greater proportion of their brand value is derived from empathy and trust. Furthermore, in the case of lower-priced luxury items, it is relatively easy for consumers to switch to a "greener" alternative. (It is hard to switch to a sustainable airline, since there are none; in contrast, it is relatively easy to find "sustainable" clothes and accessories.) In this way, the values of luxury brands will be forced to shift in response to consumer demand.[8]

A key impact of luxury brands on sustainable consumption is through its influence on people around the world. The brands promote concepts of quality, style and, ultimately, success. The scale and urgency of the sustainable consumption challenge requires all those who communicate widely, including iconic brands, to promote a more authentic understanding of quality, style and success, which includes respect for each other and the planet upon which we depend. In reality, the most successful and iconic brands, especially in the worlds of fashion and technology, do not so much respond to consumer demand as create and influence it. They do this in two ways: by "editing" consumer choices through product design, distribution and other attributes over which consumers have no control; and by influencing the choices that consumers can make, such as how and when to use their products. The way in which products are bought, used and disposed of by consumers is key to a host of environmental challenges, including reducing the effects of climate change and protecting habitats for endangered species. This is one reason why WWF-UK engages with government, businesses and the media to bring about more sustainable patterns of consumption.

We believe that businesses (with which this report is primarily concerned) should be able to thrive within the ecological carrying capacity of the planet. Currently, human beings are consuming more natural resources and emitting more pollution than the Earth can stand (Chapter 1).

Creating futures

Luxury companies influence consumer behaviour through product design and example-setting. Product design can reduce the direct impacts of production and improve performance efficiency; example-setting influences consumer behaviour by such means as advertising, the sponsorship of role models and the provision of user instructions. We therefore call on businesses to make greater investments in the sustainable design of their products and services, and to champion sustainable lifestyles to their consumers. This must begin with a process of internal change, fostering sustainable business practices in all parts of the organisation and its supply chain. Subsequently, even greater environmental, social and economic gains will come as a result of better products and external communications.

With a combination of more sustainable products and effective communications, luxury brands can do well by doing good. To illustrate this point, we profile seven companies that represent the height of luxury fashion while building social and environmental excellence into their brand personality. They are the future makers (Chapter 7).

In Chapter 9, we offer a Ten Point Plan for Sustainable Luxury Brands. This is guided, in part, by the plan proposed by our previous report on sustainable brands, *Let Them Eat Cake: Satisfying the new consumer demand for responsible brands*.[9] We invite companies to contact us to share ideas for how to develop deeper luxury.

Given their influence in the luxury sector and beyond, we call on celebrities worldwide to endorse only brands that are committing to social and environmental responsibility. To help them set an example in this regard, we propose a "Star Charter" which sets out the key elements of such a commitment (Chapter 8).

Ultimately all products and services need to generate wellbeing for everyone involved, within environmental limits. Professionals in the luxury industry have an extraordinary opportunity to lead the way. With booming sales and high margins, and an emphasis on consumer emotions, they have the resources and mandate to develop a deeper, more authentic and sustainable luxury.

In so doing, they could encourage us all to consider the social history of things – how they come to be and who is affected. They should remind us of the deep connection between our things, ourselves, our communities and our planet.

Chapter one
Context

© Mike Innes

Is this where we're heading?

WWF works towards a future in which humans live in harmony with nature. This is one of the most important and urgent challenges facing humanity, yet we are failing to meet it. The Living Planet Index, published every two years by WWF, uses average trends in populations of terrestrial, freshwater and marine species worldwide as indicators of the health of our planet. This index declined by around 30% between 1970 and 2003 (Figure 1). It is so well supported by scientific evidence that, in 2004, it moved *Nature* magazine to warn that we could lose a quarter of all living species by 2050.[10]

The ultimate cause of this decline is over-consumption of irreplaceable natural resources by humans. Global consumption levels are five times what they were just 50 years ago, and the natural world is buckling under the weight of demand. Symptoms include pressure on ecosystems (already leading to complete collapse in some instances), soil loss and degradation, ground water depletion, loss of productive land and the accumulation of toxins.[11] We must reduce overall levels of consumption.

The Ecological Footprint is WWF's measure of how we are depleting stocks of renewable natural resources. In Figure 2, it is expressed in the number of planets, where one planet equals the total biologically productive capacity of the Earth in any one year. In 2001, humanity's footprint exceeded the Earth's biological capacity by approximately 20%. This overshoot depletes the Earth's natural capital and is therefore possible only for a limited time.[12]

If everyone were to live like the average European, three planets would be needed to provide adequate quantities of natural resources – for the average North American, five planets would be required.[13] It would be physically impossible for all the world's poor to achieve greater wellbeing in the same ways that Europeans and North Americans have managed so far. Such wasteful development is possible only for a minority, and for a limited time. This is neither morally nor environmentally sustainable. Our challenge is to find ways to improve human wellbeing within natural limits; to stop living as though we had another planet to go to.

Figure 1: Living Planet Index 1970-2003

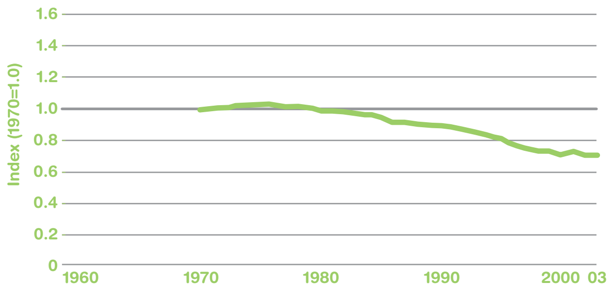
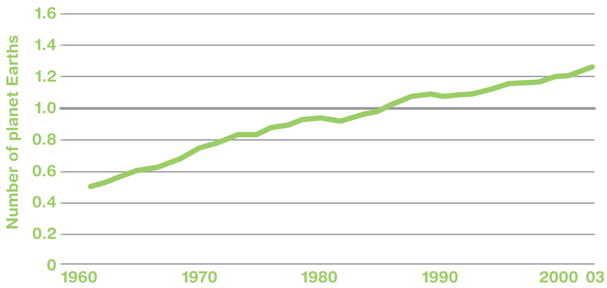


Figure 2: Humanity's ecological footprint 1961-2003



To achieve this One Planet Future, we need to find more resource-efficient ways of meeting our needs and aspirations. We must also reduce our demands on sensitive ecosystems and vulnerable people. Reducing consumption of resources does not have to mean reducing wellbeing. Instead, it implies a reduction in the resource through-flow of economies. This is sometimes described as the dematerialisation of the system of production-consumption. The goal is a sustainable economy, with production-consumption systems that:

- enhance wellbeing for the greatest majority;
- respect the resource and livelihood rights of local communities;
- reduce material use for the same amount of utility/wellbeing;
- cycle resources, cradle to grave;
- are non-toxic;
- are ecologically restorative; and
- are accountable to those most affected by them.

Shifting to a sustainable economy requires leadership from businesses, since they are both the biggest consumers of resources and the most able to influence consumers. Consequently, WWF has been engaging with business for many years to help them face the sustainability challenge (Box 1).

The challenge of climate change, like the challenge of resource depletion and sustainable development more broadly, will only be met if billions of people worldwide begin to aspire to lifestyles that feed the solutions, not add to the problems. As iconic brands promote themselves and the concept of luxury in new markets around the world, there is an opportunity to promote aspirations for sustainable living.

Box 1:

WWF-UK and Business

Achieving market transformation is beyond the capacity of any individual business, or even group of businesses. It will require a network of far-sighted businesses, NGOs, investors, governments and consumers, working together towards system change.

WWF-UK's role comes from being a trusted custodian of environmental science and a respected convenor with global reach. We are experienced in working through partnership with other organisations, while retaining the flexibility to campaign directly against behaviour that creates the worst ecological damage.

Over the years WWF-UK has helped to create and promote credible certification schemes for sustainable business including the Forest Stewardship Council and the Marine Stewardship Council. At the same time, we also support networks that increase information on corporate performance, such as Banktrack, or that campaign for regulatory reform, such as the CORE Coalition. We have also supported leading corporations by constructively challenging their operations and policies. For example, we have worked with Marks & Spencer, plc on water footprinting and with HSBC on its lending policies.

From our experience with these initiatives, WWF-UK's Sustainable Business and Markets team has identified five key challenges:

- how to create and promote a developed lifestyle that is personally aspirational, globally fair and ecologically sustainable;
- how to ensure that economic systems work to deliver this lifestyle and govern markets so that they operate within ecological limits;
- how to transform key markets (starting with housing and energy, food and transport) so that they operate within their fair share of ecological limits and enable business to provide for a sustainable lifestyle;
- how to enable business and industry to transform business models, operations, products and services in order to create value within ecological limits; and
- how to minimise the worst ecological impacts of business while this transformation is under way.

WWF-UK's work on sustainable branding focuses on making sustainability the dominant aspirational corporate marketing message. This complements One Planet Business, our engagement with businesses to help them drive systemic change to create markets where they can thrive within environmental limits, and One Planet Finance, which engages financial institutions in reshaping financial markets to favour sustainable business. It also complements our ongoing work to pressure the oil and gas industry to reduce its impacts on sensitive environments. All of this work highlights WWF-UK's continued commitment to diverse tactics that meet the urgent need for a sustainable economy.


© Brent Stirton / Getty Images / WWF-UK

WWF: Working toward a One Planet Future

Chapter two
How markets are driving sustainable luxury

Luxury shopping in London

How markets are driving sustainable luxury

Luxury brand executives should care about their company's social and environmental performance for two reasons: first, because the challenge of global sustainability is clear and urgent; second, because it makes good business sense for them to improve this performance.

There are strategic commercial reasons for luxury brands to improve their social and environmental performance as part of deepening their luxury offering. In this report, we explore two dimensions to this business case for action. In this chapter, we chronicle some dynamics of societies and markets worldwide that point to the need and opportunity for greater responsibility on the part of all companies, particularly those with consumer-facing brands. We report a growing global wave of environmental awareness among urban middle-class consumers, and the consequent changing attitudes towards brands. In the next chapter, we focus on dynamics specific to the luxury industry that imply the need for deeper and faster changes.

In the past ten years, voluntary corporate action to improve social and environmental performance has gathered pace. Thousands of companies now publish annual reports detailing their social and environmental impacts, and tens of thousands of firms have been certified as compliant with a range of independent voluntary standards. Terms such as "sustainable business", "corporate social responsibility" and "corporate citizenship" are now widely understood as describing the integration of social, environmental, and economic considerations into the decision-making structures and processes of business. This approach involves not only diligent compliance with national law, but also aspiring to meet international standards and the expectations of society. It involves engaging stakeholders to understand and manage potential corporate risks more effectively, build trust within society, stimulate innovation, enable new business models and reach new markets. Ultimately, it involves innovating products and business processes that effectively meet social and environmental challenges.

Here are seven commercial reasons why luxury brand-owners should become more sustainable[14]:

1. Operational efficiency gains.
2. Enhanced employee relations, making for easier recruitment, more motivated and loyal staff, better customer service, enhanced learning and innovation, and higher productivity.
3. More welcoming and accommodating local communities.
4. Enhanced brand reputation and trust.
5. Connections with voluntary associations and networks that generate new market intelligence and enable access to new markets.
6. A more secure and sustained supply of raw materials, provided by more motivated suppliers.
7. Improved relations with the financial sector, including responsible investors and lenders.

Several of the above commercial drivers would not have been seen as such a few years ago. However, today's businesses operate under an evolving set of global market conditions, including[15]:

1. Globalisation – selling to, sourcing from, and being owned by people in a multi-cultural global economy with diverse and rapidly evolving values, norms and beliefs.
2. The rise of brand culture – consumers worldwide are attracted increasingly by the emotional aspects of brands.
3. Greater access to information – thanks to faster, cheaper international communications, widespread access to the internet, higher levels of education and greater competence in internationally-used languages.
4. Greater public participation in non-governmental and not-for-profit organisations due to retreat (or capture) of the state, growth in global philanthropy, and rising interest in values-related self-expression and social participation.

5. The growing scarcity and cost of natural resources and sinks – as industrialisation and consumerism spread throughout the southern hemisphere, businesses will be forced to respond.
6. Growth in brand value relative to corporate value – this, combined with the growing proportion of brand value associated with environmental and social performance, will lead investors to call for greater corporate sustainability.

All the business reasons outlined here also apply to other sectors, but most are of greater relevance to the luxury sector. Of particular note are the rise in the emotional and financial value of brands, and the consequent rise in their sensitivity to cultural shifts. The greatest cultural shift of the 21st century has been the rise in concern over environmental and social problems, and the greatest rise in such concern is among middle-class consumers.

The Global Wave of Awareness

In our 2005 report, *Let Them Eat Cake: Satisfying the new consumer appetite for responsible brands*[16], we showed that, in Western markets, environmental and social issues are no longer the sole concern of a minority of socially-conscious people, but of a sizeable proportion of mainstream, brand-conscious consumers who want to purchase the quality they expect at a reasonable price, but with social and environmental performance built in.

Since then, and particularly in 2007, we have witnessed a rapid rise in the awareness of environmental issues among US consumers. Nearly one in four American adults now subscribes to a new set of values that typically includes "environmentalism, feminism, global issues and spiritual searching". Most of these so-called "cultural creatives" are well-educated and relatively affluent.[17] No wonder, then, that sales of top-end hybrid cars, such as Toyota's Lexus 450h, are booming.[18] Although sometimes dubbed an "old market" for luxury, the *Financial Times* reminds us that "the world's largest consumer market still presents far more immediate opportunities for growth than the much discussed emerging promises of Russia, India and China".[19]

The latest consumer research on the luxury market in Europe tells the same story: "The wealthy are increasingly concerned about environmental issues", says Ledbury Research.[20] This not only means shopping differently, but sometimes not at all; industry specialist Luxe etc reports that some wealthy consumers "regard luxury products, such as fine jewellery, well crafted time pieces and fast cars, as conspicuous wastes".[21] Analysts at the UK's Future Laboratory believe that "overconsumption is no longer a signal of success" and that it is being replaced by "conspicuous abstention".[22] Walpole, the UK's industry association for luxury brands, attributes this to a broader emphasis by consumers on ethics; in 2007, it emphasised social values as one area to which its members should pay more attention.

In the US, this is not a passing fad but an enduring trend, according to professors Ronald Michman and Edward Mazze.[23] Looking at Europe, the editor of the *Financial Times*, Lionel Barber, agrees that the trend is here to stay.[24]

But what of the rest of the world? There is a widespread belief that consumers in Asia, Africa, Latin America and eastern Europe are not aware or don't care about the social and environmental performance of the companies from which they buy products and services. Given other, more urgent and immediate preoccupations (such as the need to escape from poverty and ill health) this has been true to a certain degree. However, there is evidence of a wave of eco-awareness sweeping the urban middle classes across these continents, with significant implications for business.

Across Asia – the focus of so much strategic planning in the luxury sector – something surprising happened in 2007: green issues suddenly became cool. In April 2007, *Cosmopolitan Hong Kong* magazine featured a 25-page eco-awareness supplement that aimed to educate readers on the importance of green living. Many other fashion and lifestyle publications also discussed the implications of environmental issues for shopping and living. In Thailand, Singh Intrachooto, founder director of OSISU luxury recycled furniture, confirmed that "green consumerism is growing in Asia. A year ago OSISU customers were 10% Asian and 90% Western; now, it's 50:50. The Asian market for green products is definitely on the rise".[25] Dozens of Asian lifestyle magazines featured his company during 2007, many of them splashing green lifestyle themes across their cover. In Singapore, Issy Richardson, co-founder of organic t-shirt company Belle and Dean, says that "with increasing press coverage and celebrity endorsements of green living and eco-fashion brands, attitudes are changing and an interest in green fashion seems to be surfacing".[26]

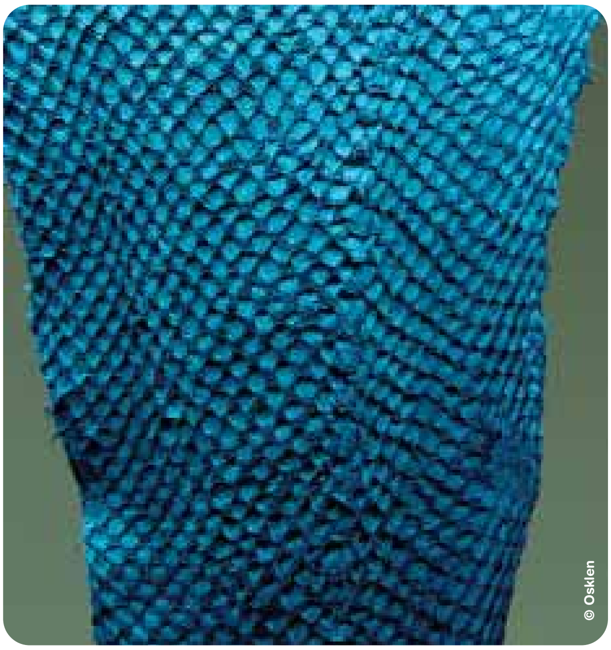
© SCMP / Cosmopolitan

In Asia, green lifestyles are becoming aspirational

Simon Chau, founder of Produce Green Foundation in Hong Kong, says, "Asia has a long tradition of ecological awareness from its religious beliefs such as Taoism and Buddhism. Health scares triggered Asian society to challenge food safety issues, acceptable work environments and questions of personal health." Opinion surveys in China reveal high levels of concern (reaching 80%) over certain environmental issues, although less awareness of possible solutions.[27] Despite this lack of awareness, China's richest man, Zhengrong Shi, accumulated his estimated $2.2 billion fortune thanks to the success of his solar power company, Suntech Power Holdings.[28] Awareness is also growing in Latin America and in the European Union's newest member states. Although most luxury fashion brands derive less than 5% of their revenues from sales in the new Europe, consumers in these markets are following the global trend of rising environmental and social consciousness. Lithuania's leading fashion magazine, *IEVA*, ran a green issue in 2007; one article was entitled "Ecological snobs in Hollywood, in fashion and in life", and an editorial headlined "I want to be a snob" suggested that environmental responsibility confers social status on individuals.[29]

In neighbouring Latvia, Lotte Tisenkopfa, co-owner of the Latvian natural cosmetics company Mádara, says that her western colleagues "are fascinated by how close to nature we still are...One of our partners was truly moved to hear that…we still celebrate Midsummer's Eve the way he did as a child, 50 years ago. Feeling this atmosphere of celebration surrounding the cycle of nature made him happy once again."[30]

In Latin America, Brazil's middle classes are also tuning in to social and environmental issues concerning business. The São Paulo fashion week has featured environmental themes in recent years. Brightly coloured fish leather bags, soft natural rubber straps and iridescent floor tiles made from compacted PET plastic bottles have all been featured as sustainable fabrics.



© Osklen

Fish leather: a more sustainable alternative

It should come as little surprise, then, that the latest global study on luxury consumer tastes finds that they are remarkably similar in many ways, especially in the emphasis consumers place on experiences, rather than something that one has or owns. Consumers in China, France, Germany, Italy, Japan, the UK and the US were found to "have remarkably similar perspectives on how to define luxury", said Lynn Franco, director of the Conference Board Consumer Research Center.[31]

Eco-Bollywood: Actress and luxury brand ambassador Pretty Zinta on the Green Carpet at the 2007 Bollywood Awards

The role of showbusiness in this global upturn of awareness is important. Celebrities from around the world have increasingly become involved in high-profile awareness campaigns on issues from poor country debt relief to climate change. Hollywood celebrities may have pioneered the trend, but, in 2007, Bollywood caught up; the International Indian Film Awards – complete with green carpet instead of red – were organised in a more environmentally friendly way in order to promote environmental awareness among Bollywood fans.[32] As celebrity endorsement is increasingly important to the luxury industry, so this trend is commercially relevant, and we discuss the implications further in Chapter 8.

Despite this global wave of awareness, there is still a long way to go in changing behaviour. Business has a key role in enabling this. More employees and business owners are keen to play such a role. A WWF survey found that communications professionals want to lead on this agenda, but were not being encouraged by their employers or clients to do so.[33] The luxury industry depends on such people, and will benefit from answering their calls for better training, better information and adequate recompense for improving their environmental and social performance.

Investors are also encouraging companies to become part of the solution to social and environmental challenges, as an element of a smarter and longer-term approach to portfolio management. The UN Principles for Responsible Investment are now backed by institutional investors with more than $10 trillion of assets under management.[34] These institutions invest in many luxury brands, either directly or indirectly. Their calls for more strategic and systematic approaches to corporate responsibility will need to be addressed.[35]

Chapter three
Industry challenges

Must-haves amidst have-nots in Shanghai

In this chapter, we summarise seven strategic challenges faced by the luxury industry, which all necessitate a new depth to luxury through improved social and environmental performance.

Challenge 1: Splendour amid squalor

The geographical broadening of the luxury industry means that companies are increasingly selling in markets that are highly unequal and with significant poverty. During 2007, this raised concerns among government officials, celebrities and the wider public, including luxury consumers. Discussing luxury in India, the *Financial Times* pointed out that "the price tags of luxury goods could equal the annual income of a small Indian village".[36] The Prime Minister of India has called on the rich to "eschew conspicuous consumption" and on businesses to "promote socially relevant messages and causes" in their advertising. The tax on luxury goods charged by the Indian government is now 114%.[37]

Brands, beggar, belief, in New Delhi

In China, the mayor of Beijing has said that advertisements for luxury products "are not conducive to harmony".[38] The local market regulator added that "there is a problem with certain advertising not conforming to the demands of a socialist spiritual civilisation".[39] Consequently, the mayor of Beijing ordered all luxury billboards to be removed.[40] In Egypt, *Al-Ahram* newspaper warned against the new "immersion in luxury consumption" that "can only worsen the situation where political extremism and political oppression combine to destroy the social fabric of our country".[41] How can luxury be more socially acceptable in societies of high inequality? By generating more value for everyone involved in (or affected by) its manufacture and supply; by preventing irreparable damage to the beauty and biodiversity of the global commons; and by developing processes, techniques and materials that are consistent with the demands of sustainable development. Such an approach requires a level of investment that lower priced brands may not be able to match.

By meeting this challenge, luxury brands could encourage affluent consumers in China and India, who are known to save a relatively high proportion of their income, to spend more on luxury goods and services.[42] In China, the concept of luxury relates to the Confucian concept of "face", or personal reputation. There are two aspects to face: *mien-tzu* and *lien*. The former usually refers to material prestige and displays of wealth, while the latter refers to moral standing, the loss of which makes it hard to function in Chinese society.[43] The Mandarin term for luxury may be translated as "show-off goods", indicating that luxury consumption is currently driven by *mien-tzu*. In future, it may be driven to a greater extent by *lien*.

Challenge 2: Democratised luxury

"Our products have become more accessible and by definition less exclusive... it is this, our very success, that imperils us," says Guy Salter, the forward-thinking deputy chairman of Walpole.[44] The socio-economic broadening of luxury brands across different product sectors, social classes and time zones has undermined their exclusivity. According to some experts, the concept of democratisation has devalued that of luxury. According to Dana Thomas, the culture and fashion writer for

Newsweek, the appearance of Armani t-shirts, Prada bikinis and phones, and Versace sofas and hotels, have caused luxury to "lose its cachet". As family-owned luxury companies have given way to large conglomerates, so the industry has "sacrificed its integrity, undermined its products, tarnished its history and hoodwinked its consumers," says Thomas.[45] A fashion expert in the *New York Times* agreed that, whereas luxury brands were "once guarantors of value and integrity", they are now "markers that point toward nothing, guiding the consumer on a road to nowhere".[46] There is also a concern that private equity firms may compound the problem by treating their newly-acquired luxury subsidiaries as cash cows.[47]

Brands may restore lost cachet by imbuing their products and services – and, indeed, the brands themselves – with deeper meanings and values, embodied in the concept of sustainability.

Furthermore, the emergence of the internet has weakened the ability of companies to control the identities of their own brands, and enabled consumers to start setting their own trends. Since the 19th century, luxury fashion houses have led fashion, but now trendsetters are drawn from many social groups.[48] "There is now a two-way dialogue and an unfettered exchange of opinions, reviews and information", says Brand Channel, and "this apparent rise of people power is making the luxury brands baulk; they are scared that they may lose control of their brand".[49] Joe Chung, chief executive of innovative e-commerce software provider Allurent, agrees: "Like it or not, all brands are losing control... everyone is influenced by blogs." Looking at fashion trends among those most using digital social networking gives us insight to the future: "Young people are more comfortable with a peer-to-peer viewpoint, so they are more likely to see a few Japanese designers as equally [sic] good as Western ones," explains Japanese consumer expert Michael Causton.[50] The world's wealthiest consumers are now using the web's interactive capabilities, and expect to purchase luxury goods online.[51]

The internet also prevents brand owners from presenting inconsistent images across geographical markets, since national governments are unable to effectively restrict the surfing habits of consumers.[52] Therefore, a new paradigm for both brand communications and design innovation is required. This will invite consumers to participate in the creative process within a framework of global core brand concepts. In this way, real communities will grow around the brands. A brand will no longer grow because of how well it is controlled, but because of how well it is shared. Of paramount importance will be the way in which a brand's traditions and practices relate to contemporary concerns such as wellbeing, work-life balance, community security and environmental protection. Therefore, a brand's social and environmental depth will become an important determinant of its financial value.

Challenge 3: The casual consumer

The demographic of the luxury consumer is broadening: younger people in the West have begun consuming luxury brands; brands have expanded into new markets, where the population is generally younger; and, at the other end of the age scale, "baby boomers" are spending their considerable wealth in retirement on luxury goods and services. All of these factors have led to a more casual trend in luxury fashions. Diesel's Renzo Rosso says that the young luxury is casual, not stiff. This poses a challenge to luxury brands, since luxury t-shirts cannot justify margins of the type available to purveyors of Savile Row suits.[53] Superior social and environmental quality could be a justification for their higher prices and will afford the opportunity for higher margins.

Challenge 4: Western existentialism

As brands lengthen their presence in the market, so the interests of luxury consumers mature. Industry specialists are agreed that in the West, this maturing process involves a form of post-materialism and an emphasis on experience. (This is illustrated by the growth in health spas, holidays and the like.)[54] Luxury lifestyles are increasingly understood to avoid favouring such experiences over mere "stuff", which is perceived as "clutter".[55] There is some uncertainty about what kind of experiences people are seeking. Some stress individualistic needs for personal attention and excitement.[56] Others suggest that people seek what they have lost, such as the ability to take their time, to enjoy nature, to connect with people, and to "do something worthwhile". "In a world that seems to worship speed, going a little faster is not a luxury," says futurist Charles Leadbeater. "Being able to go a lot slower is the luxury."[57]

In this context, exclusivity is less attractive to luxury consumers than special and authentic experiences of connection. Walpole's Guy Salter explains that modern luxury brands can provide a valuable feeling of belonging to consumers.[58] "The true sign of discernment is to rise above the need for a brand logo... to look for experiences that are surprising, exotic and, above all, authentic," says Leadbeater. "Consumers will expect to have wholesome experiences with every interaction with luxury brands", adds industry consultant Uche Okonkwo.[59] Increasingly, therefore, consumers "will reject brands that seem... profit-driven and lacking in substance. This means that only the brands that show deeper meanings and foster simplicity in creativity will thrive." Consequently, "consumers will need a concrete and morally right 'background story' to endorse a brand", which means that they "will be expected to show more socially responsible practices".[60] The designer Philippe Starck calls for the whole symbolism of luxury to change in light of environmental and social problems.[61]

The luxury market is maturing fast in China

Challenge 5: Maturing new markets

Western luxury brands have been successful in Japan for more than 30 years. Their luxury market is maturing fast, as are other markets around Asia, matching the luxury industry's high sales and growth expectations of the region. To understand how markets are maturing, one needs to know what values shape current behaviour; how these values will be expressed, given new information; and how these values might evolve, given new circumstances. It is also helpful to look at how markets with similarities have matured so far, and to take account of their respective paces of change. We look at each dimension in turn and conclude that luxury brands from the West, Asia and elsewhere must embrace sustainability if they hope to continue to thrive in maturing new markets.

Asian luxury gurus Radha Chadha and Paul Husband describe a pattern for how luxury has been developing in Asia. They explain that, although the conspicuous display of logos has been key to Japan's luxury boom, tastes are maturing towards interest in luxury lifestyles.[62] This is reflected by recent research showing that a majority of affluent consumers polled in Japan did not agree that luxury is defined by the brand.[63] Changes there may foretell changes elsewhere, as the Japanese "serve as style leaders for the rest of Asia".[64] Neither will it take long for others to catch up. It took South Korea just a decade to develop its market size and tastes in the same way as Japan and Hong Kong took two decades, conclude Chadha and Husband.[65] China and India are likely to move faster still. "One thing that has surprised us in the last 10 years is the speed at which [China's luxury market] has developed,"[66] says Serge Brunschwig, former managing director of Louis Vuitton Worldwide.

The agency of Chinese style pioneer Huang Hung reports that the luxury market is already undergoing a values shift, segmenting into "nouveau riche, understaters, connoisseurs and spirituals". Even 76% of the more ostentatious nouveau riche segment said they "would pay more to buy natural healthy foods". Co-produced by TrendBuero, their report concludes that in China "the experiential, authentic and enjoyable side of luxury products and brands will determine if consumers consider them luxury or not".[67] The editor of *Vogue*

China, Angelica Cheung, reports growing sales of luxury goods that do not flaunt their logos, demonstrating that "a new class of Chinese consumers is ready to spend money on quality and style without showing it on their sleeves".[68] Meanwhile, in South Korea, there are "inconspicuous gourmands" who conform to Confucian cultural norms against ostentation.[69]

In Asia, recent years have seen a greater focus on the logo; but it would be wrong to assume that this implies a more superficial approach to luxury on the part of consumers. Chadha and Husband say that "luxury brands are a modern set of symbols that Asians are wearing to redefine their identity and social position".[70] Asian psychologists report that famous Western brands have been attractive to many Asians because they have an international profile, bestowing on the consumer an image of modernity and success.[71] They explain that brands are less about distinguishing oneself than demonstrating membership of a particular social group, as social harmony through conformity is still a common value. Increasingly, wealthy Asian consumers share the concerns of the well-educated and well-off in the West, for whom sustainability has become an important issue.

In Asia, this new type of luxury can prove very popular, as illustrated by the rush, in 2007, to buy the designer shopping bag by Anya Hindmarch, branded with the phrase "I'm NOT a plastic bag". In Taiwan, Hong Kong and Beijing, "public sales were abandoned... amid scenes of chaos," reported the *South China Morning Post*.[72] "Ironically," the paper went on, "each of the bags… was wrapped in the kind of plastic bags they are supposed to replace." This also illustrates how companies need to be coherent in how they meet growing demand for eco-luxury.

Existing values not only manifest themselves in novel ways given new information, but they also evolve given new circumstances. As Asia grows technologically, economically and politically, so being international and successful no longer implies following western style. Don Hedley, consumer trends analyst with Euromonitor, says that, across Asia, "there is now evidence of national and regional pride shifting the axis away from Hollywood glamour, New York glitz and European sophistication, and towards a new belief... in Asian style and creativity".[73] The Chinese art market is booming. However, the indigenous Asian luxury market is still relatively weak. "Brand-savvy consumers in India and China are not happy to pay for a premium label assembled in their own backyard," reports the fashion chronicler *Monocle*.[74] The only way forward for Asian luxury brands, in both domestic and international markets, will be to embody innovative social and environmental excellence. Asian brands John Hendry and OSISU believe that this includes the provision of luxurious working conditions to the craftspeople they employ (see Chapter 7).

Anya Hindmarch's bag

Commenting on the future of the Asian market, Michael Burke, chief executive of Fendi, believes that "as markets mature, they will become more discriminating" and people will want more "true luxury" rather than "pseudo luxury".[75] To continue to thrive in maturing new markets, luxury brands will need to offer deeper luxury, with social and environmental excellence built in.

Challenge 6: Fast fashion

Luxury is quickening because of technological innovations in communications and production. Catwalk designs can be emulated by mass retailers such as Top Shop, H&M and Zara within a couple of months.[76] These retailers have also begun to work directly with designers such as Stella McCartney and Kate Moss (who is better known for her modelling).

While these mass retailers and brands can often emulate product attributes, they may be less able to match deeper elements of value such as high ethical standards in sourcing, efficient use of materials, low-impact manufacture, assembly and distribution, and the provision of repair and upgrade services. All of these represent an opportunity for luxury brands to justify their share of the wallets of wealthier consumers.

Challenge 7: Counterfeiting

The technologies making fast fashion possible are also enabling an explosion in the amount of counterfeit luxury products. Modern fakes are often indistinguishable from genuine products, and thereby rob those genuine products of much of their value.[77] According to a study by law firm Davenport Lyons, fakes and replicas are becoming more socially acceptable among consumers. In the UK, they report, "two-thirds of consumers, up 20% on 2006, are happy to own fake clothing, footwear, watches and other items". This suggests that demand is set to increase here, fuelled by internet shopping and cheaper long distance travel.[78] In response, the luxury industry lobbies governments for stricter rules and inspections on producers and traders, and takes direct legal action against those who participate in the counterfeit market, including against some market stall owners in China.[79] (In contrast, it is recognised that efforts to criminalise consumers can be counterproductive.)

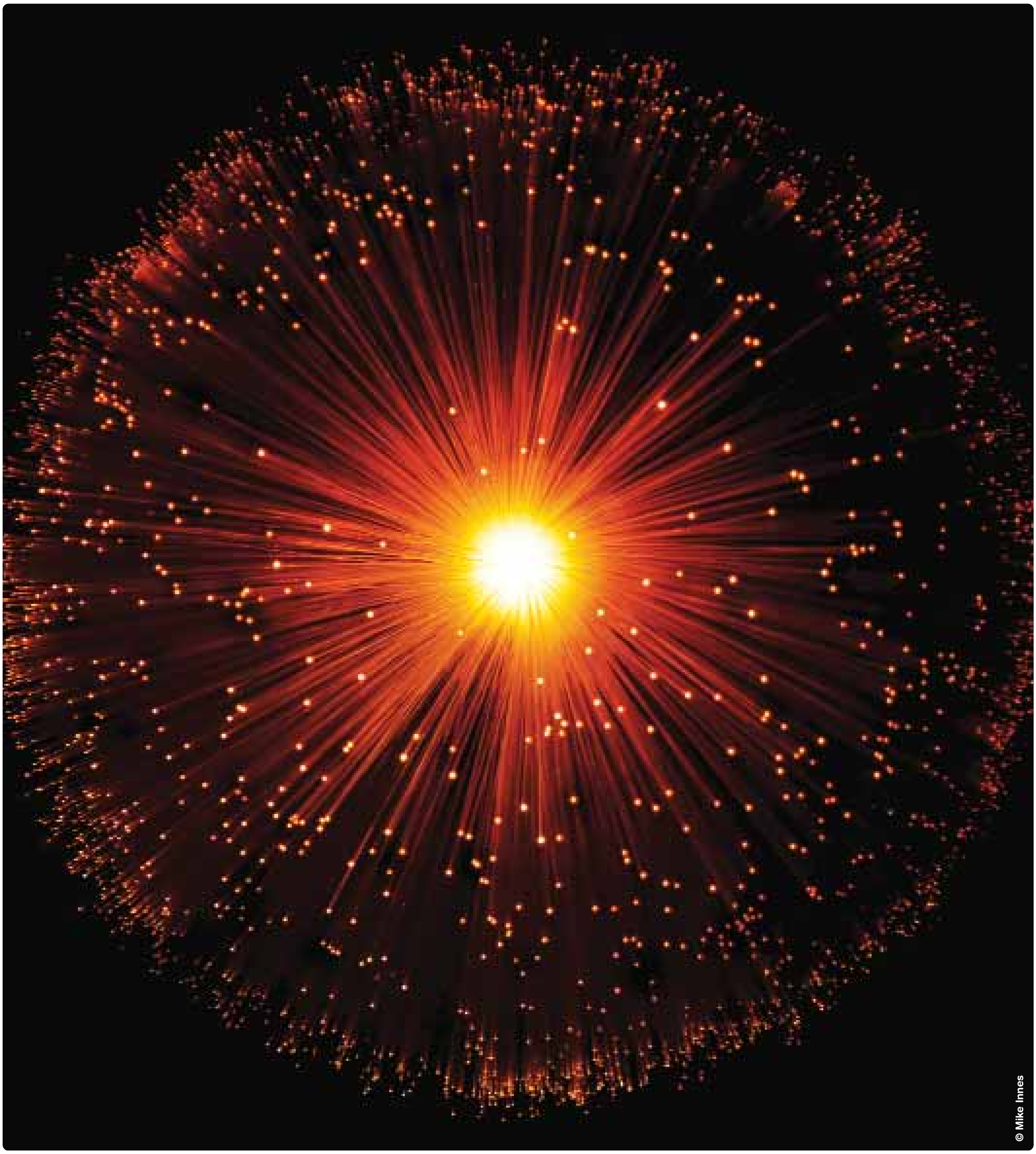
In the face of this threat to the value of luxury brands, brand owners will seek to provide prestige in new ways that do not rely so heavily on the use of logos.

Conclusion

The seven industry challenges (counterfeiting, fast fashion, maturing new markets, western existentialism, the casual consumer, democratised luxury, and splendour amid squalor) all point to the same future for luxury brands: to become part of a social movement, connecting with and helping people to express their deepest values. As the luxury market broadens, lengthens and quickens, luxury brands must deepen their offering if they are to continue to thrive amid changing global values and realities. They must deepen in terms of the meaning and experience given to the consumers of luxury brands, and in terms of the luxurious nature of the production and retail process involved. Thus, the social and environmental quality of the product or service becomes paramount, alongside its ability to champion new, more connected aspirations.

Contrary to popular myth, this applies in Asia, as well as in more developed Western markets. The business case for more sustainable and responsible luxury is clear. In this chapter and the last, we have outlined seven reasons, six accelerators and seven industry situations for deeper, more sustainable luxury to be pursued by luxury brands as part of their core commercial strategy.

Chapter four
Exploding the myths of shallow luxury



As we have shown in Chapter 3, there are powerful commercial reasons for luxury brands to improve their social and environmental performance. In this chapter, we identify seven myths that may explain why the luxury industry performs relatively poorly against environmental and social indicators (see Chapter 6).

Myth 1: "Luxury is about conspicuous personal indulgence, so it can never be moral"

Wrong! Luxury is about being and having the very best. Products that cause misery or environmental damage, now or in the future, are no longer considered by affluent consumers to be best in class. Such products do not feel luxurious to the more ethically and environmentally concerned consumers of today.

Myth 2: "Luxury consumers in new markets do not care about ethics or the environment"

Wrong! As new markets mature, their more affluent citizens increasingly follow international trends, including awareness and concern over social and environmental issues, and a desire for their purchases to provide meaningful experiences. In certain regions, this arises not only from international influences, but also from local sets of values, such as *lien* in China. (See "Challenge 1", Chapter 3).

Myth 3: "Brands cannot tell consumers what to care about"

Wrong! Brands tell consumers what to care about all the time, both directly and by implication or demonstration. Examples include: models selected for their body shape; fashion and personal care tips in the media; and advertising.

Myth 4: "Luxury brands can only build in value through materials, design and marketing"

Wrong! Value can be provided via benefits to the people, communities and environment affected by production, marketing and distribution. These benefits help to build the intangible value of the brand. This implies and requires a high level of collaboration between marketing, design and other business functions.

Myth 5: "Heritage will maintain luxury brand value"

Wrong! 50 years hence, what a luxury firm does today will be part of its heritage, and another company that is created today will also have a heritage. A company's heritage from the 19th or 20th centuries will not stay the same, but will be interpreted on the basis of contemporary values and the company's activities during the 21st century. Luxury brands need to see heritage as an evolving phenomenon, and work at contemporary heritage creation, by shaping the future proactively.

Counterfeit goods seized in London

Myth 6: "Legal action is the only way to address counterfeiting"

Wrong! Changes in technology and communications, combined with the promotion of labels by luxury brands, mean that counterfeiting will continue, even in the face of legal challenges. Therefore, luxury brands must reconsider their emphasis on logos, and seek to connect with deeper values.

Myth 7: "Luxury brands have less impact on society than other companies, so need offer nothing more than philanthropy and compliance"

Wrong! Luxury goods involve diverse supply chains that have impacts on communities and nature throughout the world. Various stakeholders, including investors, increasingly expect verifiable and comparable information on social and environmental performance, resulting from a systematic approach. In many cases, non-luxury consumer goods companies outperform luxury brands in aspects of corporate sustainability (see Chapter 5).

Chapter five
Issues of public concern

© Friedrich Stark/Das Fotoarchiv. / Still Pictures

Disturbed Earth: mining in Papua New Guinea

“When we buy things in one place, it has repercussions some place else... When we put our credit card down we endorse a corporation and their practices and what it takes, and how it affects thousands, if not millions, of lives,”
declares Edward Zwick, director of the Hollywood movie, Blood Diamond.[80]

Edward Zwick’s film, *Blood Diamond*, has raised public awareness of the role of precious stones in fuelling conflict. However, the impacts and influence of luxury goods and services – both positive and negative – are many and varied. They arise through the processes of production (including design, sourcing and manufacture), distribution, retail, marketing, use, re-use, recycling and eventual disposal. They are affected by the quality of corporate governance and regulation throughout all of these processes. Some relate to broader, unresolved issues, such as systemic racism and carbon pollution. In this chapter, we examine some of the issues most affecting (and affected by) today’s luxury industry.

There is growing awareness of the impacts and influences of luxury brands among opinion formers, employees and consumers. Furthermore, the advertising of luxury brands is beginning to show signs of a shift towards a deeper concept of luxury, which is the focus of this report.

However, luxury brands fail to match the environmental and social efforts of companies in most other consumer sectors, both in the quality of their policies and in their operations. The deeper values that some of these brands have begun to espouse in their advertising need to be applied in depth within their own organisations and throughout their own supply chains. The depth of the shifts in societal values is beginning to expose the shallowness of the industry’s collective response.

In order to formulate a meaningful response, it is first necessary to understand some of the key negative impacts of the luxury goods sector. These include: the role of precious stones in financing conflicts; the impacts of mining operations; worker rights in companies and their supply chains; responsible marketing; and the trade in wildlife-derived products. Although some of the issues we present below are beyond the traditional focus of WWF's programmes, they are useful to illustrate the range of challenges that collectively require a more coherent approach to corporate responsibility from the luxury industry.

Diamonds

The mining of diamonds has often created conflict, due to the financial rewards involved. On many occasions, diamonds have provided new impetus and finance for conflicts in Africa, resulting in the deaths and displacement of millions of people. Angola, the Democratic Republic of Congo (DRC), Liberia and Sierra Leone are still recovering from such conflicts. According to Global Witness, diamonds being smuggled out of the rebel-held north of Côte d’Ivoire and out of eastern DRC continue to be used for money laundering, tax evasion and organised crime.[81]

Global Witness’s campaign against conflict diamonds led to the creation of the Kimberley Process, designed to stem the flow of rough diamonds to rebel movements who use them to fund violent activities. It is a voluntary system that imposes extensive requirements on participants to certify that shipments of rough diamonds do not include those from conflict areas.[82] This has been a major step forward, and many luxury brands are publicly committed to purchasing only diamonds certified through the Kimberley Process.

However, Global Witness has criticised the industry for misleading the public in 2007 by falsely suggesting that there remained no conflict diamonds in luxury items. “Although the Kimberley Process makes it more difficult for diamonds from rebel-held areas to reach international markets,” Global Witness noted, “there are significant weaknesses that undermine its effectiveness and allow the trade in blood diamonds to continue. Poor government controls and enforcement are allowing smuggled diamonds and blood diamonds to be certified as conflict-free. Unscrupulous diamond traders are knowingly violating the Kimberley Process and national laws.”[83]

Global Witness calls for more controls to be introduced by companies at the top of the supply chain, as the “diamond industry has failed to create an auditable tracking system to ensure that diamonds are conflict free.”[84] Some brands, such as Tiffany and Co, are recognised for pursuing best practice, by introducing an additional audit system of the chain of custody of Kimberly-certified diamonds.[85] However, many companies are not meeting the challenge. A survey in the UK with Amnesty International found that more than three-quarters of retailers who responded reported having no auditing procedures in place to combat the trade in conflict diamonds. Almost a third of those surveyed, including leading luxury house Cartier, failed to respond to repeated requests from Amnesty and Global Witness to provide information about their policies.[86]

Gold

Mining for gold and other precious metals used in luxury goods poses significant social and environmental challenges. For example, gold mining can displace communities, contaminate drinking water, hurt workers and destroy pristine environments. In the past, the mining industry has threatened natural areas, including those that are officially protected. Nearly three-quarters of active mines and exploration sites encroach on regions that have been defined as having high conservation value.[87] Mining is a major threat to biodiversity and to frontier forests (large tracts of relatively undisturbed forest). One example comes from the Indonesian province of West Papua, home to the largest protected area in South-east Asia, containing five WWF-classified ecoregions in its 2.5 million-hectare expanse.[88] Next to this Lorentz National Park, now a World Heritage Site, is a large, open-pit mine operated by PT Freeport Indonesia. This mine has caused devastating harm to its immediate environment by dumping 110,000 tons of toxic mine tailings each day into the Ajikwa river. By the time it closes, it will have excavated a hole covering an estimated 230 km^2 in the forest that will be visible from space.[89]

In Mongolia, rapid expansion of the gold mining industry has led to the deviation of rivers, loss of water flow and degradation of water quality, creating erosion and undermining traditional herding communities. Much of the mining activity is illegal and conducted without prior impact assessments. While WWF is working at the local level with communities, decision-makers and investors to promote more responsible mining in Mongolia[90], we believe that more should be done by luxury brands to introduce better standards throughout their supply chains.

Earthworks and Oxfam have helped in this regard by developing a set of “Golden Rules” of social, environmental and human rights criteria for more responsible gold production (Box 2). Their No Dirty Gold campaign encourages brands and retailers to endorse these criteria and to persuade their suppliers to meet them. The campaign is supported by a handful of luxury brands, including Cartier, Piaget, Tiffany & Co and Van Cleef & Arpels.[91] In addition, there are now over 70 member companies across the gold and diamond supply chain that have joined the Council for Responsible Jewellery Practices, to promote action from mining to retailing: (see: www.responsiblejewellery.com)

Despite these advances, much remains to be done in order to clean up the production and trading of gold and other precious metals. The luxury watch and jewellery

Box 2:

Golden Rules for Mining

- Respect for basic human rights outlined in international conventions and law.
- Free, prior and informed consent of affected communities.
- Safe working conditions.
- Respect for workers’ rights and labour standards (including the eight core ILO conventions).
- Ensure that operations are not located in areas of armed or militarised conflict.
- Ensure that projects do not force communities off their land.
- No dumping of mine wastes into oceans, rivers, lakes or streams.
- Ensure that projects are not located in protected areas, fragile ecosystems or other areas of high conservation or ecological value.
- Ensure that projects do not generate sulphuric acid in perpetuity.
- Cover all costs of closing down and cleaning up mine sites.
- Fully disclose information about the social and environmental effects of projects.
- Allow independent verification of the above

industry can and should apply pressure on both suppliers and governments to improve and broaden standards.[92] Luxury brands should position ethically sourced gold as a more attractive alternative for the discerning customer.

Employees

Many people depend upon the luxury industry for their livelihoods. Some are very well paid and treated, but many suffer great hardship. Among the most disadvantaged are those involved in the extraction and processing of raw materials, and the manufacture or assembly of luxury footwear and accessories. To contribute to a One Planet Future, where everyone can thrive within environmental limits, luxury brands must help their own employees to thrive, as well as the people working within their supply chains worldwide. Guy Salter of Walpole, the UK's luxury industry association, comments that "what happened in the late 1990s to sports apparel manufacturers – with the exposure of sweatshops – is a warning to us. The luxury industry has so far avoided the spotlight, but this may not always be the case."[93] The spotlight has begun to swing towards luxury, to the extent that model and luxury-brand endorser Kate Moss was criticised in an investigation by the UK's *Sunday Times* newspaper about labour practices involved in the manufacture of her own collection. Under the headline "Slave labour",[94] the *Sunday Times* reported that as many as fifty workers are crammed into 20ft-30ft dormitories and forced to work for 70 hours per week for as little as $25.

Snakeskin belts

Separately, a *Newsweek* journalist cited the gap between the glamour of the catwalk and the squalor of the sweatshop as one reason why luxury brands are losing their appeal.[95] Large luxury conglomerates, including Richemont and LVMH, do not fully accept responsibility for practices throughout their supply chain. In 2007, LVMH was de-listed from the FTSE4Good index as a result of poor compliance with supply chain requirements.[96]

For more than ten years, the International Chamber of Commerce (ICC) has recommended that "companies should encourage their suppliers to abide by and apply the same business principles that they themselves uphold, thereby promoting good practice throughout the supply chain".[97] Many luxury firms have not adopted a management system for basic labour rights within their own wholly-owned operations. LVMH and Richemont failed to report on their non-discrimination policies and performance on workforce diversity.[98] In the summer of 2007, the luxury cosmetics firm Garnier, a subsidiary of L'Oréal, was found guilty of racial discrimination after it sought to exclude non-white women from promoting its shampoo in stores.[99] Recent court cases on discrimination in the luxury sector may force companies to be more transparent, but force should not be necessary; all that is required is a recognition that today's luxury consumers do not feel comfortable wearing the products of other people's misery.

Wildlife Trade

One of the longest running criticisms of the luxury industry concerns the use of animal products, including furs and hides. The issues include protecting endangered species, welfare in the process of rearing and killing animals, and pollution.

The Convention on International Trade in Endangered Species (CITES) is the treaty that controls and monitors the international trade in species that are, or could be, critically endangered as a result of over-exploitation[100]. For some species, CITES certificates are needed to prove that products are derived from captive-bred populations, rather than wild ones. Nevertheless, illegal activity persists; for instance, seizures show that some crocodile skin and snake skin products without CITES certificates continue to be traded, further endangering wild populations[101].

Shahtoosh shawls are made from the fine wool of the endangered Tibetan antelope, or 'Chiru'. Because they must be killed before the wool can be taken, and three to four animals are needed to make just one shawl, the demand for these fashion items has driven their numbers to less than 100,000 in the wild.

Even high-profile species, such as endangered big cats, are still illegally traded for fashion. In July 2007, the owner of a London fur shop was convicted for keeping coats made from the skins of tiger, leopard and ocelot with intent to sell them. Luxury brands will continue to be criticised until they provide independent guarantees of the sustainability and ethical credentials of their animal-derived products.

The late Ana Carolina Reston

Corruption

The *International Herald Tribune* reports that "jewellery, Swiss watches and other compact but costly goods are often used as a parallel currency by criminals because they can easily be resold and are difficult to trace".[102] For this reason, the European Commission included sellers of high value goods – items valued at €15,000 (£10,400) or more – among the businesses that will now be required to take steps to avoid helping money launderers move their illicit funds. Unfortunately, this does not apply to companies based outside the EU, including the many luxury brands (particularly of watches) based in Geneva, Switzerland. There is no evidence in the corporate responsibility reports or annual reports of the top ten luxury conglomerates (see Chapter 6), that they have examined this issue and are promoting responsible retail practices to avoid enabling and benefiting from money laundering and corruption.

Marketing and advertising

On 2 August 2006, 22-year-old model Luisel Ramos died of heart failure as a result of anorexia nervosa while participating in a Fashion Week show in Montevideo, Uruguay. Her father told police that she had gone "several days" without eating before the event. At the time of her death, Ramos had a body mass index (BMI) approximately 14.5 and weighed little more than 7 stone (98 lb, 44 kg) despite being 5ft 8in (1.73m) tall. The World Health Organisation considers people with a BMI of 16 or less to be suffering from starvation.[103]

In subsequent months, other models, including Ana Carolina Reston died of complications from anorexia – which, claimed the UK Sunday newspaper, *The Observer*, "shone a spotlight on the way the business treats its models, and more significantly, on how destructive our current perception of female beauty can be".[104] The notion that "thin is beautiful" is a recent and Western one, fuelled by the global fashion industry. It is now reshaping notions of beauty from India to Indonesia.[105] This not only threatens the health of models, but also of those consumers who feel compelled to emulate them.

Beauty as once held by Rubens

A month after Luisel Ramos' death, Madrid Fashion Week set a minimum BMI of 18 for all models. In December of that year, Italian fashion designers banned size zero models from their catwalks. Others in the industry (including the organisers of London Fashion Week) failed to follow suit, and most fashion publications continue to use ultra-thin models in their fashion shoots.

Consumption

As discussed in the Introduction, the fashion industry (as distinct from the luxury industry) relies on things becoming aesthetically obsolete; it encourages the view that items are no longer worth wearing if they go out of fashion, even if they are still able to fulfil their practical function. Some luxury brands are accused of compounding this unnecessary and unsustainable waste of natural resources by fuelling unfulfilled desire. As explained in Chapter 3, these criticisms have even led some governments to ban the advertising of luxury products.

Luxury fashion does not have to be the enemy of sustainable consumption. Outmoded technologies and approaches are often more environmentally damaging than their replacements, which can bring environmental and social benefits if designed with sustainability in mind. "Fashion in design fosters creativity and the exploration of new, previously untried solutions," notes design Professor Stuart Walker. He explains that sustainable design is neither a destination nor a fad, but a new paradigm within which fashion will move.[106]

Luxury brands could be at the forefront of this positive role for fashion, thanks to their heritage, quality, client focus and high margins. Heritage means that luxury brands do not merely sway with the latest fashion fads, but focus on adapting traditions to create products that will last, maintaining the brand's heritage into the future. "Ninety per cent of [the] clothing [that] people buy these days ends up as landfill within two years; but that's not the case with what you buy in Savile Row," says Mark Henderson, managing director of luxury suit outfitter, Gieves & Hawkes.[107] Many luxury brands offer return and repair facilities to their clients, viewing it as an essential part of their customer retention strategy. "We cannot offer unbreakable products," explains Kyojiro Hata, chief executive of Louis Vuitton Japan, "but our repair services can ensure continued use. Improved repair services are crucial to customer satisfaction." Louis Vuitton has five dedicated repair centres in Japan.[108]

Luxury brands enjoy high margins that may in turn be used to finance the development and marketing of more environmentally and socially responsible products and services. This has been evident in the automotive sector, which has recently seen launches of several top-end models powered by renewable energy, including the Lexus 450h, the new BMW 7 Series Hydrogen, and the Tesla electric sports car (Chapter 7).[109] While this helps reduce the impacts of luxury vehicles that have traditionally been powered by thirsty petrol engines, there is an associated danger that consumers will simply trade up from smaller conventional engines, many of which are less polluting than the new, renewable, luxury alternatives. Such a scenario would produce a zero net reduction in carbon emissions.

Recent work by WWF and others has demonstrated that consumption – the way that products are bought, used and retired – must be changed if we are to stand a chance of combating climate change. For businesses, this does not mean reducing revenues from consumers, but offering them new types of value in less carbon-intensive ways. This can be achieved through a combination of intelligent design, appropriate messaging and practical support for consumers. Public statements on environmental issues can even represent value in their own right, as has been recognised by watchmaker IWC, which has announced its ambition to become carbon-neutral.[110]

Prior to this, in 2004, Louis Vuitton began to measure the amount of carbon emitted by its retail business and subsequently stopped using plastic wrapping for customer deliveries; this measure alone reduced the company's consumption of plastic by 20 tons per year.[111]

Signs of change

Notwithstanding the efforts described above, and despite the practical and economic potential of the luxury industry to pioneer a more sustainable model (see Chapters 2 and 3) luxury companies are failing to embrace social and environmental challenges as part of their core business strategies. Instead, we are seeing piecemeal approaches to corporate social responsibility. Despite recognition among some executives of the need for greater depth in their offering, there remains a reluctance to face the challenge of sustainable consumption in a broader, systemic way.

Some in the industry have recognised the need to offer reassurance on social and environmental issues. However, this is usually limited to "glam philanthropy" – giving to high-profile projects that involve events with celebrities. Omega, of the Swatch Group, is sponsoring a project that aims to fly a solar plane around the world.[112] TAG Heuer is raising funds for the United Nations Development Fund for Women (UNIFEM) through a series of photographic exhibitions in which the world's top female photographers present portraits of exceptional women, as well as events featuring TAG representatives such as actress Uma Thurman. However, the company offers no information on its website about its workplace and supply chain diversity policies and performance – and this in a year when its parent company was excluded from the FTSE4Good index on the basis of a lack of such policies for its own supply chains.

Some brands have begun to bring their philanthropic work into their advertising – for example, Baume and Mercier, the Richemont-owned Swiss watch company, featured celebrities mentioning donations to charitable causes. The *International Herald Tribune* reported that Louis Vuitton's 2007 advertising campaign featuring Mikhail Gorbachev "reflects a move by some luxury companies to connect with consumers on a more human level. In the past, many fashion houses and other luxury brands relied primarily on the so-called product-as-hero approach, featuring their products, perhaps accompanied by a model, in a stylised, static way." The adverts mention donations to environmental organisations.[113]

Often without a connection to charity, luxury brands are seeking to relate to contemporary human concerns such as scarcities of time, personal energy and connectedness. But even these attempts can be misguided if the consequences are not thoroughly thought through. In its 2007 marketing campaign, luxury car maker Bentley states: "The greatest luxury in life is time. Savour every second." This invitation to savour time by speeding up global warming epitomises the shallow attempts at depth that currently pervade the luxury sector.

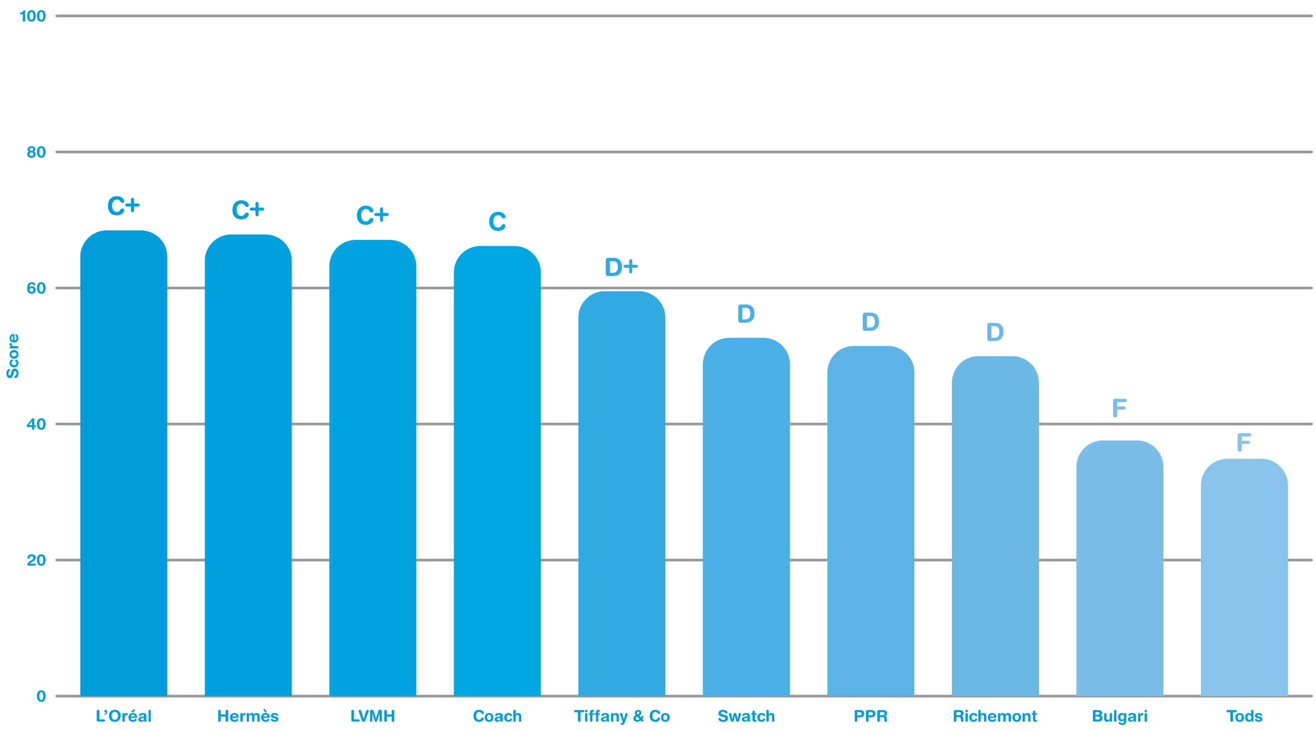
As evidenced in this chapter, consumer needs and concerns too often fail to inform the policies, processes and cultures of brand-owning companies. The diverse issues described here all relate to the business challenge of creating a sustainable economy, for a one planet future, as described in Chapter 1. The lack of explicit policies, systematic programmes, stakeholder dialogues and comprehensive sustainability reporting by most luxury brands indicates that they lack a full understanding of the strategic corporate imperative of sustainable development. Watch industry expert Marie Le Berre writes that "while a number of watchmaking brands have invested in actions in favour of solidarity, they have been slow... to produce detailed reports on... the social responsibility of companies".[114]

WWF believes that companies can partner with NGOs to move forward more effectively. For instance, WWF US has partnered with Tiffany & Co to build support for a marine protected area in the Indo-Pacific Coral Triangle, one of the most important source regions for pearls on the planet, as well as exchanging information on how to define and encourage more responsible mining.

Given that there is both a business and social case for luxury brands to excel in this area, we promote transparency by introducing a ranking of performance in the next chapter.

Chapter six
Performance ranking of luxury groups

Figure 3: Ranking of environmental, social and governance performance and reputation of luxury corporate groups



All companies are used to being ranked on business performance. Such a benchmarking exercise can help individual business people better understand their relative performance, and identify areas for improvement. In recent years, more companies have begun to be ranked on their environmental, social and governance (ESG) performance, especially by investment analysts who provide information to asset managers and asset owners that consider these issues material to financial performance, or to the wider interests of their investors.

This report ranks the ESG performance of the ten largest publicly-traded luxury companies or groups. These were selected for WWF by financial analysts, based on the companies' market capitalizations in 2006 and on the fact that they derive a significant portion of their revenue from the manufacture or retail of personal luxury items. The Industry Classification Benchmark (ICB), jointly-owned by FTSE and Dow Jones Indexes, does not have a specific subsector classification for luxury companies. Therefore, companies featured in this ranking are drawn from the following ICB subsectors: Clothing & Accessories, Personal Products, Apparel Retailers, Broadline Retailers and Specialty Retailers.

The companies are:

- Bulgari: The fast-growing Italian jeweller and luxury goods retailer, founded in Rome in 1884. Bulgari's heritage is in jewellery, but it now also produces and licenses watches, handbags, fragrances, accessories and hotels.
- Coach, Inc: The US-based leather goods company that started life in a loft in Manhattan in 1941. Coach

is famous for handbags, luggage, briefcases, wallets and other accessories.

- Hermès: A leather goods, fashion and perfume company based in Paris. It produces ready-to-wear fashion, home décor, jewellery, luggage, fragrances and saddles.
- L'Oréal: The world's largest cosmetics and beauty company is a French multinational comprising four operating groups, one of which is its luxury products division with brands such as Lancôme, Helena Rubenstein and Kiehl's.
- LVMH: The world's largest luxury goods conglomerate, created after mergers brought together Moët et Chandon, Hennessy and Louis Vuitton. LVMH now owns more than fifty iconic brands, including TAG Heuer, Fendi, Marc Jacobs, Guerlain, Kenzo and Givenchy.
- PPR: A French multinational holding company specialising in luxury brands and retail. It owns the Gucci group, which also controls Yves Saint Laurent, Sergio Rossi, Bottega Veneta, Alexander McQueen, Stella McCartney and Balenciaga.
- Compagnie Financière Richemont SA: This Swiss luxury goods conglomerate was founded in 1988 by the South African entrepreneur, Anton Rupert. It has four main business areas: jewellery, watches, pens and clothing. Among its brands are Cartier, Mont Blanc, Chloé and International Watch Co (IWC).
- The Swatch Group Ltd: Since its creation in 1982, the Swatch Group – the world's largest watch company, based in Switzerland – has accelerated its acquisition of Swiss luxury brands, including Breguet, Blancpain, Omega, Rado, Longines, Tissot, Certina and Pierre Balmain.
- Tiffany & Co: As well as diamonds and jewellery, US company, Tiffany & Co, sells watches, silverware, china, crystal, stationery, fragrances and accessories.
- Tods SpA: The shoe and leather goods manufacturer, created in Italy in 1978 by Diego della Valle, was listed on the Milan Stock Exchange in 2000 and owns Tods, Hogan, Fay and Roger Vivier.[115]

These companies, despite being leaders in the luxury sector, feature little in ethical rankings because of the limited nature of their ESG reporting. Not a single luxury conglomerate appears in investment analyst Innovest's list of the 100 most responsible corporations of 2007, despite the fact that 23 make discretionary consumer items – more than any other type of product or service. LVMH, Hermès, L'Oréal and Swatch were the only luxury conglomerates listed in the FTSE4Good index in 2006, but LVMH was expelled for supply chain issues in March 2007. Appearance on these indices indicates that a company has a conscious strategic approach to the responsibilities associated with its core activities, and is communicating its efforts to external audiences. With trillions of dollars now invested according to ethical guidelines, the lack of luxury conglomerate performance on these indices will become more financially relevant.

It is in this context of limited ESG disclosure that we have prepared the ranking for this report. In the absence of data from all the companies using standardised protocols and systems of verification and audit, our ranking relies on two categories of information: first, what companies themselves report to the ethical investment community about their ESG performance; and second, what the media and non-governmental organisations have been saying about them. The data for each was compiled in 2007 for performance during 2006.[116]

For the first category, data was sourced from Ethical Investment Research Service EIRIS.[117] A non-profit, independent research organisation, EIRIS has been conducting social, environmental and ethical research on publicly listed companies since 1983. It gathers information directly from companies through questionnaires, and augments this by analysing company public documents including annual reports, websites and specific environmental, social and sustainability reports. The data is collected for 50 criteria, grouped in four areas:

- environment;
- human rights;
- corporate governance; and
- stakeholder relations.

Criteria include topics such as equal opportunity and environmental policies, against which companies are graded from poor to exceptional. WWF turned these into numerical scores, with each criterion given equal weight in making up the total score. (In the absence of a stakeholder process to determine the relative importance of different issues, any weighting of the criteria would be arbitrary and not credible.[118] However, we did correct bias introduced by the unequal numbers of sub-criteria within each of the four principal areas. This ensures that each area accounted for 25% of the 50 points available for this half of the index – a maximum for each, then, of 12.5 points.)

For the second category, data was sourced from Covalence, a Geneva-based research house. Covalence documents thousands of positive and negative news stories about companies in English, French, Spanish, Italian and German, then codes and synthesises them into rankings.[119] Its 45 criteria cover working conditions and the impacts of production, products and institutions. Covalence's search generated 512 news stories which were analysed and coded as either positive or negative. WWF weighted the result so that each company obtained a comparable score out of 50.

The scores for EIRIS and Covalence were then added, to create a total maximum possible score of 100. This creates a ranking of the self-reported performance and public reputation on corporate performance on environmental, social and governance issues. Each company's score out of 100 is expressed in our ranking as a grade between A+ (best) and F (worst) according to the scale in Table 1. The results are shown in Table 2, and presented graphically in Figure 3.

Table 1: Score card – grades and corresponding scores

Grade	Score	Grade	Score
A+	90 - 100	C+	67 - 69
A	85 - 89	C	63 - 66
A-	80 - 84	C-	60 - 62
B+	77 - 79	D+	55 - 59
B	73 - 76	D	50 - 54
B-	70 - 72	F	0 – 49

Table 2: Scores

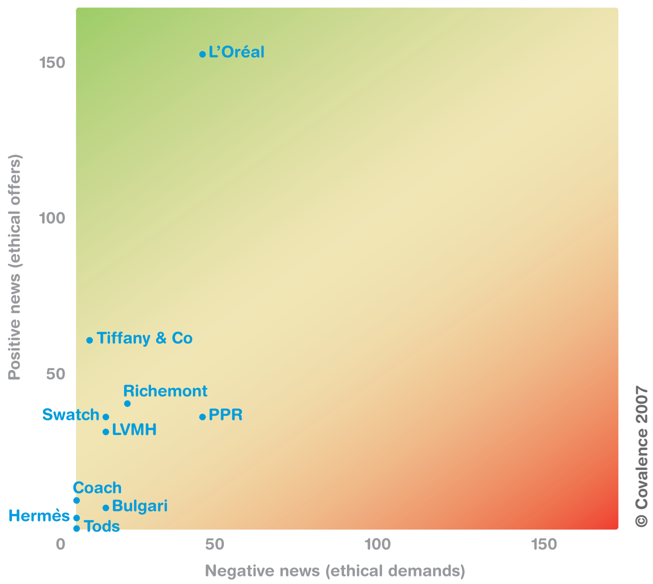
Group	Covalence	EIRIS	Total	Rank	Grade
L'Oréal	38.5	30.0	68.5	1	C+
Hermès	50.0	17.9	67.9	2	C+
LVMH	37.2	29.9	67.1	3	C+
Coach	50.0	16.2	66.2	4	C
Tiffany	47.8	11.9	59.7	5	D+
Swatch	38.9	13.8	52.7	6	D
PPR	21.3	30.3	51.5	7	D
Richemont	35.5	15.2	50.6	8	D
Bulgari	20.0	17.6	37.6	9	F
Tods	25.0	9.9	34.9	10	F

The highest grade reached by any luxury conglomerate is C+, which is achieved by three of the four companies based in France: L'Oréal, Hermès and LVMH. Companies based in Italy come bottom, with F grades; of the top 10 luxury conglomerates, they have the worst self-reported performances and overall media reputation for good governance, and social and environmental responsibility.

The combined scores mask some of the differences in self-reported performance, as companies such as Hermès and Coach appear better at having avoided negative criticism from civil society and the media. Figure 4 illustrates the level of media attention given to brands between 2001 and the end of 2006, as well as the general nature of that attention.

Self-reported performance is shown in Figure 5. The two highest-scoring companies have activities outside the luxury sector: L'Oréal markets products aimed at the mass market, and PPR obtains more than 50% of its operating income from retail outlets. These additional activities may be responsible for improving the scores, adding weight to the argument that luxury companies are lagging behind other consumer product sectors.

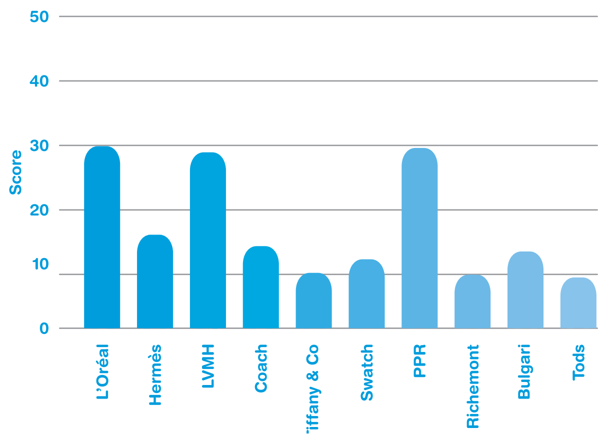
Figure 4: Positive and negative coverage of luxury brands, multiple markets



The larger conglomerates divide their operations into distinct business units, each of which manages its own consumer brand(s). Given these management layers and the presence or absence of particular environmental, social and governance (ESG) issues in the various product categories, a combined score can hide important differences within corporations. In addition, the 10 luxury conglomerates give the sector's ESG challenges varying levels of attention. Figure 6 draws out some of these differences.

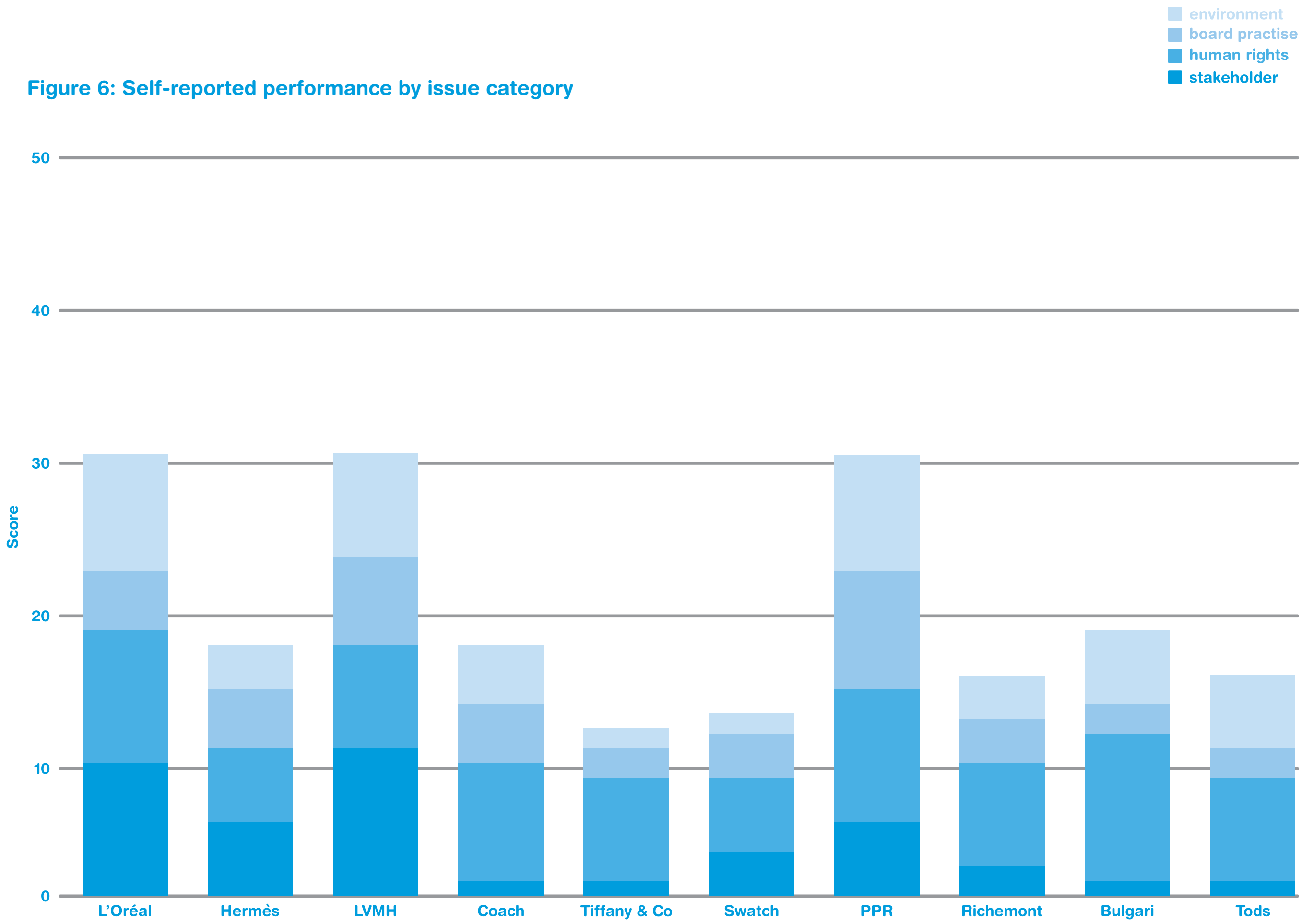
PPR and L'Oréal score well for stakeholder relations, due to policies on equal opportunities, health and safety in the workplace, and attention to the rights of customers and suppliers. LVMH obtains a high environmental score due to comprehensive reporting of improvements in environmental management of its own operations. While Hermès and Swatch score low on board practice due to the lack of a code of ethics, Bulgari has an advanced code of ethics. Both US groups – Coach and Tiffany – score badly on environmental factors, due a lack of reported environmental monitoring or performance. Richemont does not score well on human rights due to lack of reporting and lack of supply chain policies where the major human rights concerns would be located. Tods comes bottom overall, due to an unwillingness to respond properly to EIRIS questionnaires; there is, therefore, little evidence of active consideration of its ESG responsibilities.

Figure 5: Self-reported performance



These luxury groups differ widely in their approach to corporate responsibility. This not only calls into question their commitment to sustainable business practices, but also deprives responsible investors of information on which to base their ratings. These investors, who account for more than $10 trillion of global assets, consider performance on ESG issues to be material to financial performance.[120] Our analysis shows that this is particularly the case for luxury brand-owners, some of whom are nevertheless failing to report adequately on

Figure 6: Self-reported performance by issue category



these aspects of their performance; of the companies that do report annually on ESG issues, only L'Oréal, PPR and Richemont use Global Reporting Initiative (GRI) guidelines. Richemont began doing so in the middle of 2007.

The GRI is a coalition of companies, consultants and non-governmental organisations. It has established an internationally recognised framework for reporting on ESG issues, which is now being used by hundreds of major companies worldwide.[121]

Our review of these companies indicates some progress by some luxury brand-owners; for example, IWC has committed to becoming carbon-neutral. However, as discussed in Chapter 5, these companies still approach corporate social responsibility with a combination of piecemeal philanthropy, glamorous sponsorship projects and the management of reputational risks. Their direct impacts may not be as large as other industry sectors, but unless they become more engaged in this agenda, they will miss out on the growing level of responsible investments, as well as the commercial opportunities described throughout this report.

The quality and reliability of our ranking of the luxury industry on ESG issues depends on the availability of reliable and comprehensive data. All companies were contacted for information by EIRIS and WWF-UK. It is our aim that the introduction of this ranking will encourage companies to provide more of such data in future years.

Our recommendations to these luxury groupsare:

1. Report annually according to GRI guidelines.
2. Do not ignore any of the GRI criteria unless logically irrelevant.
3. Collaborate with stakeholders to create a GRI sector supplement on luxury goods.

This third recommendation implies the inclusion of issues that are specific to the luxury sector, such as corruption and product responsibility. For example, the high value, small size and limited traceability of watches and jewellery make them ideal for use in illegal bribes or money laundering activities. Additional GRI indicators of innovation, such as progressive marketing campaigns, should be developed to respond to the potential for luxury to lead innovation on social and environmental performance.

Chapter seven
The future makers

FROM LEFT TO RIGHT
Tesla/Osklen/John Hardy

Exploring challenges, problems, commercial imperatives and myths could give the impression that deeper luxury is a complicated ambition. It is not, and to some entrepreneurs it comes naturally; innovative examples of authentic luxury products and services can be found around the globe. To illustrate, we have selected seven companies that embody aspects of the future of luxury by excelling in key aspects of their social and environmental performance.

Examples covered here include: clothing from Osklen in Brazil; furniture from OSISU in Thailand; jewellery from John Hardy in Bali; cosmetics from Mádara in Latvia; fashion from US designer Linda Loudermilk; sports cars from Tesla, also based in the US; and sustainable housing in Mata de Sesimbra, Portugal. These brands demonstrate that sustainable luxury cannot be approached in a superficial way, but involves meeting challenges in sourcing, design, production, marketing, use, repair and disposal. WWF has not audited these companies' sustainability and cannot vouch for their broader performance, but presents them here to illustrate the possibilities.

Osklen's Amazon Guardians collection winter 2007

Osklen

Osklen is a leading fashion brand in Brazil and is expanding internationally, with three new stores in Tokyo and one in New York opening in 2007. Owner and creative director Oskar Metsavaht is keen to promote the Brazilian heritage behind his brand, as well as supporting efforts to protect the local environment. Osklen's winter 2007 collection, "Amazon Guardians", makes full use of organic wool, natural latex and fish leather which was used for a range of brightly-coloured accessories.

Osklen makes innovative use of organic wool

These fabrics were developed in partnership with Instituto-e, a not-for-profit organisation promoting sustainable human development in Brazil. WWF-Brazil has supported Instituto-e in promoting access to sustainable fabrics. Through Insituto-e's partnership with Osklen, a royalty is derived from sales of products using these fabrics.

"We need to fire up the consumer again," says Metsavaht, who adds that conspicuous eco-consumption (as opposed to a quieter focus on sustainability) is the way to shape consumer attitudes in Brazil. The environment was heavily featured in Osklen's 2007 show in São Paulo.[122]

OSISU

Despite the presence of strong local design traditions, Asia has not been at the forefront of modern luxury. OSISU is an exception – a Thai company that manufactures recycled furniture, creatively re-using materials that would otherwise go to landfill or be incinerated. Though not setting out to be a luxury brand, OSISU is being retailed and perceived as such; its Chairwalker product retails in the US at $1,600.

As well as recycled materials, OSISU uses water-based glue and Livos oil for finishes. Not only do the products come from waste, but "we do not foresee OSISU products being disposed of", says founder-director Singh Intrachooto. "We want people to keep them as art. That is why we put so much effort into putting the design together so laboriously." OSISU's is a "grave to eternal cradle" approach to business.

"We attempt to balance three dimensions of sustainability: environment, economics and social issues," says Singh Intrachooto. A small company employing just 15 craftspeople, OSISU is not seeking a rapid expansion. Indeed it is cautious, perhaps because the business was created against advice: "We didn't conduct market research on green consumers," explains Intrachooto. "If we did, we may not have decided to salvage waste for furniture-making. People told us at the beginning that we were crazy... [but] we wanted to create demand for green design, even if there was none."

Bud stands are made from scrap steel and discarded tree roots

It was never intended that OSISU would be a luxury brand, but it is now perceived that way. Like some iconic luxury brands such as Dom Pérignon, OSISU is an "accidental" luxury brand.[123]

John Hardy

John Hardy is a jewellery company based in Bali. Its retail turnover is $150 million per year and it employs more than 1400 staff worldwide. In 2007, it was privately bought for an undisclosed sum. According to *Time* magazine, the company embodies a new vision of luxury in which "beauty and luxury could be a solution, not just a commodity".[124]

John Hardy's philosophy finds a variety of unusual expressions. For example, the factory walls, made of bamboo and mud brick, are topped with thorny bougainvillea rather than razor wire. John Hardy calls them a "sustainable solution to the international problem of security". Workshop roofs are covered with creeping passion-fruit vines to provide protection from the equatorial sun. At lunchtime, workers dine on fresh organic food raised in the factory grounds.

John Hardy combines a millennia-old tradition of jewellery-making and design with 21st century technology The result is an artisanal approach to design, says Hardy: "The worker who carved your bracelet is proud of it, and the hand-hewn imperfections turn a thing of beauty into a work of art". The back of a John Hardy brooch is as beautiful as the front: "It's like a little secret for the wearer alone," says creative director Guy Bedarida. "That's our trademark."[125]

Mádara

The new Latvian company, Mádara, makes completely natural flower and herb cosmetics for body and facial care. These products are made only from plant extracts, natural oils, butters and waxes, without petroleum ingredients, chemical preservatives, parabens, artificial colorants and other potentially harmful substances. For all print and packaging, Mádara uses paper from forests certified under the Forest Stewardship Council (FSC), a system of sustainable wood supply that WWF helped to create in the early 1990s. The paper is manufactured in accordance with a strict environmental policy that calls for minimal carbon emissions and the recycling of water. According to co-founder Zane Rugina, the brand "tells a story about a healthy and natural lifestyle, about dignity and respect towards secrets of natural beauty".[126]

Mádara is not alone in the high-end natural cosmetics market. Designer Stella McCartney recently launched Care, a range of organic skin care products, some of which are sourced from eastern Europe.[127]

Natural beauty from Mádara

Linda Loudermilk

Los Angeles-based Linda Loudermilk epitomises the brash confidence of a growing group of ecologically concerned designers. She counts among her clients Jane Fonda, Debra Messing and Jennifer Beals. Loudermilk merges high fashion and environmental awareness with the originality of fabrics made from bamboo, seaweed, soya and recycled beverage bottles. *Vogue*, *Elle* and *Rolling Stone* have featured the Loudermilk brand, which was dubbed the "rock star of nature" at New York's autumn 2007 Fashion Week.

Linda Loudermilk's policy is to source materials produced in a socially and environmentally responsible manner. Applying this policy has enabled Loudermilk to become an expert capable of teaching others how to do the same; it does so by means of an institute and associated labelling scheme.[128]

Tesla

Tesla Motors Inc is a new kind of car company. Its sleek $98,000 electric sports car, launched in 2007, can rocket from 0 to 60 mph in just four seconds. Although electric vehicles are not new, none has attempted to compete in this market segment. Actor George Clooney and California Governor Arnold Schwarzenegger were among the first to place orders.

All Tesla owners have two options to recharge – via a standard wall socket (which takes at least six hours for a full charge); or by means of a Tesla-designed recharging station, which the company is installing in high-end hotels such as the Hyatt.[129]

A fast pace of innovation from Tesla

Tesla's chairman and chief source of investment is the PayPal founder Elon Musk. Like many silicon valley start-ups, Tesla is offering stock options to all its employees, so that they reap the rewards of the success to which they contribute. Given that transport is a key sector for the consumption of energy and natural resources, it is important that companies like Tesla blaze an aspirational trail for others to follow.[130]

Mata de Sesimbra: One Planet Living™

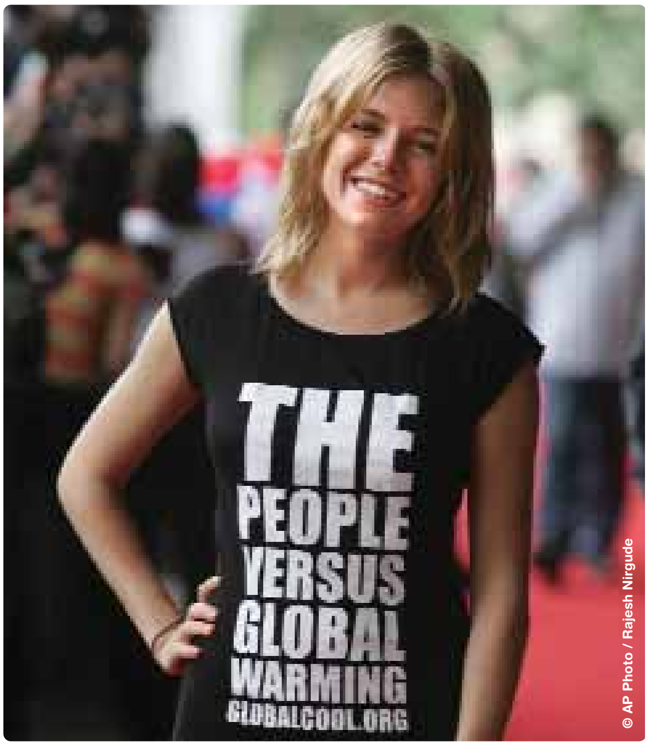
Market trends suggest that more people are becoming interested in luxury lifestyles, as distinct from luxury goods. Offerings include holidays, spas and elite experiences. Luxury housing is no longer defined only by the property itself, but by its situation within a thriving local community.

The high-end villas available at the Mata de Sesimbra eco-tourism development in Portugal respond to this demand. They are part of the world's first major integrated sustainable building, tourism, nature conservation and reforestation programme. The 5,300-hectare site comprises a 4,800-hectare nature reserve, a project to restore a native pine and oak forest, and a 500-hectare eco-tourism development of up to 8,000 units. BioRegional and WWF are working with developers Pelicano on the €1 billion project to ensure that it incorporates One Planet Living™[131] principles and to manage the conservation activities. The development includes the largest privately-financed forest restoration project in Europe, creating closed-off protected areas for the critically endangered Iberian lynx and the vulnerable Bonelli's eagle, and recovering wetland and other important freshwater and coastal habitats.

Luxury eco-living in Portugal

Mata de Sesimbra is designed to use sustainable building materials, renewable energy, rainwater and water recycled from within the development, and local food (to reduce carbon emissions from transport). It is intended to revive local agriculture, create a sustainable transport network, and virtually eliminate the need for private vehicles on site. Mata de Sesimbra's golf course will be fed only by treated wastewater (grey water).

Chapter eight
The role of celebrities



FROM TOP TO BOTTOM
Chinese actress Ziyi Zhang endorses Tag Heuer/Sienna Miller for Global Cool/UNHCR Goodwill Ambassador Angelina Jolie

Celebrities are key to the success of most luxury brands. According to marketing services company WPP, the number of advertisements featuring celebrities has doubled in the past 10 years. Today, "celebrities are highly important and valuable to brands, especially in the luxury fashion sector", explains industry consultant Uche Okonkwo.[132]

For example, LVMH-owned Christian Dior cosmetics are endorsed by actresses Monica Bellucci (Italy), Charlize Theron (South Africa), Choi Ji Woo (South Korea), and Ziyi Zhang (China). Zhang promotes another of LVMH's brands, TAG Heuer watches, as do Hollywood stars Brad Pitt and Uma Thurman. Although the use of celebrity endorsement is ubiquitous, industry experts Radha Chadha and Paul Husband say that "in India, thanks to a manic obsession with Bollywood, it takes on magical proportions". When Indian fashion magazine *Verve* ran a feature for Louis Vuitton's 150th anniversary, eight Bollywood divas were photographed with their favourite Vuitton bags. Giorgio Armani dressed Aishwarya Rai for her London premiere of the film *Bride and Prejudice*, and she endorses both the jewellery brand Chopard and De Beers' diamond brand in India, Nakshatra.[133]

The power of these celebrities to build brand value is enormous. A former editor of *Elle Thailand*, Siri Udomritthiruj, explains, "the trend usually starts with a celebrity. You have a celebrity walking around, wearing it all the time, so it gets publicity."[134] Given this increased importance of celebrity endorsement, luxury brand companies would do well to recognise another recent trend in the celebrity world: overt support for public causes. Examples have been set by Angelina Jolie, Leonardo DiCaprio, Bono, George Clooney, Emma Thompson, Madonna, Gwyneth Paltrow and many more. Actress Natalie Portman works with FINCA, a group that supports women entrepreneurs with loans in poor countries.[135] Brad Pitt, a face of TAG Heuer, and involved in African peace and development initiatives, spoke in 2007 of the need for people to buy products that would help African development.[136]

By aligning themselves (albeit unwittingly) with unsustainable or unethical brands, celebrities can risk damage to their own reputation. For instance, the National Toxic Encephalopathy Foundation (NTEF) has criticised celebrities for promoting fragrances without any knowledge of their toxicity. "Some fragrance ingredients have suspected carcinogenetic activity, and dermatological and respiratory reactions, while others interact with estrogen receptors," reports the NTEF.[137]

Tods' first celebrity ambassador, actress Sienna Miller, campaigns against climate change through her association with Global Cool. She also endorses Tods, which came bottom of our index of ESG perfomance. Tods may represent a liability to Sienna Miller's reputation.

WWF recognises that celebrities influence consumers, and can therefore influence companies. The challenge is to discourage corporate behaviour that contributes to the problems celebrities are campaigning on, and encourage corporate contributions to the solutions not simply through donations, but through sustainable business practices. In deciding which brands to work with, we call upon celebrities and their agents to follow our "Star Charter", which comprises the following six principles:

1. To recognise their potential to influence consumer behaviour.
2. To encourage both consumers and companies to be aware of the social and environmental aspects of their activities.
3. To consider the social and environmental performance of companies before endorsing them.
4. To obtain independent expert advice on that performance before endorsing companies.
5. To address any public concerns over the social and environmental performance of the brands that they currently endorse.
6. To tell professional colleagues about their commitment to the Star Charter.

For more information about the Star Charter, visit wwf.org.uk/deeperluxury.

Chapter nine
The ten point plan

Brand and marketing professionals on both client and agency sides can unlock the latent commercial potential of sustainable luxury brands, provided that they do so in an authentic and systematic way. This can be a complex task, but the following guidelines can make it easier.[138]

1. **Understand your brand.** Conduct a "brand perception audit" to understand and define your brand's true personality as it exists in the minds of both employees and consumers/customers. Include environmental and social elements in this and subsequent tracking studies. Identify the values in your brand's traditions, and creatively explore what they can mean in current global contexts. Consider the inherent qualities of your product or service to see how it might affect the environment or society.

2. **Understand your consumers** and how their relationship with sustainability and ethics affects their esteem for your brand. Understand how your company meets your customers' needs. Observe and understand the values, beliefs and lifestyles of your present and potential customers. Avoid assumptions about consumers, particularly in Asia and other emerging markets. Explore locally appropriate ways to generate consumer insights into the depth and authenticity of your luxury offering.

3. **Get your house in order.** Audit and improve your internal processes, from office management to production, supply chain, distribution, marketing and advertising. Minimise power consumption, water use and waste. Use environmentally-friendly cleaning products and office supplies. Accept responsibility for the practices throughout your supply chain by screening, training and monitoring the sustainability performance of its constituent parts. Take guidance on other important issues from the guidelines of the Global Reporting Initiative.

4. **C(S)R: Handle with care!** Learn from the leading companies and their latest understanding of corporate responsibility and sustainability as drivers for innovation and value creation. Neither treat philanthropy nor reputation management as the main concerns of the corporate responsibility function. Rather than restricting its focus on measuring and reducing risks and direct impacts, CSR should draw attention to opportunities. CSR units should work with the heads of the core business functions (including product development, sales and marketing) to develop key performance indicators (KPIs) of sustainable business practices. These KPIs should then be used for setting objectives and targets, reviewing performance and determining remuneration and career progression. They should focus on embedding social responsibility and innovation into corporate and brand DNA.

© iStock / Bora Ucak

5. **Innovate.** Identify new and efficient ways in which your brand can help consumers do what they wish to do or feel how they wish to feel. Re-tune the corporate values and brand to resonate with attributes and attitudes that you see emerging in consumers on sustainability issues. Recognise sustainability as a new paradigm for design rather than just a passing fashion, and corporate social contributions as a new paradigm for core business operations, not an afterthought. As your product or service progresses from inception through design and manufacturing, constantly query its sustainability at the most important levels and at all stages of its lifecycle. Think of new ways for your existing products or services to do useful jobs while enhancing people's perceptions of themselves as environmentally or socially responsible. Think how changes to these products and services might make them even more useful and responsible.

6. **Motivate.** Reward and congratulate staff for meeting environmental and social objectives and targets, and for aligning with corporate and brand values. Do so, where appropriate, as part of their regular performance reviews.

7. **Collaborate.** Explore possibilities to team up, both internally and externally. Encourage staff participation in multi-functional, multi-skilled teams that include personnel from all relevant functions, including marketing, communications, investor relations, product design/development, brand strategy, financial planning and analysis, and corporate responsibility. Include staff from both brand and corporate level, if they are distinct. Collaborate with third parties (such as strategic partners and celebrity representatives) to improve environmental and social performance. Engage non-governmental organisations to advise on strategic business issues and ensure rigour. Partner with competitors and industry associations to lobby or plan for the better regulation of markets.

8. **Communicate.** Once you have done all of the above, communicate externally. If you are open, honest and heartfelt, then a bit of sniping here and there from your critics will just be grist to your mill. Avoid contestable claims about issues such as carbon neutrality, and be open about needing continual improvement. Think about how consumers interact with the new media landscape. Integrate your messages through the most appropriate channels, even if you have to invent those channels yourself.

9. **Sign up your consumers to the sustainability journey** that your company is taking – use them to create and ride the sustainability wave. Ensure that consumers come away from every interaction with your brands, products and services with as positive a self image as possible, and a new understanding of the meaning of luxury. If your brand makes them feel like better people at the same time as fulfilling its principal function, then it will thrive.

10. **Measure, monitor and report continuously.** Develop ways of identifying, measuring, evaluating and reporting the various elements of brand value, including those that relate to sustainability, so that they can be used by managers as indicators of performance. Specific targets may then be set to sit alongside shorter-term ones and be taken into account at staff performance reviews. Consider participating in creating a sector supplement to GRI on sustainability reporting by luxury goods companies.

Conclusion

As our consumption habits chew up both people and the planet, so our desires for human creations are making luxuries out of nature's creation. Clean water, safe food, breathable air, a peaceful community, and a walk in nature are already scarce luxuries for many people – unfulfilled desires for basic needs. New consumption habits within a sustainable economy are urgently needed, to create a one planet future. Given its global brand power, the luxury industry should demonstrate greater leadership on this agenda.

Despite strong commercial drivers for greater sustainability, luxury brands have been slow to respond. The largest luxury conglomerates have been ranked on their social and environmental performance for the first time, and none scored highly.

Luxury brands face criticism that they fuel unnecessary consumption and provoke discontent among poorer members of society. This has been true of some (shallow) forms of luxury that waste resources or exploit vulnerable people. Increasingly, however, consumers require deeper, more complex experiences, emotions and connections. Selfishness is frowned upon; altruism is respected.

Stuart Walker, a professor of design, explains that "an object can become the culmination, physical manifestation and symbol of good works – in its intention, design making, use and disposal... Beauty can be captured in the object through what it represents, and not simply through its appearance".[139]

Today's social, environmental and cultural challenges are reminding us that true wealth is the ability to provide not only for one's own needs, but for those of others.

This is an ancient idea that exists today in many cultures. For instance, mana is a concept used across the Pacific Islands to describe a force or quality that resides in people, animals and inanimate objects, that instills in the appreciative observer a sense of respect or wonder.[140] If someone has a lot of mana, they have the power, energy and ability to make a difference. This is because in a tribe "wealth" is, by definition, of benefit to the tribe. As global awareness increases and we come to understand ourselves as a one planetary tribe, perhaps we will rediscover how prestige and status should come from having unusual access to the energies that help others. Luxury brands can be part of that process. If not, they may come to be regarded as shallow, perhaps almost as fake as the counterfeits.

In Chapter 9, we offered some guidance to luxury executives wishing to embrace the sustainability agenda. We believe that adopting this approach will produce deeper, more rewarding experiences to consumers, staff, investors and local communities.

The pioneering brands and people we have profiled in this report suggest we are seeing the birth of a movement for authentic luxury that could remind us all that sustainability is truly our highest aspiration and greatest success. We challenge more celebrities to join this movement, by bringing their commercial endorsements into alignment with the values and causes they champion, and by committing to the Star Charter. More than anything, that will answer the question: "what are you made of"?

Endnotes

1 This excludes many routine purchase categories, meaning that a brand for the highest priced and best quality toilet roll, for instance, is not a luxury brand, although it might use the term 'luxury'. However, some fairly routine purchases, such as restaurant meals, do have luxury offerings with associated luxury brands. Thus, no definition of luxury brands is completely accurate, as it is a constantly shifting concept constructed by social dynamics that influence personal tastes.

2 Circa 11-12% of sales revenue is spent on advertising: Radha Chadha and Paul Husband (2006) The Cult of the Luxury Brand: Inside Asia's Love Affair with Luxury, Nicholas Brealey International, London, UK. p.254.

3 The Independent (2007) A bit rich: Luxury brands are flaunting their green credentials but can conspicuous consumption come with a clear conscience? by Simon Brooke, 9 August http://environment.independent.co.uk/lifestyle/article2849283.ece

4 Radha Chadha and Paul Husband (2006) The Cult of the Luxury Brand: Inside Asia's Love Affair with Luxury, Nicholas Brealey International, London, UK.

5 See the following:
- Dana Thomas (2007) Deluxe: How Luxury Lost Its Luster by Dana Thomas; Penguin Press.
- Review: Has luxury's lap gotten too big?, by Lyn Millner, Special for USA TODAY, www.usatoday.com/money/books/2007-08-26-deluxe_N.htm
- The Devil Sells Prada, by Caroline Weber, 26 August 2007, New York Times. www.nytimes.com/2007/08/26/books/review/Weber-t.html

6 Vanity Fair, Green Issue, May 2007.

7 The latest publications, news items and trend reports on the worldwide luxury market were collected via the web, bookshops, online libraries and journal databases by an interdisciplinary four-person team of experts. Data on corporate performance was sourced from analyst firms Covalence and EIRIS. This information was related to corporate responsibility and sustainability issues by the authors Bendell and Kleanthous, who have a combined 20 years of experience in that field.

8 See, for example, Brand Value at Risk from Climate Change, The Carbon Trust, 2004.

9 Kleanthous, A and Peck, J (2005) Let Them Eat Cake, WWF-UK. www.wwf.org.uk/letthemeatcake

10 Living Planet Report, WWF, 2006.

11 Collapse, Jared Diamond, Penguin, 2005.

12 Living Planet Report, WWF, 2006.

13 Living Planet Report, WWF, 2006.

14 More information on these drivers is provided in: Holliday, C. O. and S. Schmidheiny, and P. Watts, (2002) Walking the Talk: The Business Case for Sustainable Development, WBCSD and Greenleaf, Geneva and Sheffield.

15 More information on these accelerators is provided in: Schaltegger, S. and Wagner, M. (2006) Managing the Business Case for Sustainability: The Integration of Social, Environmental and Economic Performance, Greenleaf Publishing, Sheffield, UK.

16 Kleanthous and Peck, WWF-UK. View the summary of this report at www.wwf.org.uk/filelibrary/pdf/let_them_eat_cake_abridged.pdf, or the full version at www.wwf.org.uk/filelibrary/pdf/let_them_eat_cake_full.pdf.

17 Ronald D Michman and Edward Mazze, 2006, The Affluent Consumer, Marketing and Selling the Luxury Lifestyle, Praeger, Westport USA. p.139.

18 FT 2007, Automobiles: Life is sweet – and becoming sweeter, by John Reed in London, Published: June 4 2007, p.3.

19 The US: A vast market opens its doors to the clever retailer, by Jonathan Birchall in New York, Published: 4 June 2007. p.2. http://www.ft.com/cms/s/9d9f5702-1021-11dc-96d3-000b5df10621,dwp_uuid=c2f336f6-093a-11dc-a349 000b5df10621.html

20 The Independent (2007) A bit rich: Luxury brands are flaunting their green credentials but can conspicuous consumption come with a clear conscience? by Simon Brooke, 9 August, http://environment.independent.co.uk/lifestyle/article2849283.ece

21 Uche Okonkwo (2007) Luxury Fashion Branding: Trends, Tactics and Techniques. Palgrave Macmillan p239.

22 The Future Laboratory, Conscience Consumers and the New Austerity, Alex Steffen, August 31, 2006 11:48 AM, www.worldchanging.com/archives/004876.html

23 Ronald D Michman and Edward Mazze, 2006, The Affluent Consumer, Marketing and Selling the Luxury Lifestyle, Praeger, Westport USA.

24 Lionel Barber in Brand Strategy, 2007.

25 Personal communication with J Bendell, August 2007.

26 Reported to authors by fashion journalist, Fiona Harkin, July 2007.

27 www.chinadaily.com.cn/china/2006-06/01/content_605512.htm

28 www.forbes.com/free_forbes/2006/0327/062.html

29 IEVA (2007), Ekologiskas Snobizmas holivude, madoje, irgyvenime, p.1, and Noriu Buti Snobe by Eva Tombak p.6, Rugpjutis/August.

30 Closer to Nature, Baltic Outlook August/September 2007, pp 52-55.

31 Conference Board (2007) The Global Luxury Market: Exploring the Mindset of Luxury Consumers in Seven Countries, Consumer Research Center Special Report, June 2007, The Conference Board.

32 http://news.bbc.co.uk/2/hi/entertainment/6737805.stm

33 Kleanthous and Peck (2006) Let Them Eat Cake, WWF.

34 www.unpri.org

35 Most of these investors do not argue that ESG performance is a determinant variable in corporate financial performance, but that similarly to excellence in other areas of business, such as human resources, accounting, innovation, and so on, excellence in ESG helps contribute to business success both directly and through reducing reputational risk and encouraging investor confidence.

36 India: Custom for cruises and cars, by Amy Yee, Published: June 4 2007, p.4 www.ft.com/cms/s/981bd954-1021-11dc-96d3-000b5df10621,dwp_uuid=c2f336f6-093a-11dc-a349-000b5df10621.html

37 India: Custom for cruises and cars, by Amy Yee, Published: June 4 2007, p.4 www.ft.com/cms/s/981bd954-1021-11dc-96d3-000b5df10621,dwp_uuid=c2f336f6-093a-11dc-a349-000b5df10621.html

38 Manmohan Singh, The Financial Express, 25 May 2007, www.aifoundation.org/newsroom/tenpointcharter.htm

39 The Economist (2007) "If you've got it, don't flaunt it: The sale of luxury goods in China runs into political trouble", p 64, 2 June.

40 Beijing Mystery: What's Happening To the Billboards? Airport Road Ads Vanish Or Are Being Covered Up; Pitching Luxuries Offends. By Jason Leow, Wall Street Journal, 25 June 2007; Page A1.

41 Al-Ahram, Gated communities, By Salama A Salama, 9-15 August 2007, Issue No. 857, http://weekly.ahr am.org.eg/2007/857/op4.htm

42 Chada and Husband 2007, p.229.

43 The Chinese Concepts of 'Face', Hsien Chin Hu, American Anthropologist, New Series, Vol. 46, No. 1, Part 1 (Jan-Mar 1944), pp. 45-64. Note other spellings - Lian and Mianzu.

44 Salter, 2007, The luxury challenge, Walpole, pp.8-9.

45 Dana Thomas (2007) Deluxe: How Luxury Lost Its Luster; Penguin Press.

46 New York Times (2007) The Devil Sells Prada, By Caroline Weber, 26 August 2007, New York Times. www.nytimes.com/2007/08/26/books/review/Weber-t.html

[47] Uche Okonkwo (2007) Luxury Fashion Branding: Trends, Tactics and Techniques. Palgrave Macmillan, p226.
[48] Fashion and its Social Agenda, Diana Crane. Chicago: University of Chicago Press.
[49] Edwin Colyer, 2007, Luxury Brands Confront Web 2.0. Brand Channel, 27 August 2007. www.brand channel.com/start1.asp?fa_id=383
[50] Radha Chadha and Paul Husband (2006) The Cult of the Luxury Brand: Inside Asia's Love Affair with Luxury, Nicholas Brealey International, London, UK. p.98.
[51] CEO of The Luxury Institute, Milton Pedraza (19 June 2007, luxuryint.com)
[52] FT (2007) Brands: Between luxury and anti-luxury, brands learn to surf back and forth, By Yannis Kavounis, Published: 4 June 2007, p.7. www.ft.com/cms/s/ 977139f4-1021-11dc-96d3-000b5df10621,dwp_uuid =c2f336f6-093a-11dc-a349-000b5df 10621.html
[53] Speech at the 2007 FT Business of Luxury Conference, Venice, June.
[54] Danziger, P 2005 Let Them Eat Cake: Marketing Luxury to the Masses, Dearborn Trade Publishing.
[55] The Future Laboratory, Conscience Consumers and the New Austerity, Alex Steffen, 31 August 2006, www.worldchanging.com/archives/ 004876.html
[56] The Luxury Institute, 2006, website: www.luxuryint.com
[57] Does luxury have a future? Charles Leadbeater, 29 September 2006, www.charlesleadbeater.net/cms/site/ news/what-is-luxury.aspx
[58] Cited in: Brand Strategy 2007, Is luxury lost? A detailed report from the Walpole Seminar 2007 Luxury Experience: Magical or Mundane? Reasserting the Human Dimension, 16 May 2007. Report at http://brandstrategy.wordpress.com/2007/ 05/16/is-luxury-lost-a-detailed-report-from-the-walpole-seminar-2007/#more-315
[59] Uche Okonkwo (2007) Luxury Fashion Branding: Trends, Tactics and Techniques. Palgrave Macmillan. p.38
[60] Ibid p.243.
[61] Speech at the 2007 FT Business of Luxury Conference, Venice, June.
[62] Chadha R and Husband P (2006) The Cult of the Luxury Brand: Inside Asia's Love Affair with Luxury, Nicholas Brearley International, London, UK. p.46.
[63] Conference Board (2007) The Global Luxury Market: Exploring the Mindset of Luxury Consumers in Seven Countries: Consumer Research Center Special Report, June 2007, The Conference Board.
[64] p.251 Chadha and Husband, 2006.
[65] p.178 Chadha and Husband, 2006.
[66] p.141 Chadha and Husband, 2006.
[67] CIMG and Trendbuero, 2007, To Get Rich is Glorious: Being Rich is a State of Mind, March, Beijing.
[68] China: Retailers tap into hierarchy of the nouveau super-riche, By Angelica Wiederhecker, Published: 4 June 2007 02:30. p.4 www.ft.com/cms/s/95718032-1021-11dc-96d3-000b5df10621,dwp_uuid =c2f336f6-093a-11dc-a349-000b5df10621.html
[69] Chadha and Husband p. 192.
[70] Radha Chadha and Paul Husband (2006) p.3
[71] Science cited on pp 3, 68 and 118 in Chadha and Husband 2006.
[72] South China Morning Post (2007) I'm not a plastic bag - but I'm wrapped in one, by Zoe Mak and Kristine Kwok in Beijing, 12 Jul 2007. www.scmp.com/portal/ site/SCMP/
[73] Don Hedley (2007) East is East and West is West - regional consumer attitude comparisons – Introduction, 11 May. www.euromonitor.com/Articles.aspx?folder =East_is_East_and_West_is_West_regional _consumer_attitude_comparisons_Introduc tion&print=true
[74] Monocle (2007), issue 4, p 121.
[75] Chadha and Husband, 2006, p. 285.
[76] Ronald D Michman and Edward Mazze, 2006.
[77] BBC (2007) UK consumers happy to own fakes, 23 July 2007, http://news.bbc.co.uk/ 2/hi/business/6910710.stm
[78] BBC (2007) UK consumers happy to own fakes, 23 July 2007, http://news.bbc.co.uk/ 2/hi/business/6910710.stm
[79] Decision News Wire, 2006, Luxury goods makers declare war on China counterfeits, By Simon Pitman, 07/03/2006. www.packwire.com/news/ng.asp? n=66252-lvmh-counterfeit-china
[80] In the director's commentary on the film's DVD, 2006.
[81] www.globalwitness.org/
[82] www.kimberleyprocess.com
[83] Global Witness 2007, Conflict Diamonds: US jewelry retailers still not doing enough. Summary of US results of Global Witness and Amnesty International Survey.
[84] www.globalwitness.org/pages/en/ the_kimberley_process.html
[85] Global Witness 2007, Conflict Diamonds: US jewelry retailers still not doing enough. Summary of US results of Global Witness and Amnesty International Survey www.globalwitness.org/media_library_detail .php/519/en/global_witness_amnesty_inter national_us_diamond_re page.10.
[86] Global Witness and Amnesty International (2007) New Survey: UK Retailers not doing enough to combat conflict diamonds,29 May 2007. www.globalwitness.org/media _library_get.php/397/uk_survey_pr_final.doc
[87] No Dirty Gold Coalition (2004) Dirty Metals: Mining, Communities, and the Environment. www.nodirtygold.org/pubs/DirtyMetals_Mini ngParks.pdf
[88] www.panda.org/about_wwf/where_we_ work/asia_pacific/our_solutions/new_guine a_forests/conservation_new_guinea_forests /sites_new_guinea_forests/lorentz_national_ park_indonesia/index.cfm
[89] No Dirty Gold Coalition (2004) Dirty Metals: Mining, Communities, and the Environment. www.nodirtygold.org/pubs/DirtyMetals_Mini ngParks.pdf
[90] www.panda.org/about_wwf/ where_we_ work/asia_pacific/where/mongolia/our_solu tions/responsible_mining/index.cfm
[91] www.nodirtygold.org/supporting_ retailers.cfm WWF also supports the IUCN (World Conservation Union) Amman Resolution calling for the exclusion of extractive industries from IUCN Protected Areas. Categories I-IV (see:http://www.wwf. org.uk/filelibrary/pdf/to_dig_or_not_to_dig1. pdf). This is part of the framework on responsible mining - a joint effort between Earthworks and WWF (see http://www. frameworkfor responsiblemining.org/).
[92] For instance, the rules do not explicitly mention communicable diseases such as HIV/AIDS. Mining operations have been a key accelerator of HIV transmission due to the nature of the working arrangements, and thus responsible mining should involve active HIV/AIDS prevention and mitigation programmes (Bendell, 2003, Waking Up to Risk, UNRISD, Geneva).
[93] Salter, G (2007) The Luxury Challenge, In Walpole Yearbook: A Showcase for British Luxury 2007, Walpole: London UK. p.9.

94 The Sunday Times 12 August 2007 Revealed: Topshop clothes made with 'slave labour', Claire Newell in Port Louis, Mauritius and Robert Winnett. http://women.timesonline.co.uk/tol/life_and_style/women/fashion/article2241665.ece

95 Dana Thomas, 2007, Deluxe: How Luxury Lost its Lustre, Penguin.

96 FTSE4Good March 2007 Review: 25 Companies Added, 17 Companies Removed Article Category: News-Press Releases, Release Date: 9 March 2007.

97 www.iccwbo.org/policy/society/id1188/index.html

98 For Richemont, see its 2007 CSR report at www.richemont.com, and for LVMH see: Novethic (2005) Only Six French Companies in the CAC 40 Stock Market Index are up to Standard on their Non-Discrimination Disclosures, 15 December 2005 www.csrwire.com/bsr/article.cgi/4821.html

99 You're worth it - if white. L'Oréal guilty of racism, Angelique Chrisafis, 7 July 2007, The Guardian. www.guardian.co.uk/france/story/0,,2120789,00.html

100 www.cites.org/

101 www.panda.org/about _wwf/what_we_do/species/news/index.cfm?uNewsID=17351

102 International Herald Tribune, 2007, Big spenders to face new scrutiny in Britain, By Eric Pfanner, 7 May 2007, www.iht.com/articles/2003/05/07/launders.php

103 http://en.wikipedia.org/wiki/Luisel_Ramos

104 The Observer, 2007. Everyone knew she was ill. The other girls, the model agencies ... don't believe it when they say they didn't, Magazine, http://observer.guardian.co.uk/magazine/story/0,,1987928,00.html

105 In Sync With the West /Tuning In to Baywatch : Globalization Brings New Cultural Traits to India, By Thomas Fuller Published: September 14 2000, www.iht.com/articles/ 2000/09/14/delhi.2.t_0.php

106 Sustainable by design: explorations in theory and practice, Earthscan, 2006, Stuart Walker.

107 The Independent (2007) A bit rich: Luxury brands are flaunting their green credentials but can conspicuous consumption come with a clear conscience?, by Simon Brooke, 9 August, http://environment.independent.co.uk/lifestyle/article2849283.ece

108 Kyojiro Hata, 2004, Louis Vuitton Japan: The Building of Luxury, assouline. pp.76-78.

109 Carbon Trust, 2005, Brand value at risk from climate change, p12. www.carbontrust.co.uk/ Publications/publicationdetail.htm?productid=CT-2004-10

110 IWC gives meaning to marketing, 19 March 2007. 3rd Issue, http://journal.hautehorlogerie.org/en/points-of-view/interview/iwc-gives-meaning-to-marketing/661.html

111 The Independent (2007) A bit rich: Luxury brands are flaunting their green credentials but can conspicuous consumption come with a clear conscience?, by Simon Brooke, 9 August, http://environment.independent.co.uk/lifestyle/article2849283.ece

112 www.solarimpulse.com/news-1-en31.html

113 IHT. On Advertising: Luxury gets less flashy, By Eric Pfanner Published: 29 July 2007, www.iht.com/articles/2007/07/29/business/ad30.php

114 Marie Le Berre, 2007, The social responsibility of watchmaking companies, Haute Horlogerie Journal, 15 April 2007. 4th Issue, http://journal.hautehorlogerie.org/en/notes/notes/the-social-responsibility-of-watchmaking-companies-3690.html

115 These summaries were prepared from company websites and cross-checked with other online sources.

116 Self-reported data on a mixture of performance and management process is the type of data used by responsible investment institutions, which account for trillions of dollars under management. However, some have criticised such data for not accurately describing either impacts or public reputation (see Waddock, S. (2003) "Myths and Realities of Social Investing." Organization & Environment 16.3, 369). Impact data are currently not available, and WWF is promoting obligatory reporting of environmental and social impacts.

117 www.eiris.org

118 The United Nations' expert advice on ESG reporting to accountancy professions does not currently recommend weighting of criteria. See: UNCTAD (2003) Disclosure of the Impact of Corporations on Society: Current Trends and Issues, UNCTAD/ITE/TEB/2003/7, United Nations Conference on Trade and Development, Geneva.

119 www.covalence.ch

120 www.unpri.org

121 www.globalreporting.org

122 www.osklen.com.br

123 All quotations from personal communication with Jem Bendell, August 2007.

124 All quotations in this section from: Time, 2005, Bali Guy, 29 November 2005 By Aryn Baker. www.time.com/time/magazine/article/0,9171,1135643-1,00.html

125 www.johnhardy.com

126 All information from www.madara-cosmetics.lv

127 www.madara-cosmetics.lv

128 www.lindaloudermilk.com

129 San Francisco Chronicle, 2007, Hyatt puts Tesla roadster recharging stations in 3 hotels, David R. Baker, 30 August.

130 www.teslamotors.com

131 www.oneplanetliving.org.uk

132 Okonkwo (2007) p.157.

133 Ibid, p.242.

134 Ibid, p.256.

135 www.ew.com/ew/article/0,,20037658,00.html

136 Cited on http://londonstarmap.com/ September 2007.

137 Are Celebrities Being Used as Pawns by the Fragrance Industry? Las Vegas, NV 89126, 28 August 2007. http://www.expertclick.com/NewsReleaseWire/default.cfm?Action=ReleaseDetail&ID=17731

138 This plan is adapted from WWF's report on responsible brands, 'Let Them Eat Cake', available at www.wwf.org.uk/letthemeatcake. For WWF's latest advice on luxury brands visit www.deeperluxury.com

139 Walker, 2006, Sustainable by design: explorations in theory and practice, Eearthscan, 2006, p.59.

140 Keesing, Roger. 1984. Rethinking mana. Journal of Anthropological Research 40: pp.137-156.

Design by **bwa**-design.co.uk

“Luxury is well-rounded excellence. Corporate excellence today includes being globally responsible. This WWF report makes explicit how luxury companies can, should, and hopefully will, develop and leverage their globally responsible behaviour to enhance their brand image. Tomorrow, they will have no choice.”
Henri-Claude de Bettignies, Emeritus Professor, INSEAD, and Distinguished Professor of Leadership and Responsibility, CEIBS (Shanghai)

“WWF’s report, Deeper Luxury, demonstrates that a quality product must involve a quality value chain, where everyone in that chain benefits and their environment is sustained. Bendell and Kleanthous’s analysis should be welcomed as an important contribution to the strategic planning of all high-end brands and their suppliers.”
Pierre Simoncelli, Managing Director of Sustainable Development, L'Oreal

“There is nothing luxury about sweatshops. ‘Deeper Luxury’ highlights how luxury brands need to excel in how they treat their workers and local communities, just as they excel in design, quality and marketing. Only when they can demonstrate this will they be seen as a potential ally for social development, rather than merely a symptom – or even symbol – of inequalities worldwide.”
Barry Coates, Oxfam, New Zealand

“Affluent consumers in some Asian cities are increasingly aware of environmental problems and many now show an interest in the responsibility of brands. In highlighting this, Bendell and Kleanthous outline a global context for the future of luxury.”
Carmen Ho, Luxury Footwear Designer

Printed on Revive Matt – made from 50% de-inked post-consumer waste, 25% pre-consumer waste and 25% virgin fibre from Sweden and Spain.

Strict environmental controls are adhered to during production and no chlorine bleaching is used. Printed on a waterless press using vegetable-based inks.

FSC Mixed Sources
Product group from well-managed forests and recycled wood or fiber
www.fsc.org Cert no. 00SGS-COC-3257
© 1996 Forest Stewardship Council
50%

The mission of WWF is to stop the degradation of the planet’s natural environment and to build a future in which humans live in harmony with nature, by:
- conserving the world’s biological diversity
- ensuring that the use of renewable natural resources is sustainable
- reducing pollution and wasteful consumption

wwf.org.uk

for a living planet®

WWF®

WWF-UK
Panda House,
Wayside Park,
Godalming,
Surrey,
CU7 1XR
t +44 (0) 1483 426 444
f +44 (0) 1483 428 409