

# Fashion industry china: csr case

[Business](#), [Industries](#)



Fashion Industry China: CSR Case Subject Submission Date Class Team  
Members CSR cross-analyses on fashion Industry Tuesday 15, 2012 MBA  
Pudong – Corporate Social Responsibility Christiane Pagsisihan Damien  
Dandelot Jose Antonio Mallen Tendai Chitapi Vera Boisa Harbhajan Khalsa  
Executive Summary The research paper through four main Corporate Social  
Responsibilities (CSR) issues (Children Labor, Working condition,  
Environmental impact and Environmental Sustainability) indicates several  
glaring trends within the fashion industry.

First of all, there appears to be an overall evolution in the CSR practice and  
activities during the last decade in the fashion industry. Moreover, it seems  
evident that CSR is more and more considered as important issues in the  
fashion industries whatever the specification and the market are. Finally,  
after having made a close comparison between six fashion companies, it  
seems that if companies continue to develop its CSR actions in activities  
such as eco-friendly ingredient sourcing, fair pricing, eco-manufacturing, and  
efficient non-wasteful distribution, as well as corporate sponsorship, they will  
result competitive advantage.

Indeed, with the implementation of CSR initiatives brands build a positive  
image and then are more able to counter criticism for other issues that may  
affect the company. Introduction Over the last decade, corporate social  
responsibility has moved to the forefront of consumers' minds and has  
elicited numerous responses on the part of the fashion industry.

It should not come as a surprise given that it encompasses the design,  
manufacturing, distribution, marketing, retailing, advertising, and promotion  
of all types of apparel (men's, women's, and children's) from the most  
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rarefied and expensive haute couture (literally, “ high sewing”) and designer fashions to ordinary everyday clothing (Encyclopedia Britannica, 2012). Within the industry there are different kinds of activities, such as model agencies, creative agencies, media specialized in fashion (i. e. Fashion TV) and textiles etc.

According to Market Line Report, Global Textiles, Apparel & Luxury Goods (2012), the global textiles, apparel and luxury goods market (men, women and children clothing, textiles, footwear and luxury goods) had total revenues of about \$3 trillion in 2011, representing a Compound Annual Growth Rate (CAGR) of 3. 7% for the period 2007-2011. The performance of the market is forecast to accelerate, with an anticipated CAGR of 4. 2% for the five-year period 2011-2016, which is expected to drive the market to a value of more \$3. trillion by the end of 2016. Put simply, the fashion industry is a huge sector and thus deserves a closer examination as to the human rights and environmental impacts. Due to the fact that the industry encompasses a myriad of companies, we have selected six companies established in China (Table 1 and Exhibits 1 to 6). Indeed, in China, the textile and clothing industry is the largest 1| Page Fashion Industry China: CSR Case – Team 7 MBA Pudong manufacturing industry. There are about 24, 000 enterprises that employ 8 million workers.

In addition, China is the largest clothing producer in the world, and has the largest production capacity for textile mill products consisting of cotton and silk (Qiu, 2005). Table 1 – General description of the six companies selected (data from 2011)

Company	Inditex	SA H&M	Gap Inc.	Levi's	Hermes	LVMH
HQ	Spain	Sweden	USA	USA	France	France
Market	Mid to low income	Mid to low				

income Mid to upper income Mid to upper income Higher income Higher income  
 Total revenue (billion) \$ 17. 53 \$ 15. 1 \$ 14. 55 \$ 4. 8 \$ 4. 8 \$ 30. 08  
 Net Profit (billion) \$ 2. 45 \$ 2. 76 \$ . 83 \$ 0. 14 \$ 1. 2 \$ 3. 81 Number of  
 Stores 5, 527 2, 325 3250 470 283 3095 Number of Markets 82 43 44 110 57  
 60 Number of Employees worldwide 109, 512 59, 440 132, 000 17, 000 8370  
 98, 000 CSR issues relevant to the fashion industry Then, before moving on,  
 the major CSR issues in the fashion industry are outlined below (Table 2).  
 Indeed, this table aims to highlight the major issues that fashion industry  
 must consider into practices. These table has been made according some  
 information coming from diverse councils and web site, but with a primarily  
 focus on the Nordic Fashion Association, Code of

Conduct and Manual (2012). Table 2 - List and describe the CSR -related  
 issues relevant to the industry CSR issues relevant to the fashion industry  
 Description of the issue Human Rights Exploiting people for profit. This  
 concern is widespread throughout the fashion industry worldwide. Freedom  
 of association and the effective Ensure that workers participating in unions  
 are not subject todiscriminationrecognition of the right to collective  
 bargaining or punitive disciplinary actions. Forced Labor Trafficking and  
 exploiting human beings for the purpose of monetary gain.

Issues Child Labor Discrimination Working Conditions Wages, payroll records  
 and deductions Labor contractsEnvironmentCorruption and Bribery Ethical  
 Animal Ethics Models Employing children under the legal age to work in  
 factories, sweatshops or even in their own homes. Unfair treatment in favor  
 or against a person based on their religious affiliation, skin color, nationality,  
 gender, race, economic class etc. Forced labor. Extended work hours with

little or no compensation. Occupational health and safety. Withholding pay and legal documentation. Refusing to negotiate with unions. Abuse of power and authority. Toxic waste.

Heavy chemicals and dyes. Abuse of power by officials, corporate or otherwise, for illegitimate gain. Use of real animal fur or exotic animals. Animal abuse and testing. Refraining from the promotion of unattainable body ideals and unhealthy lifestyles. Note that due to the fact that the fashion industry requires extensive manual labor and the use of raw material and chemicals, the two most critical global issues according to the classification to the United Nations Global Compact (UNCG) are Human Rights and the Environment. However, these categories are still very broad; therefore, the analysis will be split into four sub-categories: ? Human Right: Child Labor, Working Conditions, Environmental: Impact and Sustainability.

2| Page Fashion Industry China: CSR Case – Team 7 MBA Pudong The six companies are combined according to the filter: UN: Human Rights – Child Labor Company LVMH Inditex SA Gap Inc. Levi's H Hermes Main Action Supplier Code of Conduct Staff Sponsorship Supplier Protocol Based on Best Practices California Transparency in Supply Chains Act Terms of Engagement Supplier Protocol Control Supplier Code of Conduct Impact Effective abolition of child labor. Provide financing & education material.

Develop projects for children End forced Child Labor/Human trafficking Sponsoring children to go to school Improvement of child labor conditions. Effective abolition of child labor. Provide financing and education material. Impact Train managers in “ best practices”. Training and improvement of suppliers (safety protocols). 50 CSR specialists – End forced

labor. Improve building and fire safety standards. Train suppliers in their own language – they know what to look for during factory audits. Reduction in Chemicals Train managers in “ best practices”.

Impact Reduction of CO2 emissions Reduction of CO2 emissions Guidelines for sustainable garment production Reduction of CO2 emissions Direct impact on the environment Control illegal activities of hunting. Genuine / Greenwashing On the way to be Genuine but still Greenwashing. Genuine Greenwashing Genuine Greenwashing On the way to be Genuine but still application of the policy is still Greenwashing. Genuine/ Greenwashing Elimination of forced labor. Freedom of association. Genuine Greenwashing Genuine Genuine Elimination of forced labor. Freedom of association.

Genuine/ Greenwashing Genuine Genuine Genuine Genuine Genuine Genuine Company Risk Reputation HIGH Reputation HIGH Reputation HIGH Reputation – HIGH Reputation HIGH Reputation HIGH UN: Human Rights – Work Conditions Company LVMH Inditex SA Gap Inc. Levi’s H Hermes Main Action Human Resources Development Developscience and technologyCode of Vendor Conduct Term of Engagement Improve working conditions. Human Resources Development Main Action Environmental Task Force Criteria of eco-efficiency Sustainable ApparelCoalitionForest Products Purchasing Policy Reduction of chemical use.

Socially responsible supply channel. Company Risk Quality of product - HIGH Reputation HIGH Reputation HIGH Reputation MEDIUM/ HIGH Reputation HIGH Quality of product - HIGH Company Risk Coherent reputation & image - HIGH Reputation HIGH Reputation HIGH Reputation HIGH Reputation HIGH Coherent reputation & image – HIGH Company Risk Coherent reputation &

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image - HIGH Reputation & Cost - HIGH Reputation - MEDIUM UN:  
 Environment - Impact Company LVMH Inditex SA Gap Inc. Levi's H Hermes  
 UN: Environment - Sustainability Company LVMH Inditex SA Gap Inc.

Main Action Encourage biodiversity Staff Sponsorship Green initiatives. High  
 EPA ranking. Impact Reforestation and social program Product lines that use  
 100% organic cotton Reduction of water use. Improve operational  
 efficiencies in Chinese fabric mills. Genuine/ Greenwashing Genuine Genuine  
 Genuine 3| Page Fashion Industry China: CSR Case – Team 7 MBA Pudong  
 Levi's H Hermes Robust vetting system for suppliers Transparent chemical  
 policy Technological Development Ensures suppliers are in compliance with  
 TOE Reduce water and energy in supply chains.

Reduce environmental resources Genuine Genuine Genuine Reputation HIGH  
 Reputation HIGH Reputation HIGH Ranking The following graphs illustrate  
 how each company ranks in comparison with one another based on. But,  
 before reading them, it should be taken into consideration that each  
 company has different external environments and stakeholders which  
 directly affect the CSR activities and strategies. Indeed, even though each of  
 these companies is in the fashion industry, each has a distinctive market and  
 set of requirements, such as boutique vs. massive distribution.

Therefore, the rankings cannot be interpreted a prime facie. UNGC : Human  
 Right - Children Labor High Impact of the CSR issue UNGC : Environment -  
 Impact High Impact of the CSR issue Low Low Genuine/ Greenwashing High  
 Low Low Genuine/ Greenwashing High UNGC : Human Right - Working  
 Conditions High Impact of the CSR issue UNGC : Environment - Sustainability  
 High Impact of the CSR issue Low Low Genuine/ Greenwashing High Low Low

Genuine/ Greenwashing High 4| Page Fashion Industry China: CSR Case – Team 7 MBA Pudong From that it is possible to rank the six companies (Table 3).

Indeed, according to the four graphics above, there are evidences that some companies are working better in terms of CSR. For instance, it is possible to point out that the luxury brands are more involved in the CSR than the others. However, that make sense, because the margins are greater; therefore it easier to spend money on responsible business practices, but also because the reputation (quality and image) is a big issues (Bendell & Kleanthouse, 2007). In addition, it comes to the mind the fact that the mass-production companies, such as H and INDITEX, have to manage other problems that luxury brands do not have to deal with.

However, Levi's is historically founded on very strong ethical values and this is reflected in the daily practices. Indeed, Levi's is consistently a leader in CSR and responsible business practices. Thus, as it was said above it is difficult to compare companies which deal everyday with different issues and market and public. Table 3 – Ranking of companies studied by Team 7

Rank	Company
1	Levi's
2	Hermes
3	LVMH
4	Inditex
5	SA H
6	Gap Inc.

Conclusion  
The research indicates several glaring trends within the fashion industry.

First and foremost, there appears to be an overall CSR evolution that started with crisis management, moved into brand insurance and finally ended with the implementation of initiatives that build a positive brand. In many cases, scandals involving child labor, poor working conditions and/or crimes against the environment caused them to develop policies and guidelines that tell employees how to act and make decisions. A prima facie, the companies



attempt to institutionalize CSR. In other words, the organization, employees and board of directions will align company goals and business strategies in accordance to higher CSR standards.

In order to obtain external recognition for these efforts, many of the companies obtained accreditation with socially responsible authorizes, such as ISO 14001, EPA certification, FTSE and Dow Jones Sustainability Index. The companies put forward the idea that they are socially responsible and tend to publicize high numbers or percentages to tout their accomplishments. Yet, rarely do they provide information of the methodologies or absolute values that would place clearer, understandable quantitative values to the effects of their efforts.

As a result, these numbers cannot be taken at face value. Thus, they are making a tremendous effort to be responsible mainly for marketing purposes as opposed to divine intention. Finally, without question, these fashion retailers hold a disproportionate amount of power and influence over the entire industry and therefore are put in a higher level of responsibility 5|  
Page Fashion Industry China: CSR Case – Team 7 MBA Pudong Exhibit 1 - H Company  
Christiane R. Pagsisihan H (Hennes ad Mauritz), a Swedish multinational clothes retailer, offers modern basics to high fashion apparel.

Its objective is to deliver a never-ending stream of must-have pieces at affordable prices, comparable to other major retailers such as Uniqlo, Forever21, Topshop and Zara. The company works with a multitude of buyers, designers and suppliers to produce collections that are both up-to-date and with quality. Its recent expansion brought about opening 2700 stores worldwide in over 48 markets and employing over 94, 000 people

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from all over the world. Its largest market is Germany, followed by the US, France and the UK. As of 2011, the company reached \$15. billion worth of revenue, and 2. 50% revenue growth. (YahooFinance, 2012) In terms of H vision, its focus is “ to be run in a way that is economically, socially and environmentally sustainable. By sustainable, we mean that the needs of both present and future generations must be fulfilled. ” (H, 2012) Its CSR work is grounded on their desire for continuous improvement. As mentioned in their website, “ We have a responsibility towards everyone who contributes to our success, including those who are not employees of H.

That is why we work closely with our suppliers to develop sustainable social and environmental standards in the factories that manufacture H products. We have to ensure that our employees’ human rights are not violated, and the same applies to employees of our suppliers and other co-operation partners, and to our customers. ” (H, 2012) Accordingly, H is also an active member of the United Nations Global Compact (UNGC), and is committed to align its strategies with the 10 universally accepted principles that the initiative stands for.

Apart from UNGC, H is also a member of the Fair Labor Association (FLA), Business for Social Responsibility (BSR), and Fair Wage Network among many others. (H, 2012) With regard to how it addresses various industry issues, H is proactive in their approach in setting new standards to ensure that it’s aligned with its company’s vision. H came up with a 7 Sustainable Strategy framework, an approach to managing its business. The framework is composed of the following commitments: 1 - Provide fashion for conscious customers - Make products with an added sustainability value. - Choose and

reward responsible partners – Work with partners who share our values 3 - Be ethical – Always act with integrity and respect 4 - Be climate smart - Be energy-efficient and inspire others to reduce total CO2 emissions. 5 - Reduce, reuse, and recycle - Aim for zero waste to landfill. 6 - Use natural resources responsibly - Conserve water, soil, air and species. 7 - Strengthen communities - Contribute to the development of the communities where we operate. \*Taken from H website: (<http://about.hm.com/content/hm/AboutSection/en/About/Sustainability/HMConscious/Strategy.tml>) The framework the company came up with is not uncommon, however, the commitments it chose to value are the fundamental principles that any fashion retail company should consider. Despite H CSR efforts, it still encountered mishaps in the past, publicized by several articles by the media. Its main challenges consist of human rights and environmental issues. The company's sustainability report mentioned that, "producing raw materials like cotton requires a lot of water and goes with concerns about chemical use and working conditions." (H, 2011) 6 | Page

Fashion Industry China: CSR Case – Team 7 MBA Pudong Back in 2010, it was reported that H knowingly passed off genetically modified (GM) cotton - grown with synthetically agricultural chemicals- as organic cotton. (Vijayaraghavan, 2011) Another challenge that the company is aware of is its fabric processing issues. "Fabric production can require intensive use of chemicals, again raising concerns for the environment and for the health of the workers." (H, 2012) In 2011, Greenpeace released a report claiming that clothing from top brands including H were tainted with hazardous chemicals.

H has also been attacked for sourcing its production in developing countries with poor labor standards. As mentioned in an article from Triodos, “ Reports are published that include accusations of child labor, unhealthy working environments, and low wages at the factories supplying H. ” (Triodos Bank, 2011) In spite these issues, H has been transparent about their sustainability strategy and as mentioned in an article, “ is committed to working with its Chinese suppliers to reduce water, energy, and toxic-chemical use in its supply chains. (Vijayaraghavan, 2011) As highlighted in H Sustainability strategy, it continues to implement actions that help diminish the challenges that they’re currently facing. Listed below are some of the action plans the company implemented: 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. Make 100% of paper carrier bags from FSC Certified Paper. Reduce environmental impacts in cotton cultivation by using more sustainable cotton Help to lead the industry to zero discharge of hazardous chemicals Continue constantly to review and update chemical restrictions.

Ban Fluorocarbons, Toluene from production Replace Solvent- Based Polyurethane with water based alternative. Promote the development of Harmonized Corporate water accounting and reporting Standards Promote reduced water consumption in garment production Monitor waste water quality at supplier factories Develop and implement environmental guidelines for the purchase of non-commercial goods. \*Taken from H Sustainability Report - (H, 2011) Ultimately, H CSR efforts seem genuine; however, bad PR attacks its credibility.

Although H had a couple of mishaps, staying true to their commitments, being conscious of where it sources its materials, and monitoring their

production process would make a big difference. When faced with CSR challenges, the company should always go back to its extensive sustainability strategy framework, and ensure that whatever it does as a company, that it should always stick to its commitments and vision. 7| Page

Fashion Industry China: CSR Case – Team 7 MBA Pudong Exhibit 2 - LVMH: About Corporate Social Responsibility in China Introduction Damien Dandelot

Recent financial crisis and economic troubles do not affect sales of luxury brands. According to the Luxury Goods Worldwide Market Study (Bain & Company's, 2012), luxury spending rose 8% to \$US274 billion in 2011, with growth in the US, Europe and China (Holmes 2011). However, luxury brands, such as LVMH, have recently been a target for public criticism (Kapferer, 2012). Indeed, luxury goods are 'criticized for being extravagant, overpriced, exploiting third world suppliers, and wasteful when many people are struggling financially' (Waller & Hingorani, 2011, p. 1).

Moreover, recently luxury sector has been in the middle of a under enormous scrutiny: reports have deeply criticized this industry for lagging behind (Bendell & Kleanthouse, 2007). Indeed, just by looking on the web, it easy to find idea such as: 'sustainable and luxury are incompatible terms'. Thus, this exhibit will focus on the issues related to luxury brands and social responsibility, with a particular focus on LVMH (Louis Vuitton Moet Hennessy) -the world's largest luxury goods conglomerate- in China and its practices in domain of Human Right (Children Labor and Safe working conditions) and Environment (Impact and Sustainability).

China is for LVMH a target! According to Ma (2010), the number of Chinese's luxury customers will rise to 250 million around 2015. In addition, between

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others, China is in the middle of the criticism about luxury development. Indeed, China constitutes a menace for the planet; critics point out the behavior of the richest whose consumption per capita is disproportionate (Kapferer, 2012). The company This study will examine the CSR activities run by LVMH, via, between other things, the analysis of its mid-2012 Financial Report and 2011 Annual Report.

But first of all, let point out some information (Table 1). Table 1 – An overview of LVMH (Moët Hennessy Louis Vuitton Company) Industry Founded Headquarters Products Brands Luxury goods, retail 1987 Paris, France Clothing, cosmetics, fashion accessories, jewelry, perfumes, spirits, watches and wines Wines and Spirits: The Glenmorangie Company Limited, Hennessy, Moët Hennessy UK, Moët Hennessy Asia Pacific, Moët Hennessy Diageo France, Veuve Clicquot, Moët & Chandon. Fashion and Leather Goods: Louis Vuitton, Fendi, Celine, Givenchy, Kenzo, Loewe.

Perfumes and Cosmetics: LVMH Fragrance Brands, Guerlain, Perfumes Christian Dior. Watches and Jewellery: Chaumet, De Beers, Hublot, Tag Heuer. Selective Distribution: Le Bon Marche, Sephora, DFS. €23. 659 billion +16% from 2010 (29% of the revenue is from Asia, without Japan) €3. 465 billion Nearly 98, 000 employees worldwide (about 64 % outside France) 3095 stores in total (641 in Asia, without Japan) in in over 60 countries Revenue 2011 Net Profit 2011 Employees Geography Company's vision

LVMH is quite clear on what is its risk according to its vision and then its value, goal or mission: ' Like any human activity, the businesses of the LVMH Group have an impact on the environment. [...] The challenges faced by each business have been clearly identified' (LVMH, 2011 p. 125). Indeed, in

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LVMH's Annual Report (op. cit. ) we can find commitments such as: - Corporate mission: ' A global vision dedicated to serving the needs of every customer. The successful marriage of cultures grounded in tradition and elegance with the most advanced marketing, industrial' (op. cit, p. ). - Managing risk and non-compliance: ' Some Maisons are bringing their sites into regulatory compliance, particularly those classified for environmental protection [...] LVMH requires its partners to subscribe to its Supplier Code of Conduct by virtue of which it reserves the right to conduct compliance audits at any time and without notice' (op. cit, p. 125). - Organization and management techniques: ' The main goal of the internal organization is to harness the commitment of all Group personnel and train them by offering resources best suited to their particular situation' (op. it, p. 125). - Economic impact: ' Since 2010 [LVMH] has lent its support to the ' Conservation Cotton Initiative' whose goal is to promote the cultivation of organic cotton in Africa and thus benefit the local clothing industry' (op. cit, p. 129). - Environment: ' 46% of Group sites (excluding stores) were ISO 14001-certified and 27% of industrial, logistical or administrative sites (excluding stores) had been audited. [...] Particular focus was placed on environmental risk management. [...] building construction, renovation and operation, the Maisons implement a number of different standards and certifications, such as HQE, BBC, BREEAM and LEED. [...] Following the completion of the Carbon Footprints and energy audits, the Maisons have implemented a number of initiatives' (op. cit, p. 126-127). - A commitment to citizenship: ' The first component of the LVMH corporate sponsorship program focuses on preserving artistic heritage. [...] Children in elementary and high schools as well as art students benefit from

educational programs designed and initiated by the Group to give them greater access to the best of culture, particularly in the areas of music and the visual arts [...]’ (op. cit. , p. 133). A prima facie, LVMH try to let converged its entire conglomerate together, by encourage its brands to follow the corporate’s goal and vision. Indeed, by promoting some values such as ecology, education, good practice labor, Human Right, medicine, etc. 8| Page

Fashion Industry China: CSR Case – Team 7 MBA Pudong round the world, and by signing some certification and others accreditations, such as the United Nations Global Compact (LVMH, 2006), LVMH impose at its brands some behaviors and conducts rules. LVMH a discrete proactive company. Although there was a lot of descriptive information on the web and in different articles and in LVMH Annual Report (2011), there were very few specifics in terms of the financial figures pertaining to the implementation of CSR various initiatives. Indeed, for China only seven intra-/ extra-organizational activities have been found on Environmental and Human Right (Table 2).

Table 2 - LVMH CSR Sustainable Development UNGC Children Labor and Safe working conditions Impact and Sustainability Children Labor and Safe working conditions Children Labor and Safe working conditions Impact and Sustainability Children Labor Sustainability Children Labor and Safe working conditions Medicine Activity Human Resources Staff Sponsorship Corporate inhouse initiative Encourage biodiversity Suppliers Code of Conduct Research Activity To improve the performance and the ‘ Sustainable development’ consciousness of their leaders, LVMH organized 16 forums, for 400 managers representing more than 30 brands and 30 countries.



The subject of these forums covers all CSR spectrums. LVMH has been sponsoring a group of middle school students from Sichuan since the 2008 earthquake through academic support provided by the employees and by financing educational materials, in order to fight against Children labor. LVMH discuss with its brands about matters concerning human rights, nondiscrimination and equality with their employees by means of posters, Intranet sites, inhouse media and in new employee guide booklets. LVMH is a partner in the Tianzi natural reserve (China) under a 10-year sponsorship agreement comprising reforestation, orchid planting and a social program. LVMH defends the principles of the Global Compact: elimination of professional discrimination; freedom of association and effective recognition of the right to collective bargaining; elimination of any form of forced labor; effective abolition of child labor. Pasteur Institute in China Thus, according to the table above, there are evidences of CSR framework on the top. For instance, the motto of the top management includes some CSR idea: renew, recycle, reduce, and review.

And like many others, LVMH is auditing regularly in its carbon imprint (since 2004). In fact, according to Kapferer (2012) all luxury groups have already imply some structure (Environmental Task Forces, Charters, etc. ) that make CSR an inherent criterion in all top decisions. However, still according to Kapferer (2012), even if CSR is already, for all luxury groups (LVMH, PPR, etc. ), on the top of their agenda (since 2001), they have not publicized it: ‘Luxury has moved forward but does not talk much about it’ (op. cit. , n. d. ). LVMH between genuine and ‘green washing’ policy

According to Bendell & Kleanthous (2007) when we measure company's performance in social issues, the brands did not fare well. To link that to LVMH, Bendell & Kleanthouse (op. cit. ) measured 10 luxury brands on their Environmental, Social and Governance (ESG) performance. The results are not very convincing. Indeed, by giving a score out of 100, and graded from A (the best) to F (the worst), out of the 10 companies, no one were graded more than a C+: L'Oreal topping the ranking, followed by Hermes and LVMH (followed by the same grade, but not the same score).

In terms of practical issues there is an understandable paradox. Indeed, a 100% move to ethical trade (Children Labor and Safe working conditions and green concerns (Impact and Sustainability) today in the luxury sector would hurt the quality of their products (Bendell & Kleanthouse, 2007). However, all luxury groups have adopted some high CSR goal of becoming sustainable luxury models (op. cit. ). In this sense, LVMH policy does not go in the direction of 'green washing', but rather of a genuine incorporation of the CSR concerns into the whole value chain (sourcing, creating, manufacturing, logistics, distribution, marketing, servicing, waste and recycling). Nonetheless, even its effort and its strategy of integrate CSR on the top; LVMH is still between two lines; indeed, because the company must provide a self-expression which reflects class, status, and quality, the company cannot turn in green or ethic concerns tomorrow, but must to be ready to take the turn when this one will appear. Conclusion and Recommendations Because it seems clear that as luxury brands LVMH promotes itself to the worldwide audience, LVMH is increasing the extent to which CSR and sustainability issues feature in its business practices.

Then by being more proactive in their civic responsibilities and keeping within government regulations in its business operation, LVMH can build a reputation as a good corporate citizen. If LVMH can continue to develop its actions in activities such as eco-friendly ingredient sourcing, fair pricing, eco-manufacturing, and efficient non-wasteful distribution, as well as corporate sponsorship, the company will finally has a competitive advantage.

Indeed, some CSR actions deeply thoughtful can, on one hand, help to promote a specific image that management would like to portray to its various stakeholders, and on the other hand, can also counter criticism for other issues that may affect the company. Thus, if LVMH will bear upon its providers and distributors to accelerate behavioral changes and align faster with CSR standards, it will play a leading role in the redefinition of the ‘modern hero’ (Kapferer, 2012). Indeed, the rich of tomorrow by its conspicuous choice of luxury brands will demonstrate not only their taste and wealth but their sense of discernment and altruism.

In other words, because luxury brands can lead the way by redefining the notion of quality and the luxury dream, more than individual, LVMH can differentiate itself from its competitors, but moreover, be sustainable in social, economic and ecological in term. 9| Page Fashion Industry China: CSR Case – Team 7 MBA Pudong Exhibit 3 - Inditex Company Jose Antonio Mallen Inditex is the largest fashion retailer in Spain and one of the world’s largest fashion retailers. Over 100 textile design, manufacturing and distribution companies form the group.

The products are shown in eight different concept stores (Zara, Pull, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterque). Inditex has <https://assignbuster.com/fashion-industry-china-csr-case/>

opened until this moment 5. 963 stores in 85 different markets. FISCAL YEAR  
 Net Sale (million of euros) Net Profit (million of euros) N? of stores N? of  
 markets Number of employees 2011 13, 793 1, 932 5, 527 82 109, 512 2010  
 12, 527 1, 732 5, 044 77 100, 138 11/10 10% 12% 483 5 9. 4% The Inditex  
 financial year is from 1st February to 31st January of the following year  
 Source: Inditex annual report 2011

Inditex was the first Spanish company to sign on the United Nations Global Compact in 2001, and since 2010 is a member of the UN Global Compact Advisory Group on Supply Chain Sustainability. Besides sign on the United Nations Global Compact, Inditex works with two other institutions in order to develop its corporate social responsibility: The Ethical Trading Initiative (ETI) and The International Textile Garments & Leather Workers Federation (INDITEX, 2012). Inditex is listed as well in the FTSE ranking the second within the retail supersector leaders (FTSE, 2012) and is included in the Dow Jones sustainability Index since 2002.

As mention in its press dossier “ Inditex views social and environmental variables as a strategic vector for its management system. Sustainable growth, which customers and society in general increasingly demand, is a value we at the company share and apply to our supplier relationships”. The CSR strategy is apply and integrated in the business through the Internal Code of Conduct and the Code of Conduct for External Manufacturers and Suppliers, in the social area, and through the Environmental Strategic Plan in the environmental area.

The open and honest relationship that Inditex maintain with its stakeholders is based in transparency management and its efforts in this area have  
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received international recognition. (INDITEX, 2012) Labor and Human Rights (100% in Communication Progress) Through the Code of Conduct, which is non-negotiable for all Inditex suppliers and manufacturers, is how the company guarantee acceptable working conditions for each one of the employees of Inditex manufacturers and suppliers. The company is visionary in this aspect and develops new programs in Brazil, India, Cambodia or Turkey, even when India only represents the 5% of its production.

Child Labour: Inditex has a specific protocol for the prevention of child labour in its supply chain. This protocol is based on the best practices of the industry, but Inditex goes more deeply into other aspects that let it for example develop de Vidya project for the Indian children. Safety Conditions: In collaboration with scientific and technological institutions and companies, it has started up a programme of training support for its suppliers on specific and relevant aspects of the Inditex health and safety 10 | P a g e Fashion Industry China: CSR Case – Team 7 MBA Pudong protocols.

It works directly with the suppliers to avoid the use of risky methods in the clothes manufacturing and providing them alternative methods. (INDITEX, 2012) Environment (94% in Communication on Progress) Inditex is always aware of the possible impact of its activities (design, manufacturing, distribution, retail) on biodiversity and the environment, encouraging compliance with environmental regulations and looking for increase efficiency in resources consumption and reduction of environmental impact. Inditex implements these issues in the form of an environmental management system.

The company is totally proactive in this aspect, leading the industry and signing on different organizations and projects that support environmental issues. Proof of this, is that in 2011 Inditex supports two of the international organizations that are most representative in boosting policies of environmental and natural resource management: Better Cotton Initiative and The CEO Water Mandate (included in the global compact initiative) Impact: The major impact that Inditex create in the environment is through its activities of distribution and retail.

They addressed this topics through concrete actions like open all its new stores with a criteria of eco-efficiency (483 stores with this concepts in 2011) or setting the objective of reduce the emissions from logistical activity by 20% by 2020. Usually, almost all the CSR actions have an immediate or future economic benefit for the company. In this particular case, although looks like a genuine action, the opening of new eco-efficiency stores involves a decrease in the costs of power and water in these stores. For this reason is difficult to know the final reasons (CSR or profit) of the company.

Sustainability: The natural resources and water spend to manufacture Inditex's products is one of its main concerns. Several chains of the group have developed specific 100% organic cotton collections. In the same direction, Inditex is using tencel, a fibre which is manufactured from eucalyptus wood and which is totally biodegradable. What the company communicates through different sources (annual report, press release, etc. ) about its CSR efforts in sustainability is quite close respect to what external sources show.

I have not found any issue related with a CSR wrong management. Moreover, the company is usually listed in the top of sustainability rankings. In my opinion their efforts in CSR are genuine, because not only was one of the first Spanish companies adopting social and environmental responsibility into their strategy but also because as they say in their annual report: “ Inditex maintains a continuous dialogue with its stakeholders in order to identify the issues that most interest or concern them” (INDITEX, 2012).

It is difficult to improve the company's CSR performance. They were developing a CSR strategy for a long time; they have tools and resources to manage the different CSR issues that affect them, in a positive or negative way, and a very proactive way approaching CSR. These are the main reasons because I think that Inditex is a leader and should be an example to others companies within the industry. Probably this could be the next step in its CSR strategy, showing to their competitors the best way to approach CSR strategy in their companies. 11 | P a g e