

The shared value and gucci

[Business](#), [Company](#)



Objectives

To analyse theories of shared value and use Gucci as a case company. To then explain the meaning of shared value and its significance to Gucci, critically evaluate the company's actions or inactions regarding the shared value and then to advance recommendations to Gucci on the topic.

Company Profile

Business Overview

Gucci is an Italian luxury brand of fashion owned by Kering Group. The company has its headquarters in Florence, offices in Milan, Paris, London, Hong Kong, Japan, and New York and operates 520 stores worldwide (O'connell, 2019).

Goals and Strategies

A company as big as Gucci has a lot of goals. One of which was to reach €10 billion in annual sales and replace Louis Vuitton as the world's biggest luxury label (The business of Fashion, 2018). To reach this figure, Gucci would need to grow sales by around 21% on what it earned in 2018 (€8.3 billion).

Gucci's huge growth from the end of 2018 levelled off and this means that Gucci will most likely fall short of the aspired mark and Credit Suisse have estimated that their revenue this year will grow to €9.7 billion.

From an environmental aspect, Gucci has revealed that it aims to become entirely carbon neutral across its supply chain. This means that Gucci will aim to avoid, reduce, restore and offset greenhouse gas emissions. To be able to do this, Gucci has started a range of initiatives including; using sustainable materials and low-environmental-impact alternatives, sourcing

products sustainably and increasing manufacturing efficiencies (Imms, Fish and Brown, 2019).

A potential way Gucci could strategize meeting this goal is by growing leather inside a laboratory and hosting an online alternative to fashion shows but for both the technology is not quite there yet and so for the Spring/Summer 2020 show in Milan, Gucci just offset its guests' carbon footprint and the set of the show will then be used as decoration in shops (Conlon, 2019).

Shared Value

Corporations and society depend on each other to survive and this proves that this dependence between the two must follow 'shared value' (Porter and Kramer, 2006). This is the theory that choices need to benefit both sides. If a business or society chooses only decisions that benefit their sector then neither can thrive "a temporary gain to one will undermine the long-term prosperity of both" (Porter and Kramer, 2006). For example, designer brands Giorgio Armani and Ralph Lauren both outsource manufacturing to Bangladesh, much the same as their discount peers (Passariello, 2013). At the moment, this puts the designer brand at an advantage but under the shared value definition this is only a temporary gain for them and in time they will face the same scrutiny as Primark, for example, has for not ethically sourcing labour.

Points of Intersection

The relationship between a company and society takes two forms, first are inside – out linkages. This is when a company just impinges on society

through its normal business course. Every activity a firm undertakes affects communities and produces either negative or positive consequences. (Porter and Kramer, 2006). Take Stella McCartney for example, they do not use any animal products including fur and leather. Stella has linked livestock production as a big contributor to issues such as global warming. This produces a positive consequence on those places like Manila in The Philippines as they are especially susceptible to the consequences of global warming. She has proven that high fashion and sustainability are not mutually exclusive (Sperry, 2016).

Outside-in linkages are where social conditions influence a business', negatively or positively again. For example, intellectual property protection and rule of law. The business then works out what social conditions it can actually change and then what social issue they will address. Where a social issue intersects their company then the business can create value from this. The Toyota Prius is a good example as it intersects between their company and the benefits of creating this car have on the environment – fewer emissions and satisfied customers etc. (Shift, 2007). Adding a social dimension to a company allows them to actually benefit society rather than just produce meaningless PR and marketing talk.

Significance of Shared Value

Gucci published a document entitled Corporate Sustainability & Responsibility (CSR) Policy (Gucci, 2019). In this document, Gucci talks about how the Kering Group has installed a culture of sustainability within Gucci and how they are raising interest to those within Gucci and are affected by

their activities (shareholders, employees, customers, local communities, NGO's and trade unions).

In 2004 Gucci formally committed to CSR where they signed an agreement to adopt the SA800 standard across its supply chain (a document aiming to improve CSR- related issues like child labour). Not only this but Gucci's direct contactors and their suppliers also committed to the agreement (SA-intl. org, n. d).

CSR is an important part of the Kering Group's identity. They have even produced 7 key priorities to act as a framework for each brand under the group that has been moulded for each company they own. Gucci's include:

1. Enhance employability through skills management and training
2. Train each manager on diversity issues
3. Integrate CSR criteria into the contractor's selection process
4. Monitor and limit transport-related CO2 emissions
5. Reduce the environmental impact of stores and infrastructures
6. Promote responsible products and usages
7. Implement solidarity programmes related to company's business activity (Kering. com, n. d)

Gucci's response to Shared Value

Social

As previously mentioned, the SA8000 certification was the start of Gucci becoming more open and tolerant to shared value as a luxury brand. The SA8000 certification took place on leather goods and jewellery, shoes, silk, and the logistics platform. Gucci also funded 20 half-day seminars for 400

contractors and sub-contractors in leather goods, packaging, and shoes. Benefits that resulted from this were that the supply chain labour standards were improved and led to Gucci better regulating the rights of migrant workers. However, this is only on the products mentioned before. If Gucci wanted to make more of a difference they should apply their whole manufacturing process across the board to the SA8000 certification. Naturally, this improved the lives of the workers that fell under the SA8000 scheme but it also improved Gucci's business. Gucci's sales proceeded to rise 11% in 2010 and 18.7% in 2011 (U. S, 2014) (the following years after the SA8000 certification). Stakeholders involved included Contractors and Subcontractors, Industrial employer's association, Artisanal employer's association, and the Tuscany Region.

Gucci also trained 600 employees and managers in CSR implementation, they ran these programmes in Italian universities and are still running them for employees and managers. This led to improvements in their supply chain labour standards as previously mentioned and for Gucci, as the more they indoctrinate their CSR framework, employees and managers start to feel closer to the company and increase their work efficiency much like the Hawthorne effect.

Environmental

Gucci has undertaken many actions in effort to become a more environmentally friendly company. It carried out an environmental pre-audit against ISO 14001 (ISO 14001 is the international standard that specifies requirements for a good environmental management system. It provides a framework that organisations can follow (ASQ. org, n. d.)). This audit was

carried out successfully both times (in 2009 and 2010). This ensured that their supply chain environmental standards like waste chemicals and wastewater were up to scratch.

This also led to the Clean clothes campaign getting in touch with Gucci through the ISO 14001 audit to carry out their own assessment of the business. With this campaign, Clean clothes campaigned to Gucci to stop sandblasting their garments (a way to give clothes a worn look) as it leads to silicosis. While Gucci agreed with this campaign and stopped sandblasting garments being described as “responsible and advanced... mature”) (Hooper, 2011). However, Clean clothes did mention that Gucci has a high volume of subcontracted work in their supply chain (3,600 compared to 400 first-tier suppliers) and it is suspected a lot of these are outside of Italy where work can't be monitored as well and Gucci can't take responsibility for rights in those factories (Gucci, 2014).

Gucci has benefitted from adopting these principles as it has got them good press when other luxury companies suffered for not adhering to sandblasting recommendations. A Guardian article (Hooper, 2011) writes of how Giorgio Armani, Roberto Cavalli and Dolce and Gabbana had not changed with Dolce and Gabbana telling Deborah Lucchetti (the Italian spokeswoman for the campaign) that the information from the sandblasting “did not interest them” when it had contributed to the death of employees.

Simply from the fact that Gucci employees will not get ill and take time from work/ die from the sandblasting process is also a positive for the brand.

Gucci has also replaced cardboard boxes with biodegradable bags for 40% of leather products which reduced the number of shipments and also aim for packaging across all of Gucci's products to be FSC certified. Gucci will produce fully recyclable mannequins, use organic cotton on t-shirt designs, reduce the lighting of stores after closing hours, switch the lightbulbs they use in-store and replace company cars with a shift from Euro 4 to Euro 5 company cars. This solves problems in society as they will source materials that do not affect biodiversity and deforestation and they will be reducing their contribution to climate change by altering their methods of transportation.

This looks great on paper, but when you start to look deeper into Gucci's environmental progress that's all it is – something that looks like they're trying to make a difference. Why can't Gucci use organic cotton on all its shirts when it only costs around 80 cents a pound (Dhaka, 2018). Surely Gucci can afford this when their price mark-up is so high. Not only this but Gucci won't completely turn their lights off when the store closes as it is an effective way of advertising your shop when no one is there (Griffis, 2012) but does Gucci, one of the biggest luxury retailers in the world really need that publicity when they could be contributing so much more to slowing global warming.

Communities

Gucci has done a lot in the way of community projects. Since 2003 they established a partnership with UNICEF and generated more than \$20 million focussing on the ' Schools for Africa' initiative which helps disadvantaged children access an education (UNICEF, n. d). They have also donated 41.

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5million to the Film Foundation for the restoration of Italian movies. Lastly, they've started local community initiatives like 'Run My Life'. In 2019 they also donated their catwalk fee to mental health charities (BBC News, 2019)

However, the latter was done in response to a silent protest from Ayesha Tan Jones where she appeared on the catwalk with the words 'mental health is not fashion' on her palms during a show (BBC News, 2019). This was because Gucci ran a straightjacket inspired collection which can only be described as bad taste from Gucci in a vulgar capitalist climate (Huffingtonpost. co. uk, 2019).

This charity benefits Gucci in many ways. Firstly, it boosts morale in employees. According to a study, millennials were "twice as likely to rate their corporate culture as very positive" if their company participated in workplace volunteer activities (St. Louis, N. D). Perhaps one of the most immediate benefits of donations and charity is the tax deduction aspect. Companies shouldn't just donate with the expectation of financial gain but it does sweeten the deal.

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