

LVMH (Moët Hennessy Louis Vuitton), is a French multinational corporation which specialises in luxury goods.

LVMH

LVMH CASE STUDY
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Initiatives For the Environment



Images courtesy of LVMH

LVMH (Moët Hennessy Louis Vuitton), is a French multinational corporation which specialises in luxury goods.

It owns 75 brands (or Maisons as LVMH refers to them), covering wines and spirits, fashion, jewellery and watches, perfumes, cosmetics and more.

Famous brands include Louis Vuitton, Hublot, Guerlain, Moët & Chandon and Christian Dior. With such varied brands, LVMH is accountable for many different value chains which each have their own environmental impact.

Objectives and targets

LVMH has been working towards becoming more sustainable for some time, setting up an Environmental Department back in 1992, and, more recently, setting goals through its LIFE (LVMH Initiatives For the Environment) Program.

The most recent set of environmental targets were set in 2016, under the LIFE 2020 program:

Product objectives

LVMH set goals with the aim of improving the environmental performance of all its products.

- To improve environmental performance of 100% of products by 2020.
- To improve the Environmental Performance Index (EPI) by 10% for all product packaging by 2020.

Supply Chain objectives

With a range of supply chains for many different products, LVMH set the goal of monitoring raw materials used and ensuring a greater proportion are sourced sustainably.

- To apply the highest standards across 70% of procurement chains by 2020, reaching 100% by 2025.

CO2 objectives

- To reduce LVMH Group CO2 emissions related to energy consumption by 25%, against the 2013 baseline.

Site objectives

Objectives were set for all LVMH sites, for 2020:

- Reduce water consumption by 10%.
- A 10% reduction in energy consumption.
- To reduce waste production by 10%.



Organisational and value chain challenges

The sheer range of products sold under the LVMH group, and the vastly different supply chains for each present some challenges when looking to implement more sustainable policies across the group.

A company such as Levi's or Carlsberg for example, can find solutions which work across the whole group as the products they produce all have similar production methods and value chains. For example, Levi's was able to introduce water saving measures which could be put into practice across different locations.

In the case of LVMH, multiple solutions are needed, according to the unique challenges of each value chain. Practices involved in increasing the sustainability of the value chain for wines & spirits do not necessarily cross over to the perfume & spirits sector, and so on.

These challenges increase the importance of effective management of the group's sustainability initiatives, as well as the ability to oversee practices across multiple product divisions, brands and supply chains.

To this end, LVMH created the Group Environmental Development Department, which acts as intermediary between the Executive Committee and senior management of each house / Maison, and is designed to 'unify without standardizing the environmental policies put in place by the Maisons'.

This department is responsible for formulating overall environmental strategy for the group, setting targets and initiatives like the LIFE program, overseeing the implementation of policies to meet these commitments, and coordinating and reporting on group-wide programs.

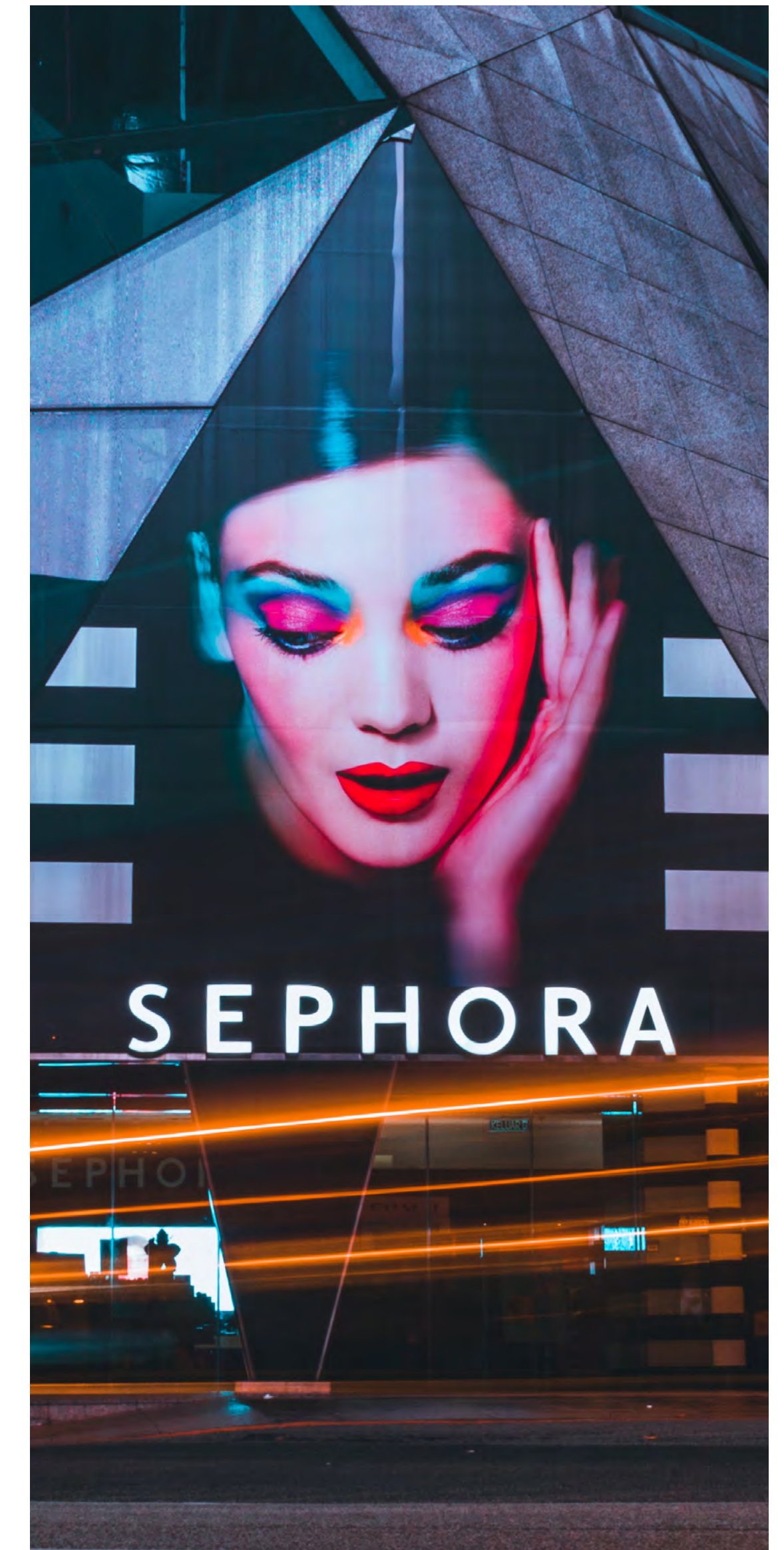
This department also acts as an intermediary between the Executive Committee and the Maison's senior management. It also seeks to enhance collaboration with other departments throughout the Group on environmental issues.

The Environmental Development Department consists of 12 specialists who help the Maisons to develop more sustainable policies, developing foresight tools, measuring impact, and encouraging dialogue with stakeholders throughout the company.

A network of environmental managers reports to the department, and each of these are responsible for promoting, relaying and implementing the LIFE program within each Maison.

Each Maison has some degree of independence and freedom of action in terms of how they meet the goals, enabling them to develop solutions that work within their own value chains. This overall structure allows the various LVMH maisons to find the best ways to meet sustainability challenges, while providing oversight and ways to share best practices around the group.

For example, Guerlain launched [an initiative](#), in partnership with UNESCO, to encourage working practices which protect bees. The scheme was designed to foster high quality beekeeping which respects the environment yet remains profitable.





The importance of digital transformation

Digital transformation often takes place alongside sustainability initiatives. This is partly because greater adoption of technology can help companies become more sustainable, by allowing more effective monitoring of value chains, or finding efficiencies in production processes for example.

It can also be about long-term business profitability. The drive for brands to become more sustainable has coincided with the growth of the internet and associated digital technology. This adoption of digital by shoppers sets a challenge for companies which have sold via more traditional channels for the majority of their history.

Many LVMH products have traditionally been sold through boutiques and department stores, something which is common for many luxury brands. With the growth of online channels, and changing preferences for younger luxury buyers, companies like LVMH have needed to pay more attention to digital. The market now demands it. Luxury ecommerce grew by 24% in 2017 and is predicted to make up 25% of the luxury retail market by 2025, according to data from Bain & Co.

Deloitte's Global Powers of Luxury Goods report also finds that young luxury consumers are increasingly preferring online channels when shopping for luxury goods, with 58% making the majority of their luxury purchases online.

LVMH has been looking to become more digital and responsive to the customer, though as is the case with implementing sustainable practices, the company's structure, being made up of many Maisons, can be a challenge when looking to become more digital. With this in mind, LVMH hired Ian Rogers, who had previously worked for Apple, as the company's first Chief Digital Officer in 2015, and has now been in the role for more than five years,

Ecommerce has been seen as tricky for luxury retail, partly because the advantages of luxury stores, the exclusivity, personal touch and great customer service associated with physical are harder to reproduce online. LVMH's digital transformation has centred around creating an omnichannel experience for shoppers, allowing customers to shop for luxury goods however they prefer.

The group has been experimenting with digital technology across its brands, using augmented reality at its Sephora stores, AI to help customers create bespoke tasting experiences at Moët Hennessy, and using augmented reality (AR) to enable shoppers to 'try on' jewelry.

One major ecommerce initiative was the launch of the 24 Sèvres website (now 24S), which presents a curated selection of womenswear brands (including Louis Vuitton, Christian Dior and Valentino) and which aims to set 'new standards for the sale of luxury products online'. The site reproduces the store experience and personal touch though live, one-to-one video consultations with stylists on the site or through its mobile app, while offering delivery to more than 75 countries, and click and collect options.

According to Ian Rogers:

“We felt it was time to take our expertise in visual merchandising, which our Maisons have long brought to their stores, and transform it online.”

LVMH also recently acquired tech company OneStock to enable customers to see real time stock availability across the group's stores, and to choose the one which has the available stock and can deliver the fastest.

The importance of digital transformation for LVMH was brought into sharp focus by the Covid-19 pandemic, with store closures and restrictions contributing to a 27% fall in group revenue during the first half of 2020.

The company does report significant growth in online sales across the group, without providing numbers, which has helped to partly offset the decline in physical revenues.

Impact and results

LVMH reported on progress towards its 2020 targets in the 2019 Environmental Responsibility Report.



Product objectives

- Improved environmental performance for perfumes & cosmetics by 90%.
- Environmental performance in wines & spirits up by 90%.
- For fashion & leather goods, performance improved by 66%.
- Packing Environmental Performance Index (EPI) improved by 12% for perfumes & cosmetics, above the 10% target.
- EPI packing up 5% for champagne and 19% for cognac.

Supply Chain objectives

- 100% of LVMH-owned vineyards in France achieved sustainable viticulture certification.
- 58% of LVMH-owned vineyards around the world achieved sustainable viticulture certification.
- RSPO sustainable palm oil certification achieved for 86% of products, beating the 70% target for 2020.
- GOTS and BCI certified cotton accounted for 54% of the supply chain, against the 2020 objective of 70%.
- RJC COP gold certification achieved for 82% of jewelry supply chain.

CO2 objectives

- The main 2020 target of 25% reduction in CO2 emissions was achieved by 2019.
- The use of green energy increased by 36% (2020 target was 30%)
- Energy consumption in LVMH stores reduced by 21%, beating the 2020 target of 15%.

Site objectives

Objectives were set for all LVMH sites, for 2020:

- Site water consumption was reduced by 1.1% (2020 target is 10%).
- Site energy consumption reduced by 6.5% (2020 target is 10%).
- Waste production reduced by 8.7% (2020 target is 10%).
- 91% of waste was recycled, converted into energy or reused.
- 2,450 metric tons of waste processed or recovered at the CEDRE recycling platform.

Key Takeaways

- The importance of direction coming from the top. The Group Environmental Development Department at LVMH, which sits between the board and the brand / Maison senior management has the vital task of setting direction in terms of sustainability. This approach ensures that the group's sustainability initiatives move forward, providing reporting and a platform for sharing ideas and best practices between the different LVMH brands.
- Digital transformation is vital for long-term growth. Sustainability is only possible when the fundamental business is sound, and digital transformation is one key way to achieve this. LVMH has some way to go here, but has recognised the changes in buyer behaviour and the importance of providing a great shopping experience for customers across all digital and physical channels.
- Different value chains require different solutions. The 75 brands within the LVMH group are widely varied and have many different challenges in terms of the way their value chains work, and differing business practices. This has needed a hybrid approach, with some central leadership, but also by allowing the flexibility for different brands to find their own ways to meet overall sustainability targets. The value chains challenges, between viticulture and clothing for example, are so different that a one size fits all approach wouldn't work.



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