

Sustainable Development Strategy for Louis Vuitton

Abstract

This paper will shed light on sustainable development strategy of Louis Vuitton. In the first part, the study will analyze business portfolio of Louis Vuitton and their current environmental sustainability strategies. In the next part, the study will propose sustainable development strategy in terms of green supply chain management and green marketing practices to the chosen fashion organization. Analyzing feasibility of the proposed sustainable development model in terms existing green supply chain model of Louis Vuitton and SWOT analysis will be an important part of this paper. In the next part, the study will specify the implementation plan for the proposed sustainable developments strategy by identifying pertinent elements of the synchronized model. In the last part, the study will critically evaluate the proposed model in context to demand for green products, purchasing behaviour of green customers, emerging challenges associated with the implementation of proposed model and competitive advantage which can be achieved by implementing the proposed sustainable development strategy.

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Introduction

The study has selected Louis Vuitton in order to recommend sustainability development strategy which can help the organization to achieve competitive advantage in future course of time. The company was established by Louis Vuitton in the year 1854. Louis Vuitton is headquartered at Paris, France. In 1987, the company has become part of LVMH (Louis Vuitton – Moët Hennessy) with an ambition of providing premium “Art de vivre” global customers (Belime, 2010). LVMH group maintains six business portfolios which represent more than sixty luxury brands internationally. Six business verticals of LVMH can be summarized as, 1- Wines and Spirits (Moët & Chandon), 2- Fashion and leather goods (Louis Vuitton and Kenzo), 3- Watches and jewellery (Tag Heuer), 4- Perfume and cosmetics (Dior), 5- Selective retailing (Sephora) and Newspaper (Les Echos) (Belime, 2010). According to Niinimäki (2010), players in luxury fashion industry are trying to adopt green supply chain concept in order to offer eco-friendly fashion apparel to customers. Caniato et al (2012) have stated that companies like Louis Vuitton, Prada SpA, Hermès International and Burberry Group should adopt the concept of green marketing in order to address environmental sustainability issues related to fashion retailing. Currently, Louis Vuitton has taken various Corporate Social Responsibilities (CSR) initiatives in order to restore the environmental balance such as, 1-decreasing energy consumption and greenhouse gas emission in production cycle, 2- protecting biodiversity and natural resources and 3- decreasing waste in the production process (Fionda and Moore, 2009). The study will recommend green supply chain management as part of sustainable strategy to Louis Vuitton in the next part of the study.

Sustainable Development Strategy

It is very important to understand the jargon “Sustainable Development” in order to propose a strategy to Louis Vuitton which is environmentally and socially sustainable. Adams (2006) has defined sustainable development as perpetual enhancement of living world such as natural resources and natural environment. In simple words, sustainable development refers to managing and developing natural resources such as air, soils, mineral, living species in order to increase quality of life. In modern days, majority of companies follow CSR activities in order to ensure sustainable development apart from doing business to accumulate profit. Modern companies take

broader initiatives in order to ensure sustainable development apart from emphasizing alone on environmental sustainability; for example, sustainable development strategy of Louis Vuitton includes maintaining health & safety in the workplace, development of unprivileged section of the society, providing equal opportunities to stakeholders irrespective of their social and demographic orientation, maintaining health relationship with value chain partners (LVMH, 2012).

However, the study has decided to concentrate only on environmental aspect while proposing sustainable development strategy to Louis Vuitton. In fashion retailing, supply chain management plays crucial role for offering differentiated merchandises to customers. Apart from that it has been already mentioned that, Louis Vuitton is working on green supply chain and green marketing concepts in order to catch the latest trend of eco-friendly fashion. Hence the study has decided to propose a green marketing strategy which is heavily dependent on green supply chain management. At first, the study will define the term green supply chain management in order to understand depth of the concept. Zhu et al (2008, p. 262) have defined green supply management as “*green purchasing to integrated life-cycle management of supply chains flowing from supplier, through to manufacturer, customer, and closing the loop with reverse logistics.*” Delivering eco-friendly product with the help of green supply chain to ‘green customers’ or the customers who prefer environment sustainable products is part of green marketing concept. In such context, Louis Vuitton should focus on decreasing environmental pollution at every stage of supply chain such as, decreasing the use of paper throughout the supply chain, decreasing dependency on fuel fed transportation system, reducing the usage of non-recyclable, hazardous material throughout the production process etc. A detailed description of the proposed green supply chain concept is given in the later section of the study. Zelbst et al (2010) and Vachon and Klassen (2007) have pointed out that, green supply chain management includes, environment friendly production process, eco-friendly logistic system and eco-friendly inventory management. Following diagrams can be used to understand existing green supply chain management model of Louis Vuitton.

Green Supply Chain Initiatives by Louis Vuitton	Characteristics	Brand Identity and Culture
	Electric and photovoltaic supply chain vehicle in USA	Louis Vuitton is able to deliver eco-fashion products to customers.
	Electric vehicle to deliver products to retail stores in France	The company is able to catch latest trend in fashion industry.
	Hives at logistic centre of Louis Vuitton in order to restore natural resources	Louis Vuitton is acting responsibly to restore the environmental resources.

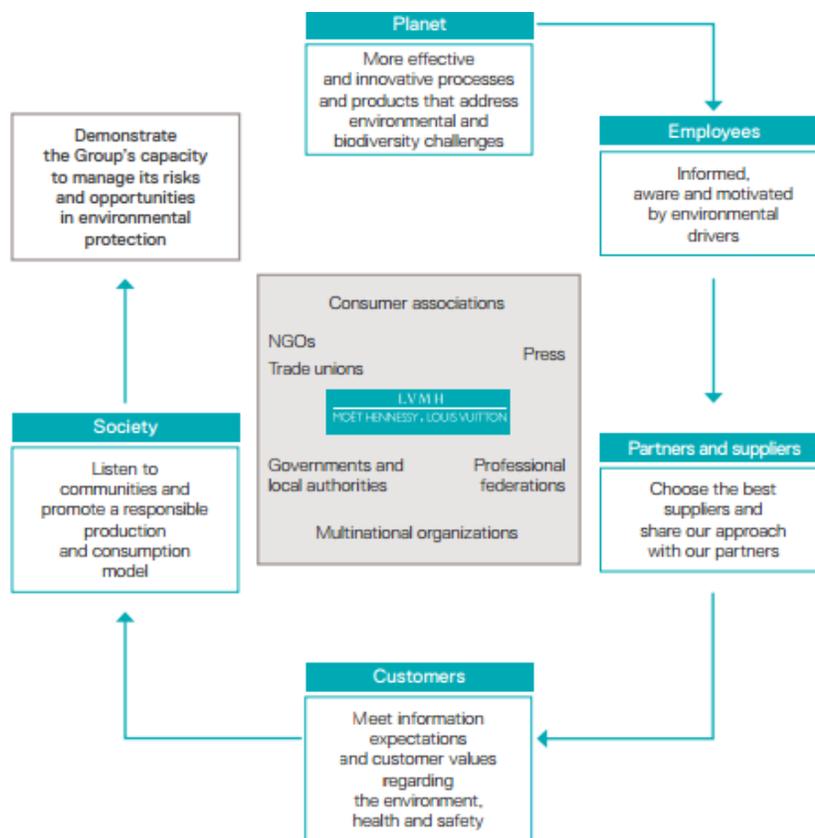
(Source: LVMH, 2011)

Feasibility Assessment

The study will assess the current green supply chain management of the company in order to understand viability of the proposed model.

Louis Vuitton has integrated transport and logistics providers in order to successfully implement Green Supply Chain project. The company has obtained ISO 14001 certification for its fashion merchandises. In 2011, the Paris based fashion giant has created stringent criteria for selecting its international value chain partners, such as contractor's previous activities regarding environmental sustainability, nature of logistic loop used by the contractor to decrease carbon footprint and transport flows etc. Louis Vuitton is working on development of a device which can calculate CO₂ emissions throughout the logistics network. The company has established

local supply chain solution wherever it is possible in order to decrease carbon emission throughout the supply chain. For example, in Spain, the company has established Barbera workshop which is located within 60 kilometres from all the five leather tanneries. Almost 15% of metal hardware suppliers are located within 35 km of Louis Vuitton workshops (LVMH, 2011). Overall green supply chain management of the company can be summarized in the following manner.

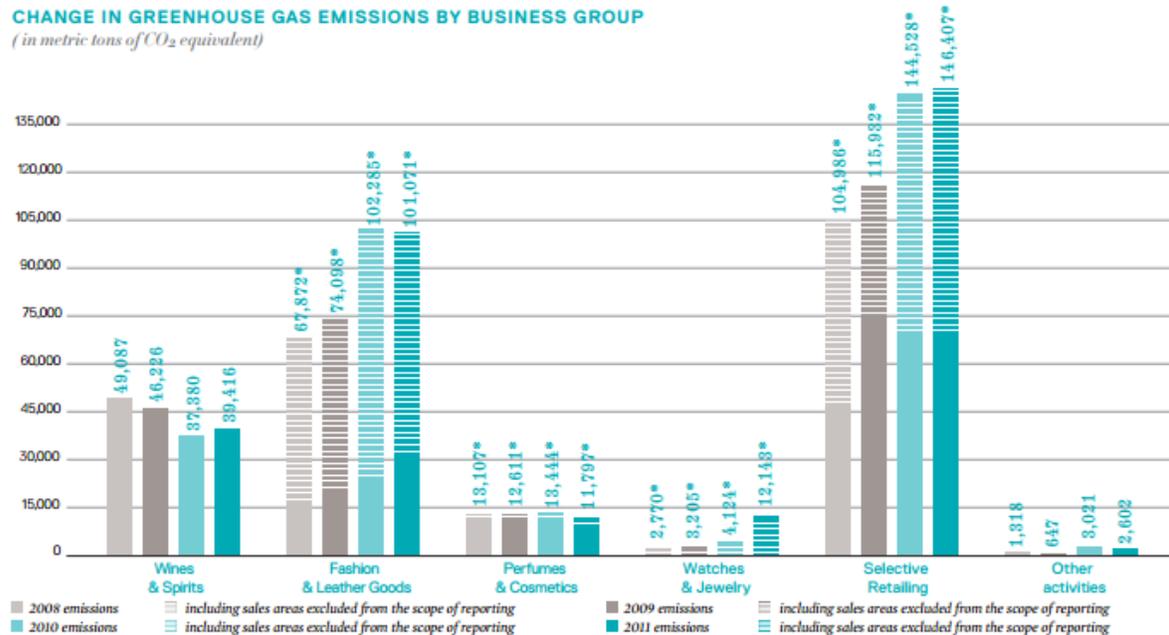


(Source: LVMH, 2011)

According to the above model, employees, customers and society play important role in decreasing carbon emission throughout the value chain of Louis Vuitton. Implementing environment friendly initiatives by taking help NGOs, government body, trade unions etc has helped the company to adopt sustainable development strategy in holistic manner. Strategic SWOT analysis of the sustainable development strategy of Louis Vuitton can be briefed in the following manner.

Strength and Opportunity

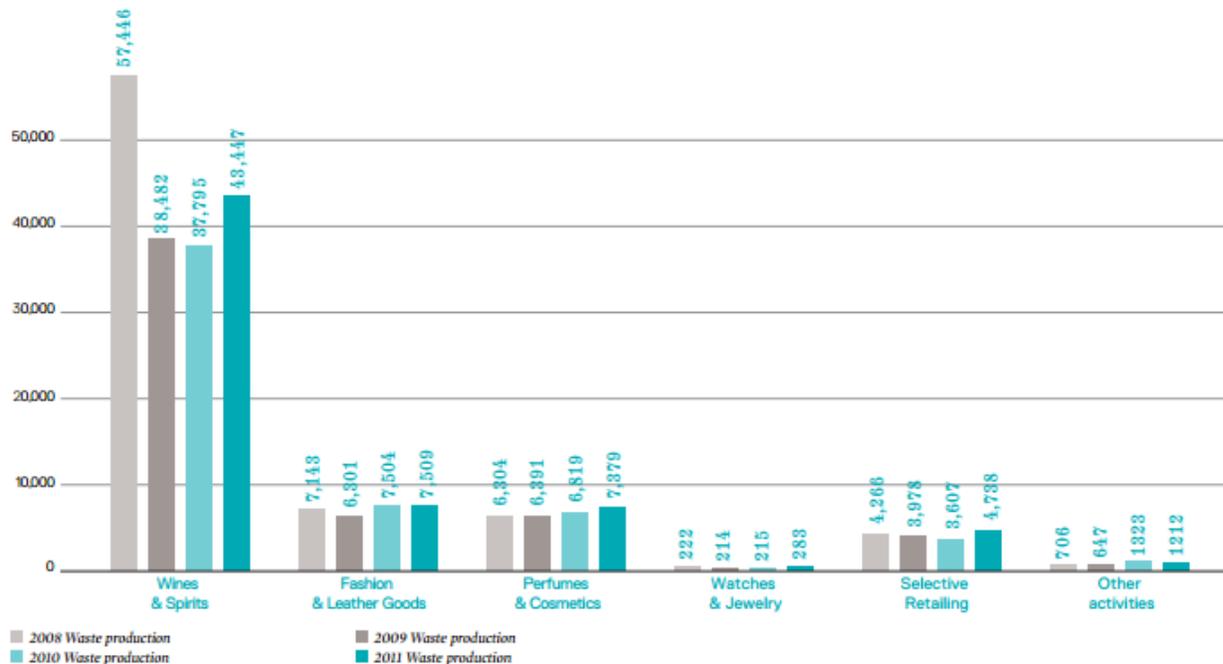
Adopting sustainable strategy has helped Louis Vuitton to decrease carbon emission by 60% in last few years and as whole cost of supply chain activities has been reduced by more than 30%. Following diagram can be used in order to understand the strength of green supply chain management.



(Source: LVMH, 2011)

Result obtained by Louis Vuitton supports the research findings of Vachon (2007) that adopting green supply chain management concept can not only decrease carbon emission in the value chain but also decreases cost of supply chain. The diagram is also showing that, adopting sustainable development strategy will create an opportunity for Louis Vuitton to further decrease the cost of value chain maintenance by eliminating redundant steps.

CHANGE IN WASTE PRODUCTION BY BUSINESS GROUP (in metric tons)



(Source: LVMH, 2011)

The above diagram is showing that adopting green supply chain model has not only decreased waste production for the Paris based retail giant but also helped them to decrease the cost associated with waste management process. Hence it can be inferred that, financially, the proposed sustainable development strategy is viable one.

Weakness & Threat

According to Shukla et al (2009), major problem with green supply chain management concept is that it requires extensive amount of involvement of value chain partner. Complexity of green supply chain management has been increased by the inclusion of activities like reverse logistics, green logistics, product stewardship and recycling. Inclusion of such activities has not only increased the length of the supply chain but also increased overall cost of the value chain. Lack of knowledge and enthusiasm of partners in green supply chain can also be treated as threat for sustainable development strategy (Aronsson and Brodin, 2006).

Implementation Plan

Proposed green supply chain and green marketing strategy will be comprised of following elements.

Name of the Supply Chain Tool & Marketing Tool	How it will work
Internal Environmental Management (IEM)	Top level management should create the draft plan, monitoring system and support facilities for the green supply chain. Senior managers should take the initiative to decrease the usage of paper and other natural resources in the marketing communication activities such as removing the usage of print media in the integrated marketing communication.
Green Information Systems (GIS)	Marketing information system should be used in order to reduce the usage of paper throughout the marketing channel; automation of the supply chain activities will eliminate redundant steps which might increase carbon footprint in the environment.
Green Purchasing (GP)	Louis Vuitton should focus on purchasing products from value chain partners which have been manufactured in environmentally sustainable manner, localising the supply chain will also decrease the distance with purchase partner which will subsequently decrease carbon emission caused by fuel fed transport system.
Cooperation with Customer (CWC)	Louis Vuitton should use social media marketing platform, feedback collection, website, and online blogs in order to connect with green customers who create the demand for environmentally

	sustainable products. Collected feedback from customers should be used for designing eco-friendly fashion products.
Eco-Design (ED)	Manufacturers should take strategies like, 1- reduction of consumption of natural resources and energy while manufacturing products, 2- avoiding usage of chemicals during manufacturing process which are harmful to ecosystem and 3- manufacturing recyclable fashion items in order to ensure environmental sustainability.
Investment Recovery (IR)	The company should emphasize on Business to Business (B2B) marketing channel in order to sell potentially hazardous inventory with an intention of decreasing inventory maintenance cost and recover the investment made on green supply chain activities.
Environmental, Economic, Operational and Organizational Performance (ENP, ECP, OPP and ORP)	Reducing green house activities, emission of green house gases such as Carbon Isocyanides, CO ₂ , H ₂ S etc in the manufacturing process, waste management, adhering to legal norms of the government, decreasing energy consumption will decrease overall cost of operation for Louis Vuitton. Synchronization of upstream and downstream activities of green supply chain will not only help the fashion retailer to meet demand of green customers more efficiently but also improve its financial and marketing performances simultaneously.

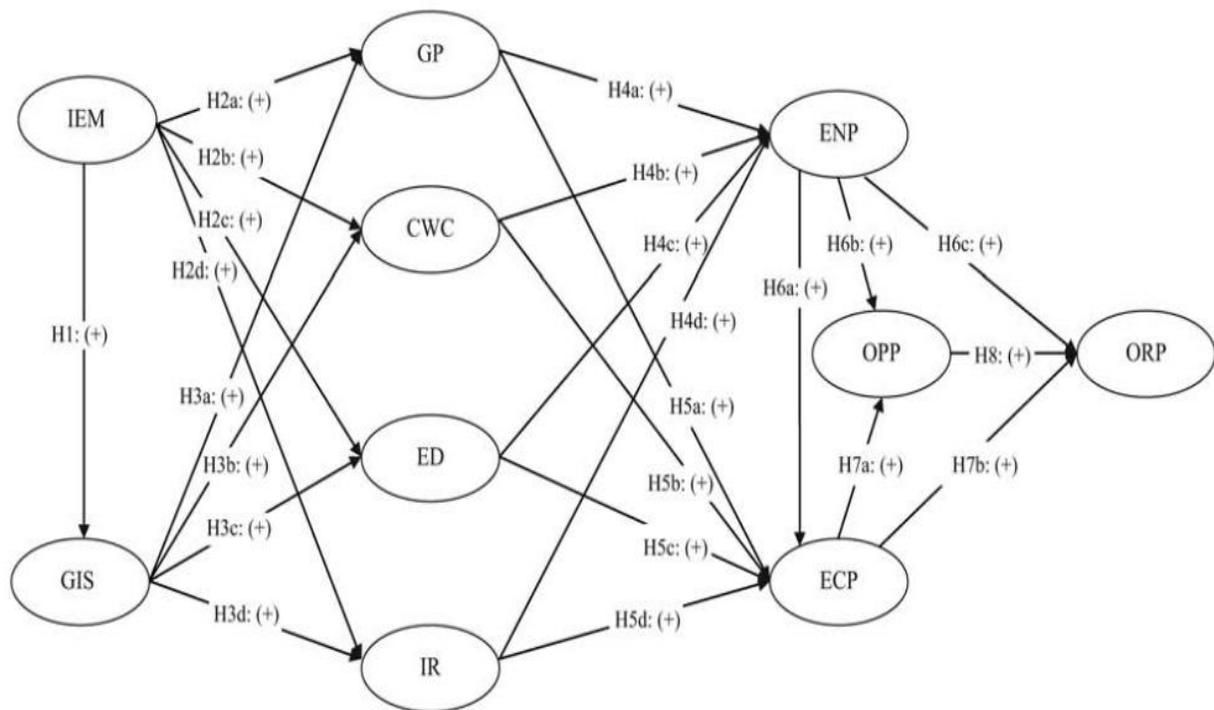
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(Source: Green et al, 2012)

Critical Evaluation, Recommendations and Conclusion

Louis Vuitton is a fashion retailer, hence it is important for them to offer fashion products which are relevant in accordance with the customer demand. According to Gurau and Ranchhod (2005), “green consumer” concept is the epicentre of contemporary business models such as green marketing and green supply chain. Gurau and Ranchhod (2005) have defined green customers as the set of customers who might or might not be aware of the environmental sustainability of a particular product and prefer to purchase those products which are environmentally sustainable either in self driven manner or in order to follow the latest fashion trend without knowing the benefits of sustainable products. Gupta and Ogden (2009) have forecasted that, global demand for green products will cross \$400 billion within 2015. Papadopoulos et al (2010) have pointed out that, concerns over global warming and rise in green house gas emission has increased among customers in recent years and customers are showing penchant for purchasing environmentally sustainable products in order to reflect their growing concern. Niinimaki (2010) has pointed out that, although customers show supportive attitude towards environment protection but very few of these customers show penchant for purchasing green products. Such type of cognitive dissonance or attitude-behaviour gap has been created due to lack of knowledge regarding the benefits of eco-friendly product and lack of initiatives taken by marketers to promote green products. However, marketers should create integrated marketing communication strategies for promoting green products such as, 1- passing the cost benefit of green supply chain to customers by providing those discounts on purchase of green products, 2-communicating the benefits of sustainable consumption through societal marketing, 3- creating awareness for reducing the usage of plastics among customers, 4- connecting with customers through social media platforms such as Facebook, Twitter, blogs, LinkedIn etc in order to engage them with the agenda of promoting sustainable consumptions and many others. Hence, Louis Vuitton should synchronize its green supply chain activities and green marketing in order to generate demand for sustainable consumption and influence eco-fashion consumption decision (ECD) of customers in positive manner.

Overcoming cognitive dissonance or attitude-behaviour gap regarding consumption of green products might be termed as biggest challenge for Louis Vuitton. It will be challenging for the Paris based retail giant, to use the synchronization of green supply chain and green marketing in order to influence the purchasing decision of customers who show supportive attitude towards environment protection and sustainable consumption. Synchronized model for sustainable development of Louis Vuitton can be depicted in the following manner.



(Source: Green et al, 2012)

Conjoint impact of all the strategic blocks in synchronized model will give competitive advantage to Louis Vuitton in terms of improved environmental performance, economic performance and operational performance while on the other hand enhancement of all three performance verticals will automatically fillip organizational performance for Louis Vuitton.

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