

Case Study

ReLI's *Action Guide for Sustainable E-commerce in Luxury*

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As the luxury sector increasingly adopts e-commerce business models, it must contend with **new environmental and social risks**. ReLI's *Action Guide* assesses these new risks and opportunities, and provides an **action plan** for luxury brands, detailing steps they can take in their own operations and within their partner ecosystems.

Context

- The global COVID-19 pandemic **accelerated the adoption of e-commerce by luxury brands** and consumers. In 2019, e-commerce made up between 10 and 15 percent of global luxury sales across Europe, the United States, and China. By 2020, the figure had risen by at least 50 percent. Bain & Company projects that as much as **one-third of all personal luxury purchases will take place digitally by 2025**, with revenues reaching an estimated \$136 billion.
- The **expansion of luxury brands' e-commerce footprint**, via their own channels and other marketplaces, implies **social and environmental risks and opportunities** that luxury brands must address as they implement their sustainable business commitments and make decisions regarding their online distribution and marketing strategies.
- In 2021, the **Responsible Luxury Initiative (ReLI)** conducted an assessment of the **sustainability risks and opportunities** across the e-commerce value chain and uncovered **several areas for action**. These actions will help luxury brands develop more sustainable **e-commerce ecosystems** over time. Assessment findings are available for ReLI members in the **Action Guide for Sustainable E-commerce in Luxury**.



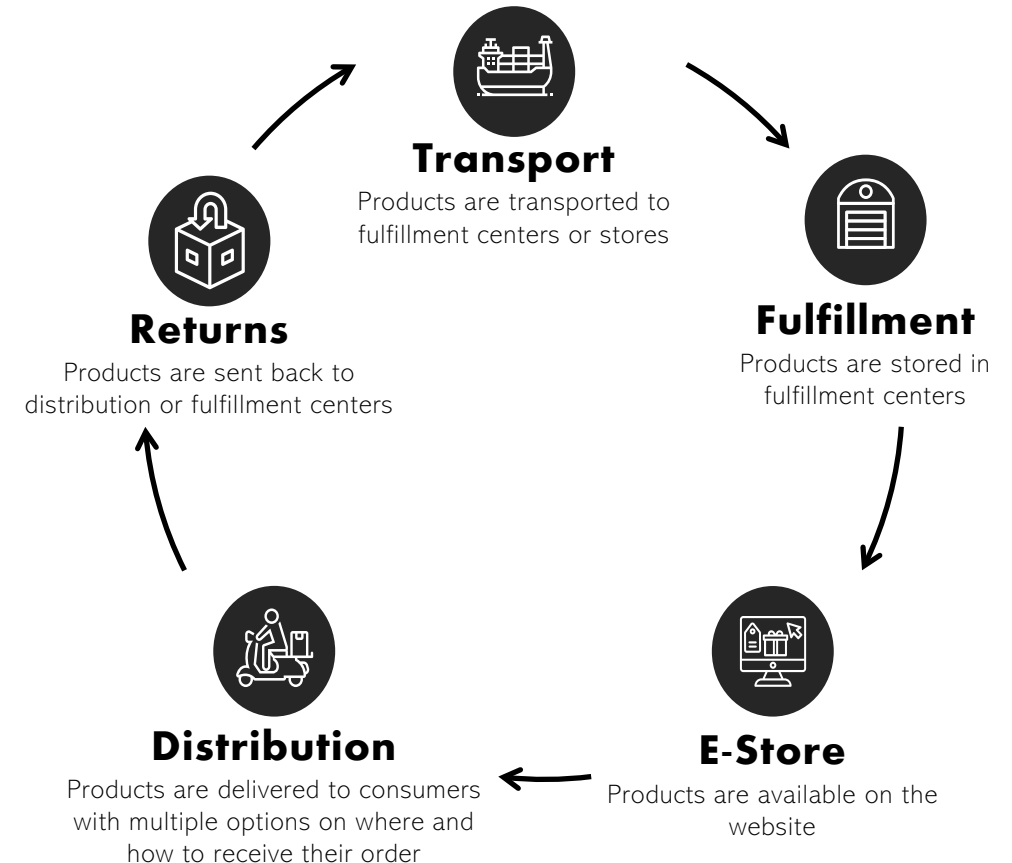
IMAGE FROM JEAN-LUC PERREARD, COURTESY OF KERING

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The Action Guide offers a deep dive into the **risks and opportunities** related to **climate, resources, and people** across the stages of the e-commerce value chain: **transport, fulfillment, e-store, distributions, and returns.**

Action Guide Overview

- For each value chain segment, the Guide identifies how **brands can act within their own operations** to mitigate risks and leverage opportunities, and how they can **enable ecosystem action by collaborating** with their service partners.
- For each segment of the value chain, the Guide prioritizes **actions over the short and medium term**, to help actors achieve a vision of excellence for the sector over time.
- The Guide offers **case studies** to illustrate strong and innovative practices in the e-commerce space. It also identifies opportunities for further innovation and collaboration via existing groups.



Key Risks & Opportunities - Climate

The Action Guide offers a deep dive into the **risks and opportunities** related to **climate, resources, and people** across the stages of the e-commerce value chain. Key takeaways for climate are as follows:

Climate

- E-commerce drives up GHG emissions, especially in **the transport and delivery of goods (first and last mile, as well as rushed deliveries), including returns**. Data indicates that the average emissions per item from e-commerce operations can be lower among large and highly efficient U.S. retailers, as compared to traditional brick and mortar (1700 grams of CO2 eq. versus 2050 grams of CO2 eq.). **Accelerating delivery** leads to the opposite scenario, as this **emits more carbon than in-store shopping** (with **delivery and packaging** contributing the most to the overall carbon footprint).
- An expanding online footprint means increased complexity to achieve brands' commitments to a decarbonized future, in terms of both data tracking and measurement as well as managing programs with business partners. Luxury brands should **indicate their e-commerce footprint in their emissions tracking** and reduction plans, including those of transport and logistics partners. Brands should collaborate with partners to reduce emissions.
- Luxury brands can demonstrate leadership by focusing on the **root causes of growing emissions**, via strong demand management and inventory visibility systems. Luxury brands can also dramatically reduce reliance on air freight while investing in sustainable aviation and greener modes of transport.
- As cultural influencers and standard-setters, luxury brands can also **inspire new consumer preferences and behaviors** related to shipping speed and over-ordering. Over half of consumers are unaware that express delivery services produce higher emissions. However, 85 percent of consumers in a recent survey would opt for slower delivery if they were aware that it would result in a reduction in emissions.



IMAGE FROM RICHEMONT

Key Risks & Opportunities - Resources

The Action Guide offers a deep dive into the **risks and opportunities** related to **climate, resources, and people** across the stages of the e-commerce value chain. Key takeaways for resources are as follows:

Resources

- E-commerce **intensifies the use of natural resources** via its reliance on **transport and packaging** materials. This can be especially acute in the luxury industry, where valuable products must be protected, and consumers expect a rich “unboxing experience.” According to DHL, there is a 40 percent void in packaging.
- Luxury brands have **two significant opportunities** related to resources in the e-commerce value chain. First, they can **re-think both B2B and B2C packaging** systems, pioneering the luxury experience with responsible and **reusable packaging** beyond resource-intensive recycling. Secondly, they can educate and incentivize consumers to return their mailers. Brands are starting to experiment with emerging re-useable mailing systems, such as Living Packets, Olive, or Hipli, who operates a returnable packaging service for brands and consumers, with packages that can be re-used at least 100 times.
- Luxury brands can also **increase communication to consumers on their e-stores** related to environmental and social products, and support increased **desirability and purchase of better options**, including pre-owned products. Luxury marketplaces now feature sustainability edits, such as Net-a-Porter’s NET SUSTAIN, and re-sale options, such as Farfetch’s Second Life.



[Source:](#) SbytovaMN from iStock

Key Risks & Opportunities - People

The Action Guide offers a deep dive into the **risks and opportunities** related to **climate, resources, and people** across the stages of the e-commerce value chain. Key takeaways for people are as follows:

People

- Luxury brands are faced with a multitude of **social considerations to monitor across the e-commerce value chain**, given the involvement of many transport, logistics, and service partners, which tend to rely on low-skilled labor, often from vulnerable groups (e.g., migrants, contractors, women, and youth), particularly during peak periods. **Low wages and limited social security** are prevalent for dockers and truckers as well as gig workers at fulfillment centers. Given these risks, brands should pay particular attention to increasing visibility of the labor practices of their transportation partners. Ikea, for example, carried out a study on wage practices and working conditions in its transportation supply chain specifically.
- Luxury brands should also **drive exemplary practices on persistent and emerging issues in the digital world**. They can lead on strong **digital privacy and trust** approaches for their consumers. Secondly, they can lend their influence to pave the way for more **inclusive digital marketing**, including leveraging the power of their influencers on societal topics.



IMAGE FROM RICHEMONT

Opportunities for Sustainable E-commerce in Luxury

By helping to evolve **consumer expectations around product delivery** and highlighting the **environmental and social value of products**, luxury brands can take **focused action** in distribution, e-store, and return segments of the e-commerce value chain.

Select Action Area Opportunities



Distribution

Reduce rushed online deliveries: Luxury consumers have come to expect swift delivery of their purchases, which significantly increases the GHG emissions of e-commerce. Yet, one survey showed that 85% of respondents would opt for slower delivery if this means a reduction in emissions. Luxury brands can help to educate consumers on the impacts of shipping speed decisions and nudge them towards new expectations and behaviors, including by increasing transparency on the true costs of shipping options.



Returns

Optimize returns to reduce environmental footprints: The ability of luxury consumers to order items at their discretion and return unwanted products offers confidence and convenience, but also leads to increased GHG emissions, waste, and a global cost of over \$1 trillion to retailers. Luxury brands can take a variety of actions to reduce returns and optimize the return process. This includes improving consumer information and awareness, using tools such as fit assistants and AR to help consumers gain visibility into how the item will work for them, and improving the logistics around returns.



Distribution & Returns

Innovate the luxury packaging experience and switch to re-useable mailers: Unboxing a luxury item is part of the experience that consumers seek, but packaging contributes significantly to resource use, waste, and increased emissions. Luxury brands have the opportunity to re-think their packaging use and explore the best ways to deploy re-useable mailers. Some brands are beginning to use these systems, which can lead to changes in consumer behavior and expectations, as well as accelerate experimentation of new methods to protect delicate luxury products.



E-Store

Strengthen communication around more sustainable product choices: Luxury consumers want to see their social and environmental values reflected in their purchases, while luxury brands are investing heavily to deepen the environmental and social value of their products. Brands have the opportunity to leverage e-commerce channels to communicate this value to consumers, using easily understandable and comparable data. They can also support increased desirability and purchase of more sustainable options, including pre-owned products.

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Thank You

This ACTION GUIDE FOR SUSTAINABLE E-COMMERCE IN LUXURY has been developed by members of the [Responsible Luxury Initiative](#).

Thank you to the BSR team who contributed to this action guide:

Elisa Niemtow, Indiana Vieljeux, Eva Ehoke, Beatriz Osorio Marugan, Sarah Cornelles, Giulio Berruti, Berkley Rothmeier, Clodhnagh Conlon, Erin Leitheiser, Michael Rohwer, Francesca Manta, Annelise Thim.

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If you would like to participate in our e-commerce work sessions in 2022, please contact Alexandra Kolev at akolev@bsr.org.