

Analyzing Animal Welfare Policies in Sustainable Strategies of the Luxury Industry

Ran Gong*

College of Textile and Fashion, Qingdao University, Qingdao, China

* Corresponding Author Email: jini@ldy.edu.rs

Abstract. With the rapid development of the global economy and the significant improvement in people's quality of life, society has higher and higher expectations for enterprises' sustainable development performance. The current research on sustainable development strategies in the luxury industry is extensive, but rarely incorporates animal welfare policies. This paper aims to address this research gap by using Hermès as an example. It explores the company's animal welfare strategies implemented under the framework of sustainable development, analyzes how it has enhanced its brand image, strengthened consumer loyalty, and established a benchmark in the industry through its high standards of animal welfare measures, which are supported by science, data, and practical experience. It is setting a benchmark for the industry. At the same time, this paper also puts forward prospective suggestions for further optimizing Hermès' sustainable development strategy, intending to fill the gaps in the research on animal welfare policies of luxury brands, enrich the theoretical framework of sustainability research on luxury brands, and provide practical experiences for brands inside and outside the industry to jointly promote the sustainable development of the whole industry.

Keywords: Luxury Brand's Sustainability Strategies, Animal Welfare, Brand Image, Consumer Loyalty, Industry Status.

1. Introduction

Nowadays, with the rapid development of the global economy and the significant improvement of people's life quality, global society's expectations for enterprises have far exceeded the category of simple economic contributions. This trend has led enterprises to shift their focus from pursuing short-term economic interests to achieving sustainable development. On the other hand, luxury brands have realized that implementing sustainable strategies not only fulfills their social responsibility but also enhances their brand image and loyalty. As a result, luxury brands have integrated sustainable development into their core strategies. By adopting environmental protection materials, optimizing production processes, reducing carbon footprints, and supporting public welfare undertakings, they actively practice sustainable development concepts and lead the industry's green transformation with practical actions.

Hermès, the leader of the luxury industry, enjoys a high reputation worldwide because of its profound cultural heritage and excellent quality. Hermès has implemented a series of comprehensive sustainability strategies, based on the three pillars of people-orientedness, respect for the earth's environment, and community welfare, to address global challenges and promote sustainable development. These strategies cover a wide range of aspects, including animal welfare policies. Through the implementation of these strategies, Hermès not only showed the brand's responsibility for social responsibility, enhanced its brand image, and consolidated Hermès' leading position in the industry, but also actively promoted environmental protection and social responsibility and set an example for sustainable development in the luxury industry.

From an academic perspective, there are also many studies on sustainable development. For example, Soo and Jung utilized five luxury brands, including Hermès, as cases to explore the strategic policies of luxury brands in terms of strategy formulation and consumer communication in sustainable development, pointing out that sustainable management strategies have become the key to the long-term growth of the luxury brand market [1]. Raninen Eemeli, analyzing a literature review and the



case of a well-known Italian fashion brand, explores the luxury fashion industry's approach to defining sustainability and realizing its goals, in particular how it communicates its sustainability strategy in a comprehensible and persuasive way through digital and non-digital channels, combining strong expressions, symbols, and natural elements [2]. Moreover, Shukla and others once utilized Indian luxury fashion, beauty, and apparel brands as case studies to explore the current state of sustainability and how these brands are contributing to India's achievement of the Sustainable Development Goals (SDGs), with a focus on their production processes, raw materials used, and waste disposal methods to assess whether these brands are truly committed to sustainability [3]. Furthermore, Lee and Ko, using six global luxury fashion brands, including Hermès, as case studies, explore the current status of luxury brands' sustainable fashion activities by analyzing data and combining it with macro-trend theories from Todeschini et al. These theories include reducing natural resource consumption, providing transparency in working conditions, sharing economic awareness, and developing eco-friendly materials and technology, among other strategic policies [4]. Later, Frerebeau Camille investigates the impact of various sustainability initiatives on consumer perceptions of luxury brands and products, assessing the relative effectiveness of these initiatives using an experimental approach and quantitative analysis [5]. Hepner et al. used online surveys and quantitative and qualitative analysis on 315 luxury goods buyers from 28 countries to look into the risks and competitive advantages of luxury goods companies promoting the SDGs. They also gave examples of successful marketing campaigns that used the SDGs to attract buyers of sustainable luxury goods [6].

The summary and analysis of the previously mentioned literature reveals that while there is a significant body of research on sustainable development in the luxury goods industry, it focuses on various aspects like strategy formulation, consumer communication, production processes, raw material use, waste disposal, and the promotion of SDGs. However, there is comparatively little research on animal welfare policies in relation to sustainable strategies for luxury brands. Therefore, this paper aims to fill this research gap and explore in depth the multidimensional impact of animal welfare policies on luxury brands. This study not only enriches the theoretical framework of luxury brand sustainability research, but also provides specific and actionable recommendations for other brands in the luxury industry, helping these brands find successful paths in an increasingly socially responsible market environment. At the same time, it significantly enhances the industry's attention and awareness of animal welfare and sustainable development issues. Through an in-depth analysis of Hermès' practical cases, this study explores the key role of luxury brands in promoting social progress and environmental protection, further inspiring brands inside and outside the industry to take more proactive social responsibility actions, and promoting the entire luxury industry to develop towards a more humane and sustainable direction.

This thesis aims to address the existing research gap and resolve associated research issues by conducting a comprehensive analysis of luxury goods industry leader Hermès. Specifically, the thesis will examine Hermès' animal welfare strategy in the context of sustainable development. The thesis will provide a detailed description of the strategy's content and implementation process, followed by a thorough analysis of how this strategy contributes to the positive formation of Hermès' brand image, strengthens consumer loyalty, and solidifies its dominant position in the luxury goods industry. In the end, the thesis will highlight the importance of animal welfare policies in the luxury goods industry, placing them within the context of a sustainable development strategy. Ultimately, this report will put forth progressive and pragmatic recommendations, derived on a comprehensive examination of Hermès's present operating condition and market circumstances. The purpose of these proposals is to provide guidance to Hermès in improving its sustainable development strategy, increasing brand value, and enhancing market competitiveness. Additionally, these suggestions aim to position Hermès as a leader in the luxury goods industry by promoting a greener and more sustainable approach.

2. Case Description

Currently, Hermès' animal welfare policies have implemented certain results, which not only enhance the welfare of animals in the supply chain but also win certain recognition and trust. In addition, the cooperation between Hermès and other brands and organizations has also jointly promoted the improvement of global animal welfare standards, set an example for other luxury brands, and promoted the attention and importance of the whole industry to animal welfare issues.

Hermès has upheld its artisanal model and human values since 1837, earning recognition as a contemporary master of craftsmanship [7]. Hermès, a giant in the luxury industry, is renowned for its outstanding brand image, extraordinary brand value, and unshakable brand status. In recent years, with the growing global concern for animal welfare issues, consumers are demanding more and more social responsibility from brands. Hermès deeply recognizes that as a high-end brand using animal products, its performance in animal welfare directly affects brand image and consumer trust. Therefore, to respond to social concerns, enhance its brand image, and ensure the sustainability of its supply chain, Hermès has been working on an Animal Welfare Policy since 2021, to be published for the first time in 2022, to ensure a high level of animal welfare in its supply chain through a series of measures supported by science, data, and practical experience [8].

The core concept of 'One Welfare', a comprehensive and far-reaching strategy that not only focuses on the material needs of animals but also emphasizes comprehensive care for their emotional and spiritual state, deeply roots Hermès' animal welfare strategy [9]. From the animal's breeding environment, health management, genetic improvement, biosecurity, and even the final humane slaughter, every key aspect is given the highest priority [8]. By observing animal behavior in detail and combining the power of scientific knowledge, Hermès continuously improves animal welfare practically and effectively, ensuring that every animal in the supply chain enjoys respect and treatment that goes beyond the basic standards of humanity, thus realizing significant and sustainable results in animal welfare. To realize this goal, Hermès has set up a dedicated Animal Welfare Committee, bringing together the company's senior management, purchasing department, operations team, and independent animal welfare consultants, and working closely with a wide range of stakeholders, including non-governmental organizations, to develop and improve animal welfare policies [9]. During the implementation process, Hermès has set strict requirements for its supply chain partners, not only requiring them to strictly comply with all applicable animal welfare laws and regulations, but also encouraging them to actively adopt an animal welfare certification system that is higher than the industry standard to achieve a higher level of animal protection. Hermès has also started independent audits and programs for continuous improvement to make sure that these high standards are being followed and to keep improving the level of animal welfare management through a feedback system. This creates a positive cycle throughout the supply chain and makes it easier for animal welfare levels to keep getting better. Hermès has not only set up a special animal welfare committee, but has also established close cooperation with multiple stakeholders and implemented a regular policy review mechanism to ensure the continuous optimization and adaptability of animal welfare policies. During the implementation process, Hermès sets strict requirements for its suppliers, not only to comply with all relevant animal welfare laws but also to encourage them to go beyond the regulatory baseline and adopt a high standard animal welfare certification system. In addition, Hermès ensures the effective implementation of these policies through initiatives such as independent audits and improvement programs to promote the continuous improvement of animal welfare throughout the supply chain.

Currently, Hermès' animal welfare policies have yielded certain results that not only improve the welfare of animals in the supply chain but also garner recognition and trust. Furthermore, Hermès and other brands and organizations have collaborated to improve global animal welfare standards, set an example for other luxury brands, and promote the attention and importance of the whole industry to animal welfare issues.

3. Analysis on Problems

3.1. Effectiveness on Brand Image Enhancement

Hermès' animal welfare policy not only highlights the brand's high regard for social responsibility, but also demonstrates to consumers around the world its sense of responsibility and commitment as an industry leader through practical actions, thus enhancing its brand image.

In the past, Hermès may have been more known for its luxurious and sophisticated products, but today it is emphasizing its commitment and efforts in animal welfare. For instance, when the animal protection organization PETA raised questions about Hermès' handling of crocodile skins, the brand did not shy away from the issue, but instead chose to respond through its actions [10]. The brand follows the recommendations of specialized veterinarians and local authorities to demand higher standards from itself, while also asking its partners to treat crocodiles, alligators, and ostriches with the highest ethical standards.

By the end of 2023, 100% of Hermès' supply of crocodile skins will come from certified factories. Furthermore, starting from the end of 2021, SAOBC, an independent certification body, will conduct the ostrich origin certification process for all Hermès ostrich skins sourced from certified sources [8]. This attitude of commitment and improvement has not only won the recognition of certification bodies and animal protection organizations but also the respect and trust of a growing number of consumers, making the brand more positive, trustworthy, and responsible.

The implementation of sustainable strategies, such as animal welfare policies, helps brands carry out image enhancement from a theoretical point of view. Wang Lei has pointed out in his study that focusing on animal welfare is an important selection criterion for consumers, which helps to improve the market competitiveness of products and brand image [11]. Moreover, Li Pei has suggested in his study that companies with a clear sustainable strategy are more likely to build a strong brand image and attract responsible consumers [12].

3.2. Effectiveness on Increasing Consumer Loyalty

Hermès' animal welfare policy, implemented as part of its sustainable strategy, increases consumers' trust in the brand and subtly strengthens their loyalty.

Hermès' strict and scientific animal welfare policy applies not only to its direct sphere of responsibility but also extends to its external partners, ensuring that every step of the supply chain, from the source to the end product, follows high animal welfare guidelines. Today's consumers are increasingly making purchasing decisions in favor of brands that can demonstrate their commitment to sustainability, and they are willing to pay a premium for it. They believe that by purchasing Hermès, they are not only acquiring a fine luxury product but also supporting a responsible and committed brand. Hermès' animal welfare policy satisfies this need, fostering emotional resonance and recognition among consumers who prioritize the brand's values, strive for a high quality of life, and prioritize environmental consciousness, thereby undoubtedly enhancing their loyalty to Hermès.

Academically, Song Lulu has suggested in her research that animal welfare is now an increasingly important issue for consumers, that it has a growing influence on their decision to purchase leather and synthetic leather products, and that ethical standards closer to animal welfare can help increase competitiveness and brand loyalty in the marketplace [13]. Furthermore, Agu and others have shown that consumer perceptions and attitudes towards sustainability have become key determinants of brand loyalty, and that by integrating corporate values with social aspirations and environmental stewardship, companies can increase brand loyalty and contribute positively to global sustainability goals [14]. Meanwhile, Kuchinka et al. have shown in their study that companies that invest in green activities can increase brand loyalty and generate competitive advantage [15].

3.3. Effectiveness on Elevated Status in the Industry

Hermès is leading the way and raising its profile in sustainable development with its animal welfare policy.

Hermès actively participates in and contributes to the development of international animal welfare standards, integrating this philosophy into the brand's core values and ensuring that its direct sphere of responsibility and external partners adhere to high standards. For instance, Hermès, at its wholly-owned PRI Farms in Australia's Northern Territory, has not only invested in large-scale crocodile farms but also implemented a series of strict animal welfare measures, including the provision of adequate living space, suitable breeding environments, and necessary medical care, to ensure the humane treatment of every crocodile. This initiative not only enhances the value of the brand itself but also sets an example in the industry.

According to stakeholder theory, an enterprise's performance among its stakeholders will determine its industry status. Wang Xiaodan has proposed that, under the stakeholder theory, enterprises can improve their industry status through a series of green behavior policies, gain more potential customers, increase external recognition, increase sales and profitability, and thus increase enterprise value [16]. Jones has also analyzed the stakeholder perspective and found that a series of ethical principles similar to social responsibility can stabilize the position of the enterprise industry and continuously improve the value of the enterprise [17]. Therefore, Hermès can enhance its leadership position in the luxury industry by actively participating in the development of industry standards.

4. Suggestion

4.1. Suggestion on Brand Image Enhancement

Given the growing emphasis on sustainable development in the present market, it is crucial for Hermès to further enhance its animal welfare policy and effectively communicate it worldwide as a significant aspect of the brand narrative.

Hermès should leverage digital platforms, including social media, the brand's official website, and documentaries, to exhibit the genuine elements of its animal farms, such as the living conditions and welfare treatment of crocodiles and ostriches. This will allow consumers to comprehend the brand's dedication to responsibility and ethical standards.

Additionally, the brand can host online and offline sustainability forums or exhibitions, inviting industry experts, animal protection organizations, and consumers to participate. This will help to enhance the brand's image as a frontrunner in sustainability through effective communication and interaction.

Studies have demonstrated that when companies proactively promote their efforts towards sustainability, they can significantly improve their brand's reputation and visibility [18]. Simultaneously, transparency and authentic communication are crucial tactics for brands to improve their reputation [19].

4.2. Suggestion on Increasing Consumer Loyalty

To further enhance consumer loyalty, Hermès should further deepen the publicity and education of its animal welfare policy and establish a more intuitive and interactive emotional connection with consumers.

For example, Hermès can launch a consumer experience program, inviting loyal customers to visit its animal farms, so that through hands-on experience and interaction, consumers can witness Hermès' commitment to and practice animal welfare. This immersive experience and interaction can further deepen consumers' recognition of brand values and thus enhance their loyalty [20].

In addition, Hermès can utilize blockchain technology to enable consumers to track the entire production process of each product, with every step from raw material procurement to the final product visible, especially the implementation of animal welfare measures, so that customers can feel the efforts and sincerity behind the brand, thus establishing a deeper level of emotional connection.

Simultaneously, Hermès has the potential to create an interactive app that integrates AR technology, enabling consumers to virtually visit the farm and gain knowledge about the living conditions and animal welfare practices. Animal welfare policies that are supported by technology and digitalization are based on two ideas: the "cognitive consistency theory" of consumer behavior and market demand. The cognitive consistency theory says that if gave consumers accurate and detailed information, they will be more likely to stick to buying things that are in line with the brand's values after learning about the brand's good actions, which will increase the loyalty to the brand [21, 22].

4.3. Suggestion on Elevated Status in the Industry

To further enhance the brand's position in the industry, Hermès could lead a cross-brand "Animal Welfare Alliance" aimed at promoting animal welfare across the industry.

The alliance could focus on setting stricter industry standards, promoting cooperation and competition among member brands by sharing best practices, and jointly developing new technologies. At the same time, the alliance can also serve as a platform for the industry to make its voice heard, actively participate in international forums and policy formulation, and promote government and community attention and support for the sustainable development of the luxury industry.

With the increasing global emphasis on sustainable development, it is difficult for the efforts of a single brand to meet the needs of the industry as a whole for change, and cross-brand cooperation has become an important way to promote change in the industry. For example, in the fashion industry, the Sustainable Fashion Alliance brings together many well-known brands to jointly promote the sustainable development of the industry. As a leader in the luxury goods industry, Hermès will have a strong appeal and influence to steer the entire industry in a more sustainable direction by spearheading the establishment of the "Luxury Sustainable Alliance."

In addition, according to the stakeholder theory, by establishing positive relationships with stakeholders inside and outside the industry, an enterprise can enhance its industry status and brand value. By establishing the alliance, Hermès will not only strengthen its cooperation with industry partners but also attract more attention from consumers, investors, and media who are concerned about sustainable development, thus further enhancing its leadership position in the industry [23].

5. Case Description

Overall, this thesis takes the global luxury market as background and discusses in depth how luxury brands can enhance their brand image, consumer loyalty, and position in the industry through animal welfare policies in the current environment of increasing social demands on enterprises, especially the increased concern for corporate social responsibility and sustainability. Taking Hermès, a leading company in the luxury industry, as an example, this thesis analyzes in detail the implementation path, content, and effectiveness of its animal welfare policy. Through the combination of case study and theoretical analysis, the thesis reveals how Hermès has not only improved the welfare of animals in its supply chain but also won the recognition and trust of consumers and the industry through its strict animal welfare policy under the framework of sustainable development strategy. According to the study, Hermès' animal welfare policy not only improves its brand image and consumer loyalty, but it also sets an industry benchmark and contributes to the improvement of global animal welfare standards. The paper concludes that to further optimize its sustainable development strategy, Hermès should continue to deepen the promotion and education of its animal welfare policy, make use of digital technology to strengthen its interaction with consumers, and promote cross-brand cooperation to jointly promote the industry's progress.

From an academic point of view, this study delves into the multidimensional impact of animal welfare policies on the sustainability strategies of luxury brands, filling the gap in existing research on the analysis of the impact of animal welfare policies on luxury brands. By analyzing the case of Hermès in detail, the thesis verifies once again the important role of animal welfare policies in enhancing brand image, strengthening consumer loyalty, and consolidating industry leadership, further enriching the theoretical framework of luxury brand sustainability research.

On the practical level, the paper provides concrete and feasible suggestions on how Hermès and other luxury brands can optimize their sustainability strategies and enhance their brand value and market competitiveness in an increasingly socially responsible market environment, helping them find a path to success in an increasingly sustainable market environment and jointly promoting the positive development of the entire luxury industry.

However, this paper also has certain limitations. First, although Hermès' case is representative, a single case study may limit the generalizability of the findings. To research could consider incorporating more cases of luxury brands for cross-brand comparative analysis to enhance the broad applicability of the conclusions. Second, the article may still lack sufficient meticulousness in the validation process in specific segments, such as long-term tracking surveys of consumer behavior. To remedy this shortcoming, future research could design longer-term longitudinal studies to more comprehensively assess the long-term effects of animal welfare policies on consumer behavior and brand image.

References

- [1] S. M. Yoo, J. S. Lee, A Case Study of the Sustainable Practice in Luxury Brands, *Journal of Fashion Business*, 27(2), (2023) 88-107.
- [2] E. Raninen, Sustainability communication within luxury fashion industry & how to stand out from the crowd with it, (2023).
- [3] A. Shukla, S. Jain, C. Maheshwari, A STUDY ABOUT SUSTAINABILITY AMONG LUXURY BRANDS.
- [4] H. Lee, E. Ko, An analysis of sustainable macro trends of luxury fashion brands. *Journal of Fashion business*, 26(1), (2022) 16-29.
- [5] C. Frerebeau, Sustainable initiatives in the luxury industry (Doctoral dissertation), (2022).
- [6] J. Hepner, J. L. Chandon, D. Bakardzhieva, Competitive advantage from marketing the SDGs: A luxury perspective, *Marketing Intelligence & Planning*, 39(2), (2021) 284-299.
- [7] Information on: <https://finance.hermes.com/en/a-value-creating-and-sustainable-french-model/>
- [8] Information on: <https://finance.hermes.com/en/animal-welfare/>
- [9] Information on: https://assets-finance.hermes.com/s3fs-public/node/pdf_file/2023-12/1702659284/animal-welfare-policy-november-2023-edition-23112023-publication-part_def.pdf
- [10] Information on: <https://www.jjiemian.com/article/3200561.html>
- [11] L. Wang, Farming Environment and Animal Welfare on Sheep Farms, *China Animal Industry*, (07), (2024) 61-62.
- [12] P. Li, The Construction and Application of Enterprise Performance Evaluation System under the Perspective of Sustainable Development, *China Circulation Economy*, (14), (2024) 177-180
- [13] L. L. Song, Market Research and Consumer Behavior Analysis of Leather and Fur Products, *West Leather*, (08), (2024) 27-29.
- [14] E. E. Agu, T. V. Iyelolu, C. Idemudia, T. I. Ijomah, Exploring the relationship between sustainable business practices and increased brand loyalty, *International Journal of Management & Entrepreneurship Research*, 6(8), (2024) 2463-2475.
- [15] D. G. Kuchinka, S. Balazs, M. D. Gavriletea, B. B. Djokic, Consumer attitudes toward sustainable development and risk to brand loyalty, *Sustainability*, 10(4), (2018) 997.
- [16] X. D. Wang, Research on the Impact of Green Technology Innovation on the Value of China Shenhua Enterprise (Master's Degree Dissertation, GuangXi University of Finance and Economics), Master's Degree, (2023).
- [17] T. M. Jones, Instrumental stakeholder theory: A synthesis of ethics and economics, *Academy of management review*, 20(2), (1995) 404-437.

- [18] M. A. Shafiq, M. Ziaullah, M. Siddique, A. Bilal, M. Ramzan, Unveiling the Sustainable Path: Exploring the Nexus of Green Marketing, Service Quality, Brand Reputation, and Their Impact on Brand Trust and Purchase Decisions, *International Journal of Social Science & Entrepreneurship*, 3(2), (2023) 654-676.
- [19] X. Y. Tian, Research on Innovation of Enterprise Logistics and Supply Chain Management in E-commerce Environment, *Trade Fair Economy*, (14), (2024) 112-115.
- [20] Y. Liu, An Exploration of the Impact of Brand Interactive Marketing on Consumer Loyalty and Boundary Conditions, *Journal of Commercial Economics*, (08), (2023) 63-66.
- [21] A. Felix, G. D. Rembulan, Digital Transformation and The Customer Experience: Enhancing Engagement and Loyalty, *Entrepreneur: Jurnal Bisnis Manajemen dan Kewirausahaan*, 4(03), (2023) 228-240.
- [22] Q. Y. Du, Influence of Fashion Brand Image on Consumers' Purchase Intention Based on Cognitive Consistency Theory, (Master's Degree Dissertation, Shanghai University of Engineering Science), Master's Degree, (2020).
- [23] J. F. Shang, H. L. Huang, Multiple Paths Analysis of Brand Alliances, *Modern Communication*, (03), (2021) 251-253.