

## marketing SPOTLIGHT

### Tiffany & Co

Tiffany & Co.'s roots date back to 1837, when founder Charles Lewis Tiffany opened a "stationery and fancy goods" store in New York City. Tiffany's first store quickly became the go-to destination for fashionable ladies looking for high-quality jewels and timepieces. By 1848, Tiffany had established the store's focus on fine jewelry. He hired dozens of artisans to create jewelry in a workshop located above the storefront at a time when most jewelers were simply retailers. Tiffany sought to express his own style of American jewelry that demonstrated natural beauty and simplicity. By the late 19th century, Tiffany & Co. had acquired its own facilities to cut and polish diamonds, which gave the gems a consistent, quality finish.

Diamonds and precious metals exploded in popularity in the 20th century. As a result of the increased demand for fine jewelry, Tiffany & Co. enjoyed massive growth and began expanding internationally. The company became further vertically integrated—controlling aspects such as sourcing, design, and manufacturing at locations all over the world. This allowed the company to maintain its design philosophy and to source only diamonds that met its standards. As Tiffany & Co. grew, customers became increasingly aware of the environmental concerns regarding precious metal extraction and the social injustices of the diamond industry, brought to light by various NGOs and trade organizations. Toxic chemicals such as cyanide and mercury were used to extract gold from the ground. In addition, many diamonds originated in countries with political conflicts and where the human rights of miners were severely abused. Awareness of what were known as "conflict diamonds" further increased after the 2006 release of director Edward Zwick's movie *Blood Diamond*, starring Leonardo DiCaprio.

Tiffany & Co.'s earlier steps toward vertical integration paved the way for building a sustainable and socially responsible company. Vertical integration of its supply chain allowed Tiffany & Co. to trace its diamonds and metals directly to the source and ensure that mining locations practiced responsible operations. The company employs a zero-tolerance policy toward purchasing conflict diamonds, and in 2006 it helped to establish the Initiative for Responsible Mining Assurance (IRMA), which became the world's first certification system for responsible mining sites. The company has also been vocal in its opposition to mines that threaten local ecosystems. Tiffany lobbied against development of the Pebble Mine in Alaska's Bristol Bay, which many believe would damage local fisheries.



Source: Karstu Photography/  
Alamy Stock Photo

The company has contributed to IRMA's mission by investing in the environmental and economic development of its mining sites. For example, Tiffany & Co. trained its workers in Botswana—where 98 percent of Tiffany's polishers are now based—to cut and polish diamonds, providing locals with job opportunities and enriching Botswana's economy by \$50 million. The company has also made extensive efforts to provide its workers with an ethical standard of living. Tiffany & Co. hired an economist to calculate a fair living wage for its Cambodian workers, factoring in variables such as family size, housing, and transportation. Moreover, Tiffany & Co. provides workers with benefits such as maternity leave, free lunches, and elimination of late night/weekend shifts.

Tiffany & Co. has incorporated its sustainability mission into the company's governance, and it appointed its first chief sustainability officer in 2015, one of the first in a luxury-goods company. The CSO oversees Tiffany's social and environmental initiatives. The company has since pledged zero gas emissions by 2050, tacking on climate change as another aspect of its sustainability agenda. Tiffany & Co. has embedded its mission of sustainability into both its retail locations and its product packaging, using energy-efficient LED lighting in stores and recycled materials in its signature blue packaging. Other initiatives include conservation of coral reefs and development of urban parks.

Tiffany & Co.'s social and environmental missions have become a valuable aspect of its brand image, and its strict usage of diamonds and precious metals that are ethically sourced is an integral part of the brand's promise. In recent years, management has trained salespeople to educate customers on how Tiffany & Co.'s sourcing methods differ from those of competitor jewelry stores. The company has released collections that support various environmental initiatives, such as the Save the Wild jewelry line, with 100 percent of profits donated to Africa's Elephant Crisis Fund.

Tiffany & Co. is notable in the luxury jewelry industry for ethically sourcing precious gems and metals and supporting various social and environmental initiatives. Tiffany & Co.'s ability to ensure corporate social responsibility stems from

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the company's vertical integration, which allows it to control sourcing of diamonds and precious metals. This aspect of Tiffany & Co.'s supply chain has given it a competitive edge and has become a crucial part of its brand image.<sup>54</sup>

#### Questions

1. Should a luxury company actively engage in corporate social responsibility? What are the pros and cons of this decision?
  2. Should Tiffany advertise the fact that it is supporting various social and environmental initiatives? Why or why not?
  3. How important is it for Tiffany to have a chief sustainability officer (CSO)? What are the advantages and disadvantages of having a single person ultimately responsible for designing and implementing corporate social responsibility programs?
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