

If You Can't Trust Loro Piana, Who Can You Trust?

This week, court documents linking the top-end brand to Chinese sweatshops outside Milan called the entire luxury sector's credibility into question.

By Sarah Kent



In a factory on the outskirts of Milan, a Chinese tailor spent the last 10 years sewing jackets for just under \$5 an hour. He worked 13-hour days without a single day off. Late last year, he stopped getting paid at all. When he complained, his employer beat him so badly with an aluminium and plastic tube that he had to go to the emergency room, according to court documents reviewed by *The Business of Fashion*.

His work was not for some no-name "pronto moda" brand, but Loro Piana, one of the luxury industry's most prestigious labels.

The scandal has badly bruised the reputation of the LVMH-owned cashmere label, which has remained a strong performer for the French luxury conglomerate amid a broader sector downturn. But the black mark against one of fashion's most valued brands has wider implications, at a time when trust in luxury's value proposition is already eroding.

Loro Piana's links to sweatshops were revealed at the start of the week in a court ruling that sanctioned the label for failing to adequately control its supply chain. The label, the court alleged, awarded production contracts to shell companies with no real manufacturing capacity, turning a blind eye to subcontracting that meant jackets it retailed for thousands of dollars were made in illegal, Chinese-owned workshops that exploited workers.

Loro Piana said that as soon as it was made aware of the issue at its supplier, it terminated the relationship, adding that it is committed to continually reviewing and strengthening its control and auditing processes. But the scandal has sent shockwaves through the industry.

While the brand is not the first to be caught up in an ongoing crackdown by Milanese authorities on labour exploitation in luxury's local supply chains (Dior, Armani and Valentino have all faced similar sanctions), it is the most rarefied.

The century-old label is a member of a particularly elite club. Like Hermès, it holds a near-unimpeachable reputation for offering only the highest levels of quality and craft. Its rare mastery over every step of its supply chain, textile *savoir-faire* and ability to source the finest baby cashmere and vicuña is central to its elevated status. Even a scandal last year that linked the brand's vicuña supply chain to exploitation of indigenous labour in Peru did little to shake this image.





This time feels different, for both Loro Piana and the wider luxury sector.

Consumers are already fed up with eye-popping price hikes amid reports of declining quality. And the cases brought against Dior, Armani and Valentino over the last year have only fuelled doubts about whether luxury products are worth their price tags. Loro Piana's involvement has made matters significantly worse. Why, shoppers wonder, should they shell out thousands of dollars on luxury products that only cost a fraction of that to make when even a brand like Loro Piana pays just over \$100 to produce items that retail for more than \$3,000?

The brands say manufacturing costs don't reflect what it really takes to make and merchandise their products and contest the numbers published in court filings. They also maintain that they have strong systems of supply-chain controls in place and have cooperated with authorities to understand where things have gone wrong.

But for more and more consumers — not to mention vocal critics on social media — that just doesn't cut it any more.

It doesn't help that prosecutors in Milan have argued luxury's links to sweatshop labour are a feature, not a bug of the system: Large brands are routinely negligent in their monitoring efforts, failing to pursue obvious red flags and instead turning a blind eye in order to maximise profits, they say.

Anyone with real familiarity with Italy's luxury supply chains will acknowledge these issues are a long-standing and open secret. That doesn't mean they have an easy fix.

It's in the System

Roughly half of the world's luxury clothing and leather goods are made in Italy by thousands of small, often family-run factories. This fragmented, complex supply chain "can pose challenges in transparency and oversight," LVMH Italy's president Toni Belloni said in an emailed statement. While the group "is investing significant resources and funds to strengthen controls ... areas of fragility remain, so we must work to improve our practices," he added.

Brands face internal challenges, too. Often the teams responsible for monitoring supply chains are siloed and find it difficult to escalate issues when they arise. Gloomy consumer sentiment, falling luxury demand and the trade war are time sucks for executive attention.

Bringing more manufacturing in-house and reducing the number of suppliers brands work with is one way to reduce risks, but that brings costs and complexity. Regardless of internal adjustments, what hasn't changed, manufacturers say, is a sourcing system that prioritises speed, price and flexibility above all else, creating the very pressures that encouraged the growth of cut-price sweatshops within the luxury supply chain to begin with.

Labour rights advocates say part of the solution lies with tougher penalties when things go wrong — if the court of public opinion doesn't do the job first.

