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TITOLO

The new luxury experience through foundations, patronage and
CSR activities.

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Anno accademico 2017/2018

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ABSTRACT:

In my thesis I have analyzed the link established between luxury, art and CSR activities conducted by luxury brands in general.

The first chapter is an overview on the sector and on the kind of places, such as foundations and museums, continuously growing in this particular moment, that luxury brands are creating to sustain art and the different philanthropic activities and green practices.

Luxury brands are understanding that customers want new experiences that go beyond the simple act of purchase.

I also have added different examples in order to better explain practically which are the results that brands are achieving right now.

Given that a lot of brands are realizing that arts can be a new way to attract and retain clients through the creation of an experience I chosen some specific examples that I consider the best ones.

The second chapter is focused on how brand value can increase the results obtained by brands. It is not possible to financially quantify how philanthropy and CSR impact on revenues for the luxury sector but, brand value is a good indicator because is able to catch the strength of a brand in the sector and how it is considered from customers' point of view.

I arrived at these results also thanks to a report conducted by Brand Finance in 2018 that underline which are the strongest Italian brand in the sector. I focused on two brands in particular, Gucci as part of a consolidated group and Prada as an independent brand.

Then, I analyzed how CSR activities are able to impact on the results a brand can obtain and again on what consumers think about brands that implement this kind

of activities and the consequences that they can have on public. The aim was to understand how much luxury is compatible with sustainability.

The result is that luxury and sustainability can be compatible under some aspects but, customers are not ready, in most cases, to pay more for a luxury product that is also sustainable.

To better understand this side of the issue I created a survey that focus on customers' point of view.

The survey was divided in two parts: the first one was related in particular to fashion foundations and museums in order to understand what people feel after an experience of this type.

The second part is related to CSR activities. Respondent were requesting to explain how much they know about these issues, make examples of brands that are active on this side and explain what they think about "green behaviors" from luxury brands.

The last chapter is an analysis on two specific cases: LVMH Group together with Louis Vuitton Foundation and the numerous philanthropic activities that the brand sustains in different fields.

I choose this example because LVMH is the biggest consolidated group in the luxury sector and invest a lot on different kind of activities, starting from art until education, culture, architecture and the environment.

The second case I have analyzed is Gucci, part of Kering group.

I decide to choose this brand because of the extreme positive growth that has experienced in 2017 and because of the strong values that it underlines with its efforts in different fields.

The brand has become one of the most attractive for customers and has invested a lot to sustain and underline its products, thanks to the figure of the new creative director Alessandro Michele and its history and DNA.

Chapter 1: Overview of different CSR activities in the luxury sector

In recent times luxury brand are more and more discovering that what really matters is the experience they provide to the customer. Consumer is not interested anymore in possess an object but, want to be involved into the brand and, for this reason, brands are relying on their heritage to transmit it. Brand heritage can be considered as a dimension of a brand's identity found in its track record, longevity, core values, use of symbols, and particularly in an organizational belief that brand history is important.¹ Given this, brand have focused their attention on the creation of foundations that emphasize their quality in craftsmanship, excellence of material and design, history and codes. Those has evolved then also into places that, not only show a brand's past, but also look at the future by giving sustain to art in all its expression and by developing patronage and CSR activities that pander customer need and expectations and go beyond the traditional media that brand use to communicate.

For luxury brands this is a great benefit, as luxury has lost much of its aura in recent years. Too many line extensions, licenses, flagship stores, high production volumes and easy online accessibility has made luxury increasingly banal. The desire to keep linked to their origins by luxury brands can be considered as a defense against the digital era that, whether positive or not, leads to the commoditization of goods, even luxury goods.

On the other side, heritage is also characterized by its orientation toward future transmission and brands exploit this in order to continuously engage consumers in new way and focus also on new generation needs and expectations. The aim is to make heritage cool in order to attract also young people.

¹ Pecot, Fabien. *Brand heritage: The past in the service of brand management*, Recherche et Applications en Marketing vol. 32, 2017, France

This way of thinking introduces us to the concept of luxury brand as slow retailer and the ability of a brand to be a bearer of experiences and narratives out of the ordinary. If, in past years, the concept of luxury was associated with the purchase of certain items with unreachable prices and status sign, today it is mainly connected to the possibility of carrying out an experience of a certain level, in new spaces and times.² For this reason, the proliferation of luxury museum and fashion foundations has permitted to check the presence of a slow narrative rhythm that is not anymore just a traditional auto-celebration of a brand but has the purpose to create a larger perspective. Brands now want to celebrate their historic dimension but, at the same time, be spokesperson of the contemporary artistic and cultural world.

For brands, therefore, it may become even more interesting and important to emphasize their heritage in such a context: towards new emerging markets, the will is to be able to affirm the tradition, values and history that underlies the luxury brand. Towards the consolidated markets, the aim is to reiterate the authenticity and reliability of the brand, reinforcing the aspect of loyalty.³

This slow solution aiming at focusing on brand history seems to be winning. Many cases concern expositions born to celebrate particular stages or anniversaries in business life. An example is Dior that has celebrated the 70th anniversary last year with a temporary exhibition of the most iconic pieces of its history.

The exhibition “Christian Dior, Couturier du Rêve” (meaning “Christian Dior, Dream Couturier”) opened in Paris at Musée des Arts Decoratifs. The exhibition holds 300 of its exceptional gowns from the past seven decades and also includes seven coffee table books that show fashion journey with each creative director beginning with its founder, Christian Dior in 1947 and ending with the present director, Maria Grazia Chiuri.

² Musso, Patrizia. *Slow brand: vincere imparando a correre più lentamente*, Franco Angeli, 2017, Milano.

³Musso, Patrizia. *Slow brand: vincere imparando a correre più lentamente*, Franco Angeli, 2017, Milano.



Figure 1: “Christian Dior, Couturier du Rêve”, Paris, 2017

On the other hand, we have different cases of permanent museum that were born initially as archives reserved to personnel, but they have evolved into temples of heritage and excellence for brands. To give an idea is it mentionable the Yves Saint Laurent Museum in Marrakech. The choice of this city is not casual but is linked to the life of the fashion designer that during the Sixties fell in love with this place and bought a house to go there whenever he wanted.

Yves Saint Laurent was the only fashion designer of his generation to systematically archive his work. Beginning in 1964, he decided to safe-keep certain prototypes from every collection. A prototype is a model, designed by the couturier and fashioned by his workshops under his direction, then revealed to the public at the runways shows. Other than the prototypes, important elements relative to each collection were also set aside to be eventually archived by the couture house: original sketches, atelier worksheets, collection boards, photographs and videos of the runway shows. Beside this permanent collection we have also the Yves Saint Laurent temporary exhibitions

halls that welcome diverse exhibitions related to fashion, art, contemporary art and design, anthropology and botany.⁴

This dimension of return to the historical roots of the brand, combined with a search for slow dialogue between company and territory, is also traced to a further trend linked to the establishment of fashion foundations: a public institution with precise institutional and social functions which is not based on persons, but on the assets that must be used for non-profit-making activities.

What is important to note is that, due to this kind of places in which brand invest to maintain their image, there's also a strict link between luxury and architecture. Also, by exploiting this link, luxury brands are able to feed the dream towards customers.

An example is Louis Vuitton Foundation designed by Franck Gehry as a transparent cloud sitting at the edge of the Jardin d'Acclimatation in the Bois de Boulogne. The architect wanted to represent a magnificent vessel that symbolize the cultural calling in France.



Figure 2: Louis Vuitton Foundation, Franck Gehry, 2006.

⁴ Musée Yves Saint Laurent website, 2018.

Investing in foundations means, not only to preserve heritage and history but also valorize what history can represent for the future. Furthermore, the spaces dedicated to this kind of place are especially designed to host art collections, temporary events and installation.

Consequently, from the birth of foundation comes the desire to link art and fashion principally from the fact that the stylist is first and foremost an esthete that loves proportion and beautiful forms. As said before one of this was Yves Saint Laurent: not only he loved collecting pieces of art but also transferred some of the twentieth century artistic styles in their creations (the Mondrian dress is inspired to the production of the Dutch painter).

Art gives the satisfaction of owning something incredibly unique, maybe even historic. It makes people feel privileged and better than others. Obviously, the desire for art and for luxury spring from the same motivation.

Brand are becoming aware of the beneficial publicity that this kind of sustain to art can bring them. It raises luxury above vulgarity and superficiality. Art and luxury are trying to create a new quality canon in order to distil the best and preserve it. We are in a moment in which luxury brands are passing from “take”, meaning that they exploit art to polish their names, to “give” by providing museums, initiatives and new ideas to promote artistic concepts.⁵

In addition to this will to promote art there is also the intention to support international talents, in line with a trend that see luxury brands in the role of promoting new generations in the art world.

Concerning the physical spaces, foundations are studied in detail to communicate a clear message about the identity of the brand to visitors. The aim is to make them able

⁵ Meister, Sabine. *Art as the ultimate form of luxury*, Meister & Associates GmbH, July 2017, Germany.

to live an experience that creates total involvement as in the case of Fondazione Prada in Milan, where architecture, style and decoration recall the anti-conformist aesthetic of the brand.

All these choices reflect the DNA and identity of the brand simultaneously. This is because architecture, like fashion, is a physical manifestation of the culture of time that allows one to transform a dream into something material. Today it has become a very useful tool for defining and locating a brand.

We are faced with solutions that pay particular attention to the theme of brand reputation, aimed at creating a positive feeling from the media and public opinion, with undoubted returns also on economic performance. However, the issue of the creation of shared value that is concretely realized through the numerous temporary exhibitions that these foundations promote, going to embrace the cultural world widely considered, beyond the one linked to each luxury brand.

Luxury and art have always looked at each other with curiosity but one easily overlooked reason that justify the birth of foundation lies in the fact that the decision-makers themselves were prolific art collectors. Luxury artistic foundations are also here to educate. Bernard Arnault, CEO of LVMH, states that fulfilling an education role, especially among the young, is one of Fondation Louis Vuitton's priorities and that it seeks to inspire both emotions and contemplation.

Beyond the level of personal taste, art is a palpable subject for luxury maisons to communicate their messages to targeted audiences with or without a direct link to actual product sales. ⁶ Getting involved in cultural activities is not a purely philanthropic objective but also have commercial benefits. In the world of high-end

⁶ Chen, Vivian. *Luxury brands are setting up their own museum to preserve heritage and honour arts*, South China Morning Post, August 2015, China.

luxury, they don't just sell products, but they sell dreams and so brands need also to create a certain romanticism or romantic atmosphere around them.⁷

Beside the interest in the cultural world, luxury brands are also concerned with sustainability and charity activities. Particularly in fashion, the interest for a sustainable luxury is growing and brands are adapting their behavior to this trend.

People want good design, craftsmanship, and high-quality materials but, they pay a premium for something more than that. And increasingly, that high status is suggested by words like: "organic," "sustainable," "ethical."

The luxury industry is waking up fast to this reality and responding with a slew of products and services geared to the so called "aspirational class".⁸ This class of consumer care about discreet and inconspicuous consumption.

Sustainability is a growing priority for these customers and it will become more critical if we look at younger generation who grew up steeped in aspirational culture. As founded in the Altagamma Worldwide Luxury Market Monitor by Claudia D'Arpizio, Millennials

and Gen Z already account for about 30% of luxury shoppers, and in 2017 they have accounted for the 85% of the luxury growth.⁹

⁷ Koenig, Neil. *How luxury firms are using art to attract customers*, BBC News, July 2017, United Kingdom.

⁸ Bain, Marc. *Millennials are making it luxe to be more ethical and environmentally aware*, Quartz Media, 2017

⁹ D'Arpizio, Claudia. *Altagamma 2017 Worldwide Luxury Market Monitor*, Bain & Company, 2017, Milano.

**MARKET ACCELERATING TOWARDS YOUNGER GENERATIONS
MILLENNIALS ALREADY 30% OF THE MARKET; GEN Z COMES NEXT**

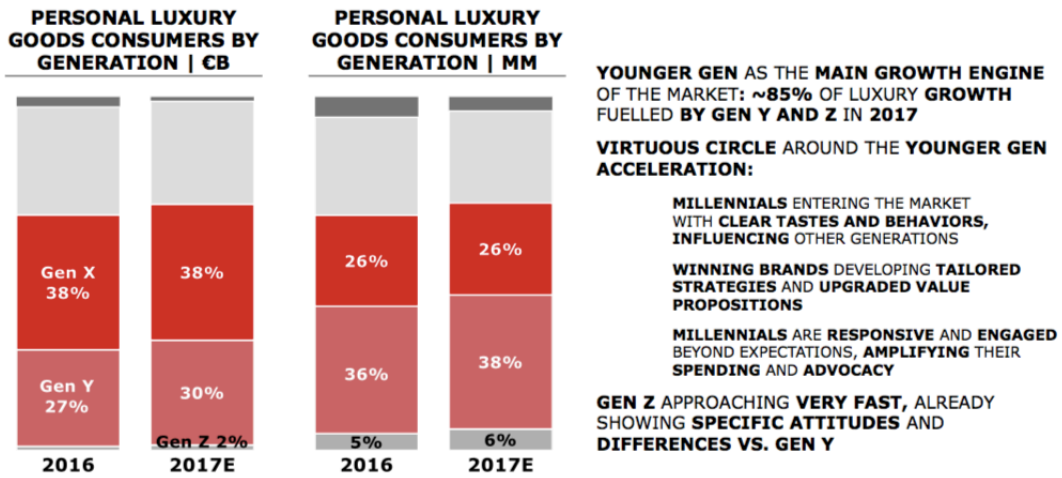


Figure 3: Altgamma 2017, Bain & Company, pag 9

This new kind of consumers enter the market with clear tastes and behaviour influencing other generations. Millennials set the bar high and demand more transparency and responsibility from corporations and the recognition of their buying power will influence not only the luxury sector but also many other industries in the future. They are well informed about products and initiatives, responsive and interested in brands that are more similar to not only their values but also their passions.

Many luxury brands are already catering to customers who shop based on their values. Kering, which owns Stella Mc Cartney, a brand that is impressively concerned about sustainability since years, has been a leader on sustainability in the luxury sector, increasing the share of its raw materials that are renewable and funding conservation programs.

Arrived to this point it's not an exaggeration to say that terms such as "organic" and "sustainable" are now used to convey a sense of high-value luxury. Because most consumer products are now widely available, all but the most exclusive items have lost

their value as class signifiers. In their place, goods that broadcast a consumer's high education levels and cultural awareness have gained importance.¹⁰

In order to adapt to these trends that are influencing the industry the biggest luxury groups in recent years have launched different programs that concern sustainability, an example is LVMH with the program "Life" started in 2012 and implemented through years and Kering with the three-pillar program for 2025: care, collaborate and create.

The luxury brands have extended their philanthropic activities also in support of the artistic heritage, especially in Italy, financing various works of restructuring of monuments or historical buildings.

The Italian brand, Fendi, has united the celebration of its 90th anniversary by creating an event called "Legends and Fairy Tales" with the restoration of Fontana di Trevi in Rome that, after, has been used as location for the fashion show. Pietro Beccari, CEO of Fendi, has commented this gesture not only as an act of philanthropy but as an act of love that symbolize the link between the city and the brand, always to remember how important heritage is.

Another example is Bulgari that for its 130th anniversary has allocated 1.5 million of Euro to restore Trinità dei Monti steps.

¹⁰ Bain, Marc. *Millennials are making it luxe to be more ethical and environmentally aware*, Quartz Media, 2017

Gucci has looked at its own home, more precisely at the Boboli Gardens in Florence, an inestimable Italian artistic heritage: Gucci has held its fashion show inside the Palazzo Pitti halls and has funded the botanical restoration of the gardens. It is the first time that the Palatina Gallery of the Palazzo has been chosen for such an event, allowing the re-opening of areas that have remained closed to the public.¹¹



Figure 4: “Legend and fairy tales”, FENDI Fashion Show, 2015

Given that growth is towed by the Millennials another aspect that luxury brand must keep in mind is that this generation is considered as the “giving” one.

A study reveals that almost 50% of Millennials would be willing to buy from a company if this purchase support a cause and 37% of them stated that are willing to buy a product or service to support a cause they believe in, also if it means to spend a bit more.¹²

¹¹ Attanasio, Carolina. *Gucci e i mecenati al servizio del patrimonio artistico italiano*, Snap Italy, 2017, Roma.

¹² AA. VV. *Who are Millennials*, Millennial Marketing, 2018.

Luxury must undertake actions that are able to give back something to the community, due to this brand are increasingly weaving core values into their stories through clear and transparent actions. The modern luxury consumer wants more than just a label, they want a brand that stands for something; a brand that speaks for what their customers believe in through its products and services. Today, luxury means be part of something new and unique and being philanthropic by virtue of the brand that you are loyal to.

To implement this charitable commitment luxury brands strongly rely also on public figures used as brand ambassador, there are many examples to list:

In 2015, luxury brand Fendi announced the “3Baguette Project”, a collaborative project to re-design Fendi’s classic baguette bag. This includes Sarah Jessica Parker. The project commemorated the new flagship store on 598 Madison Avenue. Any proceeds from the sales benefited a charity of the celeb’s choice, in this case Parker has destinated any proceeds to aid the research for the Brain Trauma foundation.¹³

In 2013 Gucci has launched in collaboration with Global Citizen the “Chime for Change” campaign to convene, unite and strengthen the voices speaking out for girls and women around the world. The campaign has used innovative approaches to promote gender equality. Co-founded by Beyoncé Knowles-Carter and Salma Hayek Pinault, Chime for Change works with a coalition of partner organizations, including the Kering Foundation, Facebook, and Hearst Magazines.¹⁴

The French maison, Dior, has launched in 2017 the “Dior Love Chain”, a charitable initiative that comprises a three-minute video in which brand ambassadors respond to the question “And you, what would you do for love?”. This initiative has been itinerant all around the world and implemented, for example, before fashion shows in which at

¹³ Cottan, Jasmine. *Top Ten Celebrity and Fashion Collaborations for a Good Cause*, Fashion Industry Broadcast, 2017.

¹⁴ Global Citizen website, 2018.

real people have been asked this question and then the answer was recorded in a video or, people by themselves can create and upload a video answering the question. For each post put online with the relative hashtag, Dior is donating \$1 to the WE Charity (known formerly as Free the Children), specifically it's WE Schools program in Kenya, which aims to give education to young girls there.

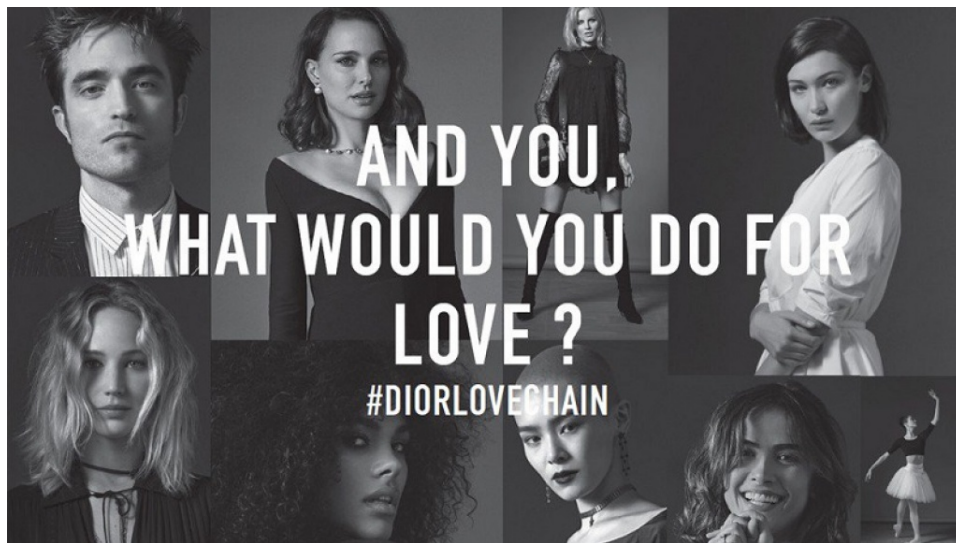


Figure 5: Dior Love Chain campaign, 2017.

Another example comes from Bulgari that from 2009 collaborates with Save the Children to implement programs focused on education, youth empowerment, emergency assistance and fighting poverty.

The last campaign is “#Raiseyourhand” and has the aim to help youth people to increase their individual skills, develop competencies and improve their economic condition. The purpose is to give them the right instruments that allow them to grow, develop their talents and build a better future for them and for a fairer society.

To implement this Bulgari has created a specific line of rings, bracelets and chains to enrich the B.zero.1 collection that from 1919 is designed to help children and their

rights and the hole campaign has involved many famous artist or actors that sustain the cause.



Figure 6: #Raiseyourhand campaign, Bulgari, 2016.

As we can see there are many forms in which the activity of a luxury brand can be implemented outside the core business.

This is what we can consider as a new kind of experience, for what concern foundations and museums and a new approach towards people and environment for what concern philanthropy and CSR activities.

Chapter 2: The impact of brand value and CSR activities on revenues.

2.1: The brand value effect

As Milton Friedman sustained, the purpose of a business is to create wealth. Based on this it can be argued that luxury does not fulfill a social mission, other than exclusivity, social status and self-pleasure to consumers.

The most important aspect to be considered are: brand value and brand equity, how CSR activities can improve those values and how both can have an impact on revenues for a luxury brand.

First of all, brand value is considered as a strategic asset and is able to provide a long-term mean to assess the type of actions a brand has to implement and to support the decision making-process.

Financial indicators in fact, like short-term sales and profits, are not able to capture the effects of actions pursued by a brand. For example: if a brand like Louis Vuitton launches an exhibition with a famous museum in Paris, it would be very difficult to quantify the economic benefit of this project to the brand by using standard financial measures. In this case, brand value is able to provide the support needed.

The term brand value is often used together with brand equity and they can commonly be referred to how much a brand is worth. Three constructs are considered when explaining the meaning of brand equity:

1. “The total value of a brand as a separable asset when it is sold or included on a balance sheet” (brand valuation or brand value)
2. “A measure of the strength of consumers ‘attachment to a brand’” (brand loyalty or brand strength)

3. “A description of the associations and beliefs the consumer has about the brand” (brand image or brand description)¹⁵

Brand value is not a kind of financial measurement but go deeper in the analysis. It incorporates all the effects, positive or negative, that the behavior of a brand can have on the brand itself and how the reputation between consumers can impact on it. For example: the fact that someone talks about Bulgari and wears Bulgari jewels does not necessarily result in more revenue to Bulgari. However, this ignores that someone wearing and using Bulgari may influence others to buy it and then generate revenue for the company.

This kind of asset is built by different factors that influence it:

- Company size: meaning how a brand markets its products; how and where a brand can distribute them; how a brand can be preserved; how competitive is the human resource that the brand hire.
- Control: in luxury, control is related principally to the image of a brand, not only to capital, supply or distribution. In this case the figure of the brand ambassador becomes predominant. A brand ambassador strategy is an important way to create awareness, drive desirability and provide a customer experience in luxury even when a brand has limited control of its distribution. This strategy must be pursued not only by large luxury brands, also the small ones must think to incorporate it into their governance.
- Marketing: the goal of marketing in luxury is to preserve the brand but not overexposed it. This kind of strategy must focus on engaging the customers in different ways consistently with what the brand represents. It is also necessary to keep in mind that the success of marketing actions is not necessarily linked to the amount of money a brand spent on it.

¹⁵ Bravo-Gonzalez, Ramon. *Corporate Social Responsibility and Brand Value in Luxury*, University of Glasgow, 2017.

- Product and customer experience: the product is simply the item, or the service sold by a luxury brand, customer experience instead are the impressions, perceptions, emotions, actions and reactions a customer has while interacting with a company through any touch-point, whether through marketing, branding, customer service, support, in-store experience, design and usage of a product, service or website. This means that by managing the experience a brand must be able to transfer its values, maintain the brand promise and build a level of advocacy that exceed customer expectations. ¹⁶

Brand value management needs to permeate all the levels of a luxury brands and must be preserved.

2.2: Evaluate brand value

Based on several studies brand value has been a fundamental variable for luxury sector growth, especially in Italy. According to Brand Finance report on the 50 Italian strongest brand, we can break up brand value into the following factors:

- Enterprise value: the value formed by the totality of the branded business that are part of the company.
- Branded business value: the value of the business of a single brand
- Brand contribution: the economic value that adds a brand with respect to the same unbranded product or service.

In order to determine the strengths of a brand we can analyze the investments that influence, directly or indirectly, marketing strategies, brand equity and the impact of both on the business performance.

¹⁶ Bravo-Gonzalez, Ramon. *Corporate Social Responsibility and Brand Value in Luxury*, University of Glasgow, 2017.

Brand Finance has evaluated the performance of the strongest 50 Italian brand and has reported a growth of 35% more than the top 500 global brands.



Figure 7: Italy 50, Brand finance, 2018

Thanks to the results of this year the Italian brands are returning to the values of a few years ago. Among the companies in the Italian ranking, on average, the brand asset weighs 18% of the Enterprise Value, with peaks of over 50% in luxury.

As the graph shows the value of luxury market in 2018 is estimated around 33 million of Euro and the biggest part of the sector is towed by fashion brands, that more and more are developing not only around products but also services to engage the customer.

This improvement has finally made it possible to bring the average level of influence of the top 50 Italian brands closer to those of the main European countries. Brand Finance has calculated brand values using the “Return from Royalties” approach. This method considers a forecast of future sales allocated to each brand by calculating the royalty rates that should be charged for the exploitation of the brand, if the user wouldn’t be the owner.

Valore del brand per settore

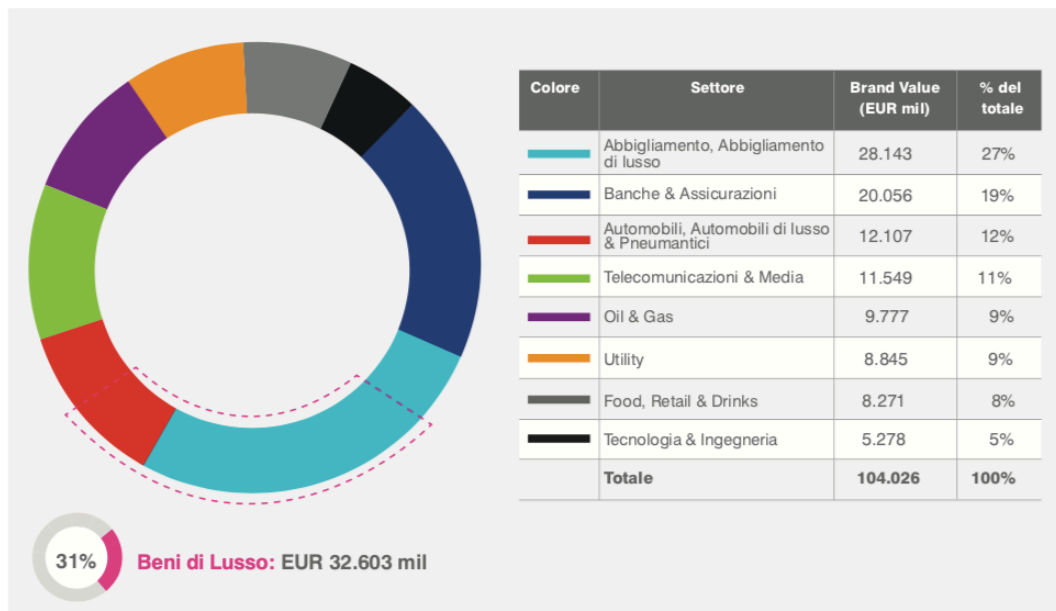


Figure 8: Italy 50, Brand Finance, 2018

The step used in the process are:

- Calculate the brand strengths on a scale from 0 to 100 by considering the score obtained in the evaluation of investments, brand equity and business performance.
- Determine the interval of royalty rates applicable to sector in which the brand belong.

- Calculate the royalty rates. Brand strength is applicable to the interval previously calculated in order to get to the final result. For example: if the interval in a sector is between 0-5% and a brand has a strength score of 80 on 100 then, the correct royalty rates would be 4%.
- Determine the specific turnover related to the brand estimating the portion of revenues is related directly to the brand.
- Determine the revenue forecasts related to the brand by using a function of past revenues, growth rates and equity analyst previsions.
- Apply this royalty rate to revenue forecasts in order to derive the turnover related to the brand. This turnover, finally, is then actualized after tax. In this way the result is a net value that equals the brand value.¹⁷

Given this study we can list the 10 strongest firms under the point of view of brand value. Four out of ten brands are from the luxury and fashion sector.

¹⁷ Brand Finance, *Italy 50 2018*, Milano 2018.

Classifica dei 10 brand più forti






	BSI Score 91,5
GUCCI	BSI Score 86,4
PRADA	BSI Score 86,3
	BSI Score 82,8
INTESA  SANPIERO	BSI Score 82,4
BOTTEGA VENETA	BSI Score 82,1
	BSI Score 82,0
	BSI Score 82,0
	BSI Score 82,0
VALENTINO	BSI Score 81,4

Figure 9: Italy 50, Brand Finance, 2018

2.3: A practical example: Gucci

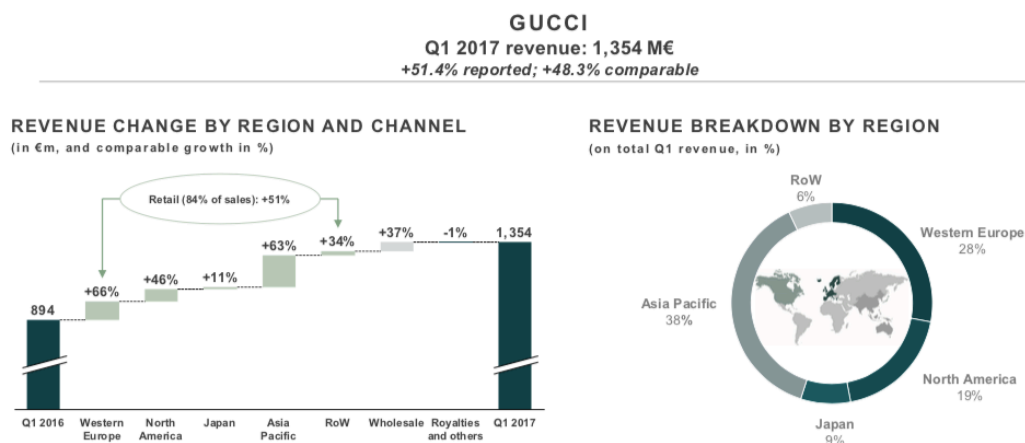
Gucci has seen an incredible development this year and a complete renewal of the brand. The Italian Maison has been the engine of the entire Kering group this year. By comparing the Q1 revenues in 2017 and 2018 it is possible to see how much the brand has grown in just one year.

The group has closed 2017 Q1 with sales around 1,354 millions of Euro, (51.4% reported and 48.3% comparable). This exceptional performance across the board has been created through retail up 51% driven by like-for-like and full-price sales. Given the complete renewal of the brand thanks to the creative director Alessandro Michele

all categories have experienced a strong double-digit growth, mostly in Western Europe driven by both locals and tourists, and a very strong momentum in all APAC countries, starting with Mainland China. A strong position has been confirmed in North America; Japan is back to double-digit growth thanks to dedicated, efficient initiatives and finally the online sales went up of 86% driven by North America and Western Europe.

The wholesale too took part in the outstanding growth of the brand with an enthusiastic response to Michele’s completely new collections.

Figure 10: Kering, 2018 Q1 Revenue, April 2018



Since growth, as I already outlined, is not given only by financial result but also to the nurturing of brand value and image, Gucci has done an incredible work on his image by changing completely the feeling transmitted to the customer. This has certainly had a beneficial effect on financial result but the important aspect to note are: the effective client engagement with as consequence a growth in all clientele segments (new, retained and regained mostly); expansion of new store concept and retail excellence program, first unified Fashion Show, narrative ad campaigns, cross-culture collaborations.

The Q1 result in 2018 instead has closed with revenues of 1,867 millions of Euro (+37,9 reported, +48,7% comparable). Retail has been pushed up by 50% driven by like-for-like sales and full-price sales.

All categories again and also nationalities have experienced a strong double-digit growth. On high comps growth is led by North America and APAC, strength in Japan and sustained momentum in Western Europe.

Incredibly the online sales have registered a triple digit growth, driven by the US. The wholesale channel has grown about 44% always on the heels of Michele's success.

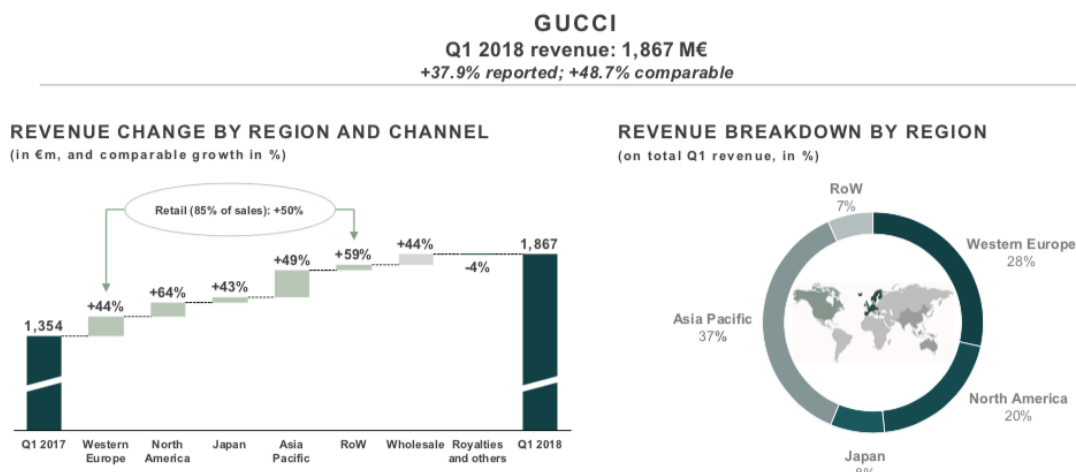


Figure 11: Kering, 2018 Q1 Revenue, April 2018

As before, the trend that have driven this growth are not only related to financials. Growth for Gucci has been balanced by product categories and customer age groups, a solid carryover base along with appetite for newness; acclaimed Fall- Winter 18/19 Show, continued rollout of new store concept and investments on brand image. For example, the opening of Gucci Garden and Gucci ArtLab in Florence).¹⁸

¹⁸ Kering, *2018 Q1 Revenue*, April 2018.

2.4: A practical example: Prada

Another strong position in the luxury/fashion sector is occupied by Prada that in 2017 and the first part of 2018 has reached great results. During last year the trend has been almost positive with a progressively improvement in the second part of the year. There has been a recovery of leather-good product volumes thanks to the extension of the offer and all the strategic ranges of price and an acceleration for the ready to wear and clothing in general.

Form January revenues amount to 3,057 millions of Euro, lower about 2% at constant rates respect 2016. In the second half of the year instead the brand has begun to growth again (+ 1% at constant rate). Retail has registered positive performance, mostly in the second semester (+ 10% at constant rates), wholesales has experienced a double-digit growth thanks to the e-tailers channel.

About the financials the group has registered a growing gross margin thanks to full-price sales and the reduction of discount sales. Ebit is around 360 million with 11,8% on net revenues. The final net result has been about 249 million with 8,1% on net revenues.

FY 2017: at a glance

A year of stabilization

Condensed P&L			
€m	FY 17 (*)	FY 16 (*)	% change
Net Revenues	3,056.5	3,170.5	-3.6%
<i>Gross Margin</i>	73.5%	72.0%	
EBITDA	588.0	634.5	-7.3%
<i>EBITDA Margin</i>	19.2%	20.0%	
EBIT	360.0	405.6	-11.2%
<i>EBIT Margin</i>	11.8%	12.8%	
Net Income	248.9	260.2	-4.3%
<i>Net Income margin</i>	8.1%	8.2%	

Figure 12: Prada Group, Full year 2017 results, March 2018

The investments for the period amounted to 251 millions of Euro and are destined to increase, with over 160 completed projects, the attractiveness of the stores, as well as to strengthen the supply chain further developing the Group's industrial and logistical capabilities.

The Asia-Pacific market reversed trends with revenues that recovered the previous year's figures, + 1% at constant exchange rates. The performance recorded in Greater China (including Hong Kong and Macao) was excellent, with sales up 8% at constant exchange rates.

The American market, overall down in the year, -4% at constant exchange rates, however showed a clear recovery confirmed in the first months of 2018 thanks to stronger local consumption.

Europe marks an important recovery and closes the year with revenues substantially in line with 2016.

The Japanese market, -11% at constant exchange rates in 2017, was weak at the beginning of the year, but in recent months has shown a significant recovery, both domestic customers and tourists.

The Middle East also recorded a second part of the year improving and closed the year with a decrease of 9% at constant exchange rates.

Net sales by Geography

All regions improved - Greater China the bright spot

% change same FX	Jan	Feb-July	Aug-Dec	FY 17
Europe		-7%	+6%	0%
Far East		-1%	+1%	+1%
Greater China		+5%	+10%	+8%
Americas		-6%	-3%	-4%
Japan		-14%	-6%	-11%
Middle East		-13%	-3%	-9%
Others		-29%	-2%	-13%
Total	+4%	-6%	+1%	-2%

Figure 13: Prada Group, Full year 2017 results, March 2018

The trend of the RTW continues to be very positive, accelerating in the second half of the year and closing the year with + 7% at constant exchange rates. Performance was good for both brands in all major markets. In the second half of the year, the sales of the Leather goods category showed a sharp recovery, where the market continues to appreciate the many new and iconic products, supported by advertising campaigns with a strong digital content. Falling trend for Footwear, although less marked in the second half of the year, thanks to the success of the new sneakers collections.¹⁹

Net sales by Product

Encouraging trends across categories

% change same FX	Jan	Feb-July	Aug-Dec	FY 17
Leather Goods		-8%	0%	-3%
Ready to Wear		+4%	+10%	+7%
Footwear		-9%	-4%	-7%
Other		+6%	-5%	-1%
Total	+4%	-6%	+1%	-2%

Figure 14: Prada Group, Full year 2017 results, March 2018

¹⁹ Prada Group, *Full year 2017 results*, March 2018

Patrizio Bertelli has commented these results by saying:

“I am satisfied with how we closed 2017: in the second part of the year and in the first few months of 2018 the sales trend progressively improved, thus making visible the first important results deriving from the strategic initiatives launched on various fronts.

The investments made by the Group, to optimize the retail network, to increase the visibility of the brands and to enrich the collections have been enhanced by an increasing digital presence. We have successfully enriched the leather goods offer in all price ranges with many innovations that are supporting full-price sales. The Prada brand has returned to growth in the main geographical areas.

We are convinced that starting a new chapter in the Group's history starting from our cultural heritage and the distinctive values of our brands, is the right answer to compete in an increasingly complex market. The Black Nylon campaign launch represents the starting point of a new path toward future by respecting our identity”.

2.5: The impact of CSR activities on a brand

Another important aspect to mention when talking about what can have an impact on revenues of a luxury brand is CSR.

Luxury sector was a late adopter of CSR, and that adoption started as a response to stakeholder pressures, government regulation and trade standards that have also contributed to more responsible practices within the luxury industry.

CSR cannot be ignored anymore, it is important for luxury brand to learn how to integrate ethical practices and policies in their businesses and how to respond to social demands. In addition, it's important to remember that just a small portion of the global population has access to luxury and has the possibility to pay high margins for products. Given this they're starting to require explanations about materials, quality and production processes. Brand cannot hide anymore behind the façade of being green, they must act green.

On the other side of this issue, luxury do not sell essential products but, given the high price, consumers tend to keep them for a long time and this reduce their environmental footprint.

Under an economic point of view, CSR can accrue the exclusivity of a luxury brand. For example, if a brand produces a high cost product solely made with certified materials, also friendly for the environment and by probably using certified practices that do not hurt the environment or release toxic waste; luxury consumers may be willing to pay that price, as this product would be considered a unique and completely exclusive one.

BSR (Business for Social Responsibility) it's a non-profit organization which has created the Responsible Luxury Initiative that aim to provide a platform for all luxury sector companies to discuss, explore, and develop collaborative solutions for emerging sustainability issues in their value chains. Principally this initiative has created and adopted a set of high-level principles for the sourcing of leather, fur, and exotic skins and developed an implementation protocol and practical tools to improve sourcing of animal materials, it has incubated and ensured the launch of the Southeast Asia Reptile Conservation Alliance (SARCA).

The biggest names of the luxury sector adhere to this initiative: Cartier, The Chanel Company Limited, International Watch Co., Kering, LVMH Moët Hennessy, Louis Vuitton S.A., Michael Kors Holdings Limited, Ralph Lauren Corporation, Richemont International SA, Swarovski AG, Tiffany and Company.²⁰

CSR efforts have even expanded into more comprehensive projects. Loro Piana, famous for its exceptional products and fabrics, presented its third consecutive Cashmere of the Year Award in 2017. This time, it went to two teams of breeders from China, Mr. Batunashun and Mrs. Burenqiqige, and Mr. Yaolong Liu and Mrs. Haiyan

²⁰ BSR, *Responsible Luxury Initiative*, 2018

Lu; who were rewarded for the record quality of their production: one 250 kg lot of raw cashmere with an average fiber diameter of 13.74 microns and an average length of 29.34 millimeters. This lot was the finest among those collected from the shepherds in Inner Mongolia, who have been following the selecting breeding method proposed by Loro Piana since 2009.

True to its unyielding commitment to exquisite quality, Loro Piana launched its own livestock breeding method with the primary aim of obtaining finer cashmere (less than 14.6 microns).

Its success is a reflection of the virtuous cycle it instills, reconciling animal welfare, environmental conservation, and the well-being of local populations. Developed through joint research by Jilin Agricultural University in China, the University of Camerino in Italy, and ENEA (Italy's national agency for new technologies, energy and sustainable development), the Loro Piana Method aims to obtain the finest and most uniform fibers by selecting only the best goats and optimizing fiber collection procedures. It also ensures larger yields from smaller-sized herds, thus improving breeders' living standards and reducing pressure on the local environment, which has unfortunately suffered the impact of intensive farming.

As a testament to the method's results, Loro Piana has been authorized to sign agreements with local authorities and scientific institutes, such as the Academies of Science of Inner Mongolia and Xinjiang, becoming the first foreign company with permission to conduct research in China. In 5 years, the Loro Piana Method has made cashmere fiber an average of 1 micron finer.²¹

Analyzing CSR could be difficult because many luxury brands tend to avoid disclosing information about their CSR practices. This is especially the case with family owned and/or not publicly listed companies, as they do not have a legal

²¹ LVMH Group, *LVMH 2017 annual report*, February 2018.

requirement to disclose financial or business-related information. Obviously, being silent about CSR could be helpful for brands. They cannot forecast how people can react to their practices and again CSR disclosure could be associated with a lower brand evaluation. As already stated luxury is about creating a dream and, therefore, communicating ethical concerns to consumers could put a cloud on that dream.

Thus, considering that brands are assets, assets have value and CSR has an effect on brands; CSR may influence the value of a brand. On the opposite side there are brands that want to make visible their practices and give detailed explanation of their activities. This is the case of Kering Group.

2.6: The Kering Group efforts about sustainability

A special mention must be done for Kering that, strongly concerned with the issue of sustainability, has launched the “2025 Sustainability Strategy” and the innovative tool to measure footprint’s effects named Environmental Profit and Loss.

Francois-Henri Pinault, chairman and CEO of the group has stated:

“More than ever, I am convinced that sustainability can redefine business value and drive future growth. As business leaders, we all have a crucial role to play and I worked with the CEOs of our luxury Maisons to embed sustainability across our activities while developing this next important phase of our sustainability strategy. Our strategy outlines how we will redesign our business to continue to thrive and prosper sustainably into the future, while at the same time helping to transform the luxury sector and contributing to meet the significant social and environmental challenges of our generation”

The strategy is supported by three pillars that translate vision into action: “Care, Collaborate, Create”.

Care means to find business approaches and supply chain solutions that can contribute to restore and regenerate the environment. For example, use resources within planetary boundaries with a science-based approach in order to reduce carbon emissions from its business activities by 50% by 2025.

Another important step could be sourcing raw materials and supporting supplier sustainability by ensure traceability of key raw materials. The group has reached 95% by 2018 and want to accomplish 100% by 2025. Related to raw materials there's also the creation of a Supplier Index of Sustainability to ensure Kering Standards are 100% implemented by suppliers by 2025.

Finally, integrating sustainability into design by promote sustainable design and minimize products' environmental impact at every stage, from sourcing, manufacturing and transport to consumer use.

Collaborate means for the group to focus the attention on human resources like create a well-being at work policy by 2018, and an employee benefits policy by 2020, promoting diversity and gender parity, implement a sponsorship program for training and coaching women managers, and roll out mentoring programs in all countries.

Most important for a luxury brand, Kering wants to preserve and support the continuation of craftsmanship traditions and those communities that support them to ensure luxury heritage is sustainable for the long run. At the same time, given the rapid changes of the work environment the group wants to explore innovative models to attract and motivate the next generation of craftspeople, whilst leveraging training, technical support and collaboration with schools that support them. This can be implemented also by leveraging partnerships with leading universities and develop collaborations to identify sustainability solutions and discover the talent of tomorrow.

Finally, engage with broader society on SDG themes, including existing partnerships such as the Chime for Change movement in favor of girls' and women's empowerment.

The last pillar of this strategy is Create. This means scale up an internal purchasing platform to have access to high quality, sustainable raw materials following the success of the Kering Ethical Gold platform and the Kering Organic Cotton platform. Dedicate attention to improve manufacturing processes to drastically decrease environmental impacts and health implications, such as implementing its chrome-free and metal-free leather tanning process across the Group.

Kering also look at innovation by investing in promising start ups to collaborate on game-changing initiatives that can transform conventional processes in luxury and influence the industry. For example, Kering's partnership with Worn Again which developed a recycling technology to extract polyester and cotton from old clothing to be spun into new fabric creating a 'circular resource model' for textiles.

The group is also aware that time and consumers habits and needs are changing, for this reason, it tries to develop talent and skills, and role modelling for Kering management by establishing a Young Leaders Advisory Group, composed of millennials, internally and externally around the world for inspired ideas.²²

Kering has created also the Environmental Profit&Loss, which makes invisible impacts of businesses visible, quantifiable and comparable. The group has shared this methodology because it believes that supply chains collaborations is essential, and it could also help companies to better manage their impacts and dependencies on natural capital.

An EP&L values the environmental impacts of a business, across its entire supply chain. Expressing the scale of impacts in monetary terms enables us to consider

²² Kering group, *2025 sustainability strategy: crafting tomorrow's luxury*, Kering, 2018

environmental impacts alongside conventional business costs and place sustainability at the core of our business decisions. Critically, it will help in discovering potential efficiencies, innovations and improvements that can give real edges to businesses. The 7 pillars strategy is the following:

- Decide what to measure: which part of the business must be included in the EP&L.
- Map the supply chain: outline the productions processes for each product, from the production of raw materials to the production process.
- Identify priority data: identify the requirements for EP&L and select the best approach for the analysis.
- Collect primary data: environmental and non-environmental data from suppliers and brands
- Collect secondary data: complete the primary data with the best available sources.
- Determine valuation: determine the changes on the environment and the resulting costs of these impacts on people.
- Calculate and analyze your results

To better explain how the methodology work we can take a case study that Kering has presented to show their result in 2016. This is related to how Bottega Veneta is able to produce leather with chrome-free tanning.

Bottega Veneta is at the forefront of a pioneering method, creating luxury leather goods that are respectful of the environment. The study showed that 2% of group impact is due to leather processing.²³

²³ Kering website, 2018

BOTTEGA VENETA CASE STUDY:

INSIGHT	Leather is one of the biggest raw material contributors to greenhouse gas emissions in the Kering supply chain the E P&L revealed. In part, this is down to conventional leather tanning methods during processing.
ACTION	Develop innovative metal-free and chrome-free tanning methods.
RESULT	Bottega Veneta has purchased more than 54,000 square metres of chrome-free leather to create its leather goods collection, significantly reducing water and energy use in the process.

2.7: Is CSR compatible with luxury?

CSR can contribute to differentiation, increase the reputation or image status that may lead to financial gains. It also provides a number of monetary and non-monetary benefits to businesses. These benefits, can be quantitative or qualitative and are summarized in the table below:

TYPE OF BENEFIT	QUANTITATIVE	QUALITATIVE
MONETARY		<ul style="list-style-type: none"> - Increase in brand values - Increased revenues Reduced risk
NON – MONETARY	<ul style="list-style-type: none"> - Improved access to capital - Secure license to operate 	<ul style="list-style-type: none"> - Improved customer attraction and retention - Improved reputation

Table 1: Drews, 2010

While CSR is recognized as a creator of brand value and can pose significant advantages to firms; it is important to note that in certain cases, it could also impact a brand negatively and be detrimental. There is evidence in the literature that when a luxury brand associated with self-enhancement pursues a CSR strategy, a decrease in brand value can occur, which then can result in brand dilution. This evidence does not suggest that luxury brands should neglect CSR, but instead, they need to be cautious in terms of the CSR actions they pursue and how they communicate them. A potential explanation of this negative link between CSR and brand value could be greenwashing. Greenwashing is a practice of misleading and making deceptive claims in terms of the environmental credentials of a firm; and can result in criticism and scrutiny from consumers. A luxury brand would be incurring greenwashing if they launch a product line made of organic textiles and highlight how environmentally friendly the brand is because of this initiative. However, in the rest of their operations the brand is engaged in poor environmental practices, namely the use and release of chemicals into the environment, lax air emission controls, or energy and water waste during their production process.

An important characteristics of luxury brand is that they almost have a long-term vision. It can take years to build a brand, the history and the image and given this, everything that a luxury brand does must be aligned to this vision in order to preserve it. Having this vision also when implementing CSR is essential, also because is difficult to record short-term effects with this kind of practices.

For example, Louis Vuitton could decide to drive consumer awareness in terms of CSR by implementing more stringent CSR policies and practices within the company. Louis Vuitton could pursue downstream efforts aimed at informing and encouraging

consumers to become more socially responsible. However, it would take several years before Louis Vuitton would be able to measure tangible results from such initiatives. Since luxury brands are already offering superior quality and a superior experience, the incorporation of CSR into that mix can be a natural step for the industry to go further. An implication of CSR adoption, as already outlined, is that it can result in increased brand reputation and higher brand value for luxury brands. For example, a coat made from sustainable Scottish cashmere could be perceived as a higher quality item than a coat made of non-sustainable Chinese cashmere. Sustainable cashmere involves that no chemistry dyeing is used in the fabric, and that cashmere is fully traced to ensure that it is sourced from providers with strong animal welfare practices. In this case, customers would be willing to pay a price premium for the ethical features of the product. Given this, we can outline that a CSR has an impact also through country of origin, country of components parts, country of assembly and manufacture effects.

Luxury brands should avoid using CSR as a way to exaggerate the advertising efforts they already conduct. In fact, brands should avoid trying to portray these efforts as ‘more comprehensive CSR implementation’ strategies, as doing so can reduce trust in the brand and put in doubt the legitimacy of the brand’s actions.

Company size seems to have a role in the ability of a brand to undertake ‘more comprehensive CSR implementation’. Within luxury, there is sometimes a perception that responsible initiatives are leveraged by larger firms, something that provides a disincentive for smaller brands to engage in CSR behavior. While this CSR policy is certainly positive, it also shows how brands can be interested in having fair social conditions, but they are not particularly interested in being proactive in conveying this information to customers, and/or in expanding CSR into more comprehensive approaches.

Part of the problem faced by luxury brands is the lack of honesty about their CSR efforts and a fear of backlash if their 'starting level' efforts in terms of CSR are made public. In cases like this, where CSR is just limited to responsible purchasing, and not to fuller CSR policies, it may be better for brands to avoid disclosing their CSR efforts. In conclusion, it is not so much whether firms are consistent that matters, but whether they appear to be. Thus, it is possible that luxury brands create a strategy focused on conveying the perception that they are serious about CSR and portray themselves as socially responsible even if they are not. However, given the existence of social media, which has made it easier for both activists and consumers to convey negative news about an organization, brands could be damaged by exaggerating their CSR achievements. Furthermore, while some brands already have relatively comprehensive CSR programs in place, there are also brands that are working to create strong programs relate to this issue from scratch and this is quite positive for the entire sector because by developing them to the public they can raise awareness.

Based on the above discussion, it can be concluded that CSR is compatible within luxury, not only because of the relationship between CSR and quality, but especially because the success of both a CSR program and a luxury strategy, depends on a long-term vision. Nevertheless, in terms of how relevant CSR is perceived to be within luxury, there are different opinions: although CSR is still in its infancy in terms of consumer demand within luxury, it is already being demanded by customers genuinely interested in CSR. As a result, some brands are offering CSR to their customers to meet this limited demand.

CSR is used as a marketing tool to drive revenue for luxury brands that are starting to implement it.

CSR is also used by brands as an add-on feature to try to make high-net-worth customers, especially those involved in philanthropic efforts, feel good about their

luxury purchases. Thus, brands complement the excellence in the product and the customer experience they already provide.

Chapter 3: The perception of the customer about this new kind of luxury experience.

As we can see every day, the luxury environment is continuously changing, and customers expect a perfect functionality and immediate support at all times. Customer attention is also tuned to new communications channels. In some ways they are becoming also less brand loyal, especially Millennials.

While they are very price sensitive, they also base more of their purchasing decisions on whether a company's practices and mission align with their values. This is a generation that has higher expectations on what a company should be able to deliver: convenience, quality, values orientation, newness and price. For this reason, we expect personalization to be one of the major themes in the fashion industry for next years. Fashion companies will deliver personalization in many forms.

Indeed, The State of Fashion 2018 conducted by Business of Fashion and Mc Kinsey identified personalization as the number one trend in 2018. One reason for these trends development is consumers' growing desire to use their fashion and luxury choices to express their own style, self-image, and values. Consumers prefer brands that align with their values, and so they seek authenticity from the fashion companies they engage with.

Tory Burch, CEO of the homonymous brand, has stated that customers today want businesses with purpose. Obviously, the product has to be A-plus but it's also really what you stand for and what you believe in.

Consumers are also becoming pickier. This boosts demand for more unconventional and signature items, and for products with higher quality, better prices, exclusivity and authentic and engaging stories. Consumers know what they want and are not hesitant

to shop around for it, choosing products ideally suited to their needs from a variety of brands and companies.²⁴

3.1: Generate value for consumers through arts

Some companies' response has been to broaden the product portfolio and become essentially an umbrella lifestyle brand. Under this point of view, we can consider foundations and the linkage between art and luxury as a form of brand extension to give a customer the most unique and personalized luxury experience possible.

From a consumer perspective, the idea of having access to an exclusive space dedicated to the arts, understanding or not understanding it, can arguably be considered as a further occasion to be considered as part of that elite that the brand is addressing. Moreover, the experience of visiting the foundations, at the contrary of a Louis Vuitton bag, cannot be counterfeit. Finally, the opportunity to dedicate time to experiences, is a luxurious aspect that interconnect the brand and its foundation in the eyes of the consumer, experiencing cultural initiatives can arguably be considered as that certain something that can 'generate value' in the luxury industry, not only 'extract value'.

Luxury brands creating art foundations gives rise to the coexistence of two conflicting concepts: the exclusivity of the luxury brand, and the inclusivity of cultural institutions. Literature suggests that brands should create relationships with their customers; and art foundations are seen as a point where this can happen without compromising the perception of exclusivity that permeates the brand.²⁵

There is an idea that public engagement is something that makes inclusive what is exclusive. However, luxury fashion brands 'art foundations can be considered as a way

²⁴ Amed, Imran. Berg, Achim, *The state of fashion 2018*, Business of Fashion, Mc Kinsey Company, 2017

²⁵ Cassidy, Diane. Grassi, Alessia. Wigley, Stephen. *Luxury fashion brands ownership of private art foundations: a new way of conceiving marketing*, University of Huddersfield, UK, 2017.

of making the brand inclusive through the arts and engagement with the public, maintaining at the same time the distance from the main brand, and still the idea that the brand is hard to obtain.

Another interesting aspect that emerged is that on the cultural institution and the brand side, there is an interesting mix of technology advancement and preservation of tradition. While luxury fashion brands are reconnecting with culture through the exhibition of art, museums are digitizing their collections in an attempt to connect with more of the public as possible. An example of this concept is Valentino Garavani museum launched in 2011, being the first innovative museum experience for customers.

Valentino Garavani and his partner Giancarlo Giammetti has launched this digital experience that illustrated fifty years of history of the fashion Maison. Valentino has been the first international stylist that has created a permanent exhibition with all its creation in digital format.

The virtual museum can be downloaded from computers or browsed directly online and it's linked to a database which use a live 3D technology to recreate an addictive place that looks like a real museum.

Contents are displayed as in a classic museum and users can explore different galleries that would cover a surface of 10.000 squared meters.

More than 300 dresses coming from Valentino's archives are exposed and ordered in different themes. Sketches, illustrations, editorials, advertising campaign, events and red-carpet photos tell the story of every dress.

Special events and exhibitions linked to the brand history are celebrated with videos and photos: from the White Collection in 1968 to the White Fairy Tale Ball in 2011.

This application also has a media library where there are catalogued more than 5000 images and 95 fashion shows videos.





Figure 15-16-17-18: Valentino Garavani Virtual Museum, 2011

Finally, the main aspect of public engagement is that it aims at generating personal development and in creating well-being. The idea of luxury brands becoming socially useful could be considered as being one of the key elements behind the creation of art foundations. The idea is that a brand should be more than just a product, people are looking for authenticity and they expect brands and corporations to start taking responsibility and acting for something more than just profits. The fashion brands

‘foundations can arguably be seen as an example of how brands can state and emphasize what their values are and how people should perceive them.

Art investments by fashion and luxury brands is a way for creating a legacy and attracting a different type of audience. The foundation is seen as a reference point that allows the brand to put itself on a par with art. Moreover, this association between luxury fashion and contemporary art allows people to think ‘My dress is as valuable as this piece of art’.

Foundations are a key element to increasing exclusivity for the brand image. Museums use ‘dwell time’ as a means to analyze how long people stay in their institutions, and according to this view, people are definitely spending more time in the foundations than in the brands’ flagship store, and, even if the foundations are not utterly branded, the public is actually immersed in the brand for a longer time on the assumption that that brand is kind of permeating your experience. However, on the other side, there is the idea that more people are buying a luxury product than visiting the foundation, so from this perspective, the foundation is more exclusive. Luxury has an allure of being unattainable and aspirational so, creating links with a wider culture of visual arts and buildings that are accessible to the public, will help a brand.

Given this strong link between luxury brand and arts, they actually remain two separate realities.

The LVMH marketing executive stated about the foundation:

“It is very much a museum, you don’t see fashion in it [...] it is very devoted to art and internationally recognized in the cultural landscape”.

Moreover, the foundation is not owned by the fashion brand but by the LVMH group. It emerged that the main shared characteristic between the two realities is that in both cases the CEO, Bernard Arnault, wants excellence for both, and he wants to support

creation: with the fashion brands supporting designers, with the foundation supporting artists.

It is very interesting to discover that museums apply some marketing techniques to measure people experience. Most of the visitors see in the foundations not only the continuous association of fashion with art, but also the potential to help generate brand value, increase exclusivity and create a legacy. The foundation is for the art and regards art only, you have to be there physically to enjoy the experience and be there physically means that people need to take some time for themselves, travel to Milan or Paris, spend time and money to be immersed in this cultural reality, while you can purchase a Prada or Vuitton bag online in a few minutes. There is again the idea of time as a luxury to dedicate to personal interest and cultural development. These realities are not chasing to make the brand sell more, but they are selling differently. The foundation let consumers associate themselves with something not commercial, with something perceived as being more important and valuable than products. The idea that an haute couture dress is valued as a piece of art fully explains how there has always been the perception that fashion is not valuable, superficial, but the association with an artwork at a brand level could make the difference. Moreover, the key point is this idea of art being something that lasts longer and can allow a brand to create a legacy to be remembered for longer and as something more than a mere commercial activity.

Creating value for the society is one of the main aims of a cultural institution, so in offering a cultural experience to people, brands are generating some values. Even if creating new venues dedicated to contemporary art, sponsoring new artworks, and exhibiting art collections is giving the brand an image boost, this does not mean that the entire phenomenon could not generate benefits for the consumer and, through an engagement process, creating well-being.

3.2: M(art) World: trends that shape the experience

The proliferation of foundations and this new kind of attraction for customers, has shaped the concept of M(art) World, a market that contains art within its identity. This is more referred to shop but can actually explain the perception that customers have of this new kind of experience offered by luxury brands.

A trend that has brought to the birth of this concept is that customers are becoming more and more visual in their culture and so the movement toward aestheticization has become stronger.

In the nineteenth century, department stores used visual merchandizing to transform products into desirable and expressive commodity signs, today merchants create exquisite palaces of consumption, featuring glass skylights that flooded stores with natural light. Weather permitting, consumers could finally see objects clearly; customers came to expect sensory stimulation when they shopped. Today, the critical difference between department stores that make ordinary goods look extraordinary, and actual luxury brand stores, is that, in the former, the sign value of an object becomes more important than its aesthetic value. In actual luxury stores, aesthetics reign supreme.

As already outlined, luxury and art are strictly linked because luxury consumers want exclusive and exquisite products. To generate new sources of revenues museum have transformed into multimedia commercial galleries and curators have become entrepreneurs.

The concept of M(art) can be better explained by the following scheme:

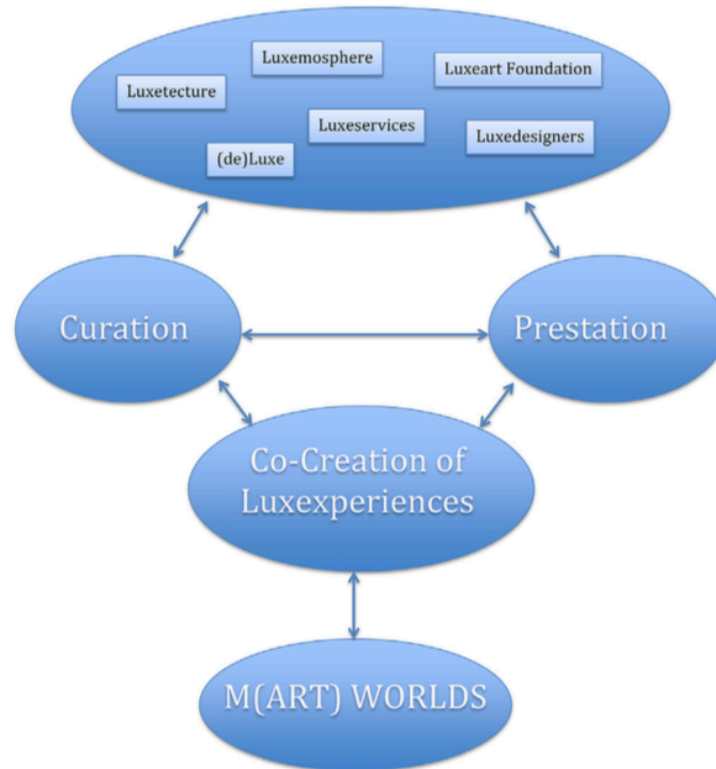


Figure 19: Annamma, Joy. Chan, Tsang-Sing. Cui, Geng. Sherry, John. Wang Jeff. *M(Art)Worlds: Consumer Perceptions of How Luxury Brand Stores Become Art Institutions*, Journal of Retailing, 2014.

The figure depicts the key domains that contribute to the creation of M(Art) World, a term that incorporates aesthetics at all levels, from strategic thinking to physical environments and strategies used by mass merchandizers. The notion of M(Art) World involves three processes: curation, prestation, and co-creation.

Curation involves acquisition, care, research, exhibition, design, layout, and the imagining and construction of discourses. Curatorial attention is also paid to the display area's architecture and interior design. However, while all artifacts may signify particular meanings and activity, the aesthetic coding of their materiality provides them with the capacity to enchant.

Prestation offers spellbinding experiences orchestrated by highly trained employees. Staging, brand narratives, and employees imbued with an evangelical reverence for the brand all play their respective roles in creating consumer loyalty.

Co-creation suggests that consumers take and shape what is given, place, people, and brand, to create their own meanings. A company selects its product line, in part with on-going collaboration with well-known artists; but without customers' interpretations of and involvement with the place, people, and brand, it would lose its ability to extend and sustain itself. While curation and prestation are central to the creation of adoration, the co-creation process is essential in understanding how consumers and brands collaborate, however subconsciously, in creating the mystique of the luxury experience.

The experience of the customers is based on six pillars that build the M(art) concept:

- Luxetecture: architecture, interior design and products (for sale or only for shows) is central to the perception of a place in which a customer may have an experience. Many times, this prestige is given also by the famous architects that project those places such as Rem Koolhaas for Prada, Philip Group for Hermes and Henry Gehry for LVMH.
- (De)Luxe: the power of light is an important thing to consider. The major part of foundations and modern museum are built with glass or materials that capture and reflect light. Luminous ambient attract people and permits to better see products or art pieces. At the same time, playing with light and create shadows or dark places permits to the brand to maintain their mysterious and exclusive allure. An example is Eliasson's exhibit "Eye see you" for Louis Vuitton.

The artist has installed inside the window of different stores a gigantic eye that reflected the eyes of the viewer, enshrouded in an otherworldly light and projected outward, even as the installation itself was a spotlight on the viewer.

- Luxemosphere: this term has been coined by Luxe Corp, a consultant agency, and basically means that all five senses are involved during the interaction with the customer.
- Luxdesigners: meaning that the experience for the customers can be directly created through art objects. This concept mainly concerned toward a kind of customers that can be recognized as collectors.
- People that exploit foundation not only to have an experience but to enrich their houses and their collections with unique art pieces created by famous artist or designers, this created in them a feeling of being unique by possessing rare, valued and often not replicable products. Availability, in fact, affects customers' desire. A purchase postponed can become, paradoxically, an even more desired purchase. Another important aspect of luxury, as with art, is the price. Since the item is precious and is the creation of an artist, the price must be set at the value perceived by the client.
- Luxeservices: luxury brands tell important narratives about their creation and customer appreciate and are curious about them. The companies highlight the work done by artisans who are limited in number, given the extensive training, apprenticeship and commitment to craft that their position require. The objects, thus, become sacred and rarefied.
- A consequence of this, is that products are not always accessible to the customer, as a deliberate strategy. This trick creates the desire of possession inside a customer.

Another important part of the perception of the experience of the customer is given by the impeccable employee service of a luxury brand. As is the case for visitors to a museum, the experience is in the here and now. The customer enjoys personal attention and becomes more culturally informed.

- LuxeArt foundation: the last pillar of this concept is that luxury brands become patron of the arts with this kind of activities.
- Museums and foundations combines the excitement of a spectacular entertainment destination with education. Intimidation is often cited as an emotion caused by monumental architecture, such as that associated with traditional museums. Such museums are also object and education-focused, paying little attention to the ambience and context within which visitors engage with art.

Customer perceive that everything around the brand becomes very big and prestigious, but it feels comfortable for them because remain accessible even if it is luxury.

At the same time the connection with art makes products even more luxurious in the perception of a customer. Corporate collaboration with famous artists highlights a clear aesthetic strategy in operation. While Louis Vuitton's selection of, for example, Takashi Murakami to create a version of the original monogram could be seen as threatening to the firm's identity, the company elected to give Murakami carte blanche to reflects the company's desire to push innovation to the hilt. On the other side, customers, thanks to these collaborations, realized that the brand had an arts foundation and was supportive of new artists.

Customers, thanks to these strategies, develop a strong sense of self-identification and attachment to the place and the brand they experience rendering the visits more than

circumstantial events. Customers are not merely visitors to a museum of foundation, although they may have been drawn in with the hope of seeing what new products are available or just to have a look. Such visits are not a momentary access to the objects without possession. Customers are there to look, but, eventually, if not immediately, they are also there to buy. In a brand museum, the focus is on the brand regardless of whether the brand managers humanize, globalize, localize, theatricalize, contextualize, socialize, or characterize the brand. When the brand is viewed as an aesthetic product worthy of appreciation, the visitor then sees the brand in a different light: it becomes a piece of art in and of itself.²⁶

3.3: Consumers' perception of CSR in the luxury sector

Related to CSR there is also a downside of luxury visibility that expose it to criticism. In the current context, sustainable development has become a key issue for all businesses: it now also includes luxury not so much because of its size but because luxury symbolizes the growth of a consumption based on other motives than functionality. This has been called the positional economy or the appearance business. As a result, those luxury brands which have a high iconic status are more in the viewfinder of activists looking for symbolic trophies of their fight for a better world. During the European controversy regarding the presence of allergens in 90% of perfumes, No. 5, the iconic product of Chanel, one of world's most prestigious luxury brands, appeared to be the first one mentioned by rumors, and this all the way to China, thus creating a negative buzz in the Chinese social networks about this expensive brand, depicted as faulty.

²⁶ Annamma, Joy. Chan, Tsang-Sing. Cui, Geng. Sherry, John. Wang Jeff. *M(Art)Worlds: Consumer Perceptions of How Luxury Brand Stores Become Art Institutions*, Journal of Retailing, 2014.

These examples clearly show that the reputational risk has become very high for luxury brands and it is very easy that some critics from an individual consumer can quickly take on gigantic proportions because of social networks. In addition, consumers indicate a growing need for transparency; luxury customers have very high latent expectations about the commitment of luxury brands in sustainability.²⁷

By comparing the components of sustainable development with those of luxury, it becomes possible to identify potential elements of contradiction. For example, all elements related to ostentation will oppose the fairness of sustainable development. Similarly, pleasure is opposed to altruism and ethics. However, the word luxury is also associated with high quality, know-how, slow time, the preservation of handmade traditions, transmission from generation to generation of timeless products: these associations will be in agreement with sustainability. One of the fundamental principles of a true luxury strategy is to produce locally by talented artisans and respect the sources of raw materials. Unfortunately, the rapid growth of the luxury sector has attracted new brands, looking for volume and margins: they are mass-tige brands and derogate from the strict luxury rules to increase their margins.

More generally, it can be said that people do support corporate social responsibility and ethical concerns but are not ready to pay more for them. In order to transform ethical concerns into behaviors, consumer must feel that their simple actions have a market influence. On the other side, consumers tend to purposefully ignore sustainability issues when they purchase, even though they say they are concerned; but this willful ignorance has a goal: to protect consumers from negative emotions. This is why luxury purchases are indeed still less impacted by sustainable or ethical criteria: nothing should hurt the dream. An example can be made with recycled product:

²⁷ Kapferer, Jean Noel, *Is luxury compatible with sustainability? Luxury consumers' viewpoint*, Journal of Brand Management, 2014.

recycling means it is no rarer, it loses its prestige. There is no problem however to use recycled material for the packaging themselves (which will be destroyed and wasted). When the concept of rarity and uniqueness is applied to ephemeral products, such as clothing, there's no perception of compatibility in the sense that luxury clothes are meant to last forever. Consumers are less likely to take into account ethical criteria when they buy luxury for different reason:

- Luxury purchases are rare: consumers do not perceive their impact on the environment.
- Each luxury purchase is a blessed moment, a parenthesis for dreaming, there's no reason to trouble it with negative ideas about the many dramas on earth
- People would expect that luxury brands more than any other would take all into account, considering their high price and the fact that they have to obey their already existing national laws about the protection of nature.²⁸

Another two important pillars of luxury and sustainability's compatibility are: slow growth and social harmony.

About the latter, it can be said that luxury is felt as opposite with sustainable development when consumers perceive it as superficial and as a mean that create social differences. Moreover, although luxury buyers declare they do not care about sustainable development when buying a luxury product, they are also very prompt to react negatively when learning some dissonant news about the luxury brands: those negative news most likely to induce boycott are related to: engaging cheap workforce to produce luxury goods, killing animals for their furs, killing three crocodiles to make one single luxury bag, destroying unsold products instead of selling them at a discount web-store.

²⁸Ahonkhai, Ine. Davies, Iain. Lee, Zoe. *Do consumers care about ethical luxury?*, Journal of Business Ethics, Vol. 106, No. 1, pp.37–51, 2012

Luxury consumers are willing to boycott a brand when misbehaviors are discovered concerning sustainable development. The first reason emerging is that today the real class is to buy luxury products respectful of the planet, the second being considering their price, it is the least one can expect from luxury brands.²⁹

Thus, what makes people not care about sustainability when buying is firstly because they think of their own pleasure at that moment and then they are not able to tell what brands are doing a lot in terms of sustainability.

Indeed, consumers are particularly interested in sustainability when they perceive that their choice has an immediate impact. This is the case for consumer products, characterized by highly repeated purchases, but not for the very few purchases of extraordinary luxury goods. Thus, consumers will perceive more clearly the impact of the ‘conscious’ collection by H&M than the one of the Rainforest Alliance certified collection by Gucci. Moreover, in luxury, everything is done for the client to feel unique and special: this tends to maximize the feeling of privilege and rarity, minimize the feeling of volume, therefore, of the potential impact of this rare purchase on sustainable development.

Generally, contradiction is lower for customers who define luxury as extreme quality. It is instead much more intense for those who define luxury as expensive or rare, two factors which induce high selectivity. As a result, if the luxury brands do not communicate directly on sustainable features of their products or services, they will have to increasingly highlight product quality, their being handmade, their rare craftsmanship rather than only rarity of supply or high price. In the last years, more and more luxury houses have intensified communication activities on the social networks around the values of luxury such as the use of extreme quality materials and talented craftsmen. This is the case of Hermès with the film “Hands of Hermès” or of

²⁹ Kapferer Jean Noel, Michaut Anne, *Are luxury purchasers really insensitive to sustainable development?*, in Gardetti, M.A. and Torres, A.L. (Eds.): *Sustainable Luxury*, Chapter 7, Greenleaf Publishers, London, 2014.

LVMH group who created the ‘Special Days’ to provide transparency regarding production.

However, although luxury consumers do not appear to be explicitly interested in the sustainability criterion to purchase luxury brands, they nevertheless do have strong expectations. Luxury consumers implicitly hold the belief that luxury brands have the duty of being sustainable, a mission of exemplarity based on their price and promised exceptional quality.³⁰

Concluding, it can be said that although a minority of luxury customers includes sustainability in their purchases decisions, it remains that they have very marked expectations with the orientation of luxury brands toward this issue.

This suggests that sustainability has become an element of quality expected by luxury customers. It is not surprising to find that expensive products that would not respect the environment and society would not only disappoint customers but even create anger. For some brands, it is becoming urgent to link together expectations and reality in order to preserve their reputation, or even to maintain their license to operate. Keeping sustainable development as a corporate prerogative is not enough anymore, now brands must be able to move on and prove they are really concerned about sustainability and CSR: this does not mean being positioned as the most sustainable brand of the market because the demand does not lay here and the investment to change the supply chain wouldn’t pay back. It means demonstrating that a step by step progressive modification and control is taking place with high goals at the end.

³⁰ Gardetti, Miguel Torres, Ana Laura. *Sustainable Luxury: Managing Social and Environmental Performance in Iconic Brands*, Greenleaf Publishing, London, 2014.

3.4: Analysis of the new consumers' behavior

Starting to analyze the consumer behavior in the current market it become visible that we speak today of a disenchanted and competent consumer, able to discriminate between all market's offers, demanding and selective. But, above all, consumer today is a holistic one, in the sense that for the purpose of its choice, it involves all the dimensions at stake. Consumption today as become the language through which the individual expresses its identity. As stated in Altagamma 2017 Worldwide Luxury Market Monitor, luxury consumption has passed from an end in itself to a means to self-express.

In the past consumption lead to being recognized as a part of a group with a shared status, today is intended as a way to feel part of a group with shared values. Consumers want to live brand stories, and brand in consequence must be able to inspire them with dialogue, immersion and a sensation of feeling at home when engaging with the brand. Consumers have come to appreciate sustainability and to look for ethical products as a benchmark for high quality and reliability. Such buying behavior was defined as ethical purchase behavior or ethical consumption. It is pursued by those consumers who believe they can influence decisions of companies through their purchasing and consumption choices and through these they can contribute to improve the environment and society in which they live.

Proceeding with this analysis we can give the definition of what today has become the "green consumer": one who avoids products that are likely to harm the planet and its resources or the health of others, consume disproportionate quantities of energy, cause wastes, use materials derived from threatened species or environments; involve unnecessary use of or cruelty to animals; adversely influencing other countries; the ethical consumer is also concerned about the 'people' who manufacture the product, its use and disposal. The goal of green consumption is to maximize the adoption of

"green" products that are lighter in their environmental impact in the total life cycle, including the phases of production and post-use.

According to a report published by The Business of Fashion, sustainability has been and will continue to be at the center of innovation in the fashion and luxury industry in 2018, with front-runners harnessing the circular economy to unlock technical innovations, efficiencies, and mission orientation. Companies have started to embrace the importance of sustainability, with 42 out of 100 fashion brands in 2017 disclosing supplier information.

Leading companies will go further, moving to close the loop of the entire product lifecycle by means of recycling and regeneration. As focus shifts to a circular economy, sustainability will evolve from being a menu of fragmented initiatives to be an integral and defining part of the entire luxury and fashion companies value chain. An important force behind the growing sustainability movement is the realization that sustainability leadership can serve as a real source of differentiation. An example that does not fall in the field of luxury but is mainly related to the fashion and textile industry is Patagonia.

The brand has earned a large and loyal customer base through its relentless focus on sustainability from product development to innovative campaigns and involvement in sustainability initiatives. The most significant campaign is the one that invite customers not to throw away their Patagonia garments but, in case of damage, bring them back to a shop and get fixed. The aim is principally to sensitize people about avoiding wastes and recycle as much as possible.



Figure 21: Patagonia advertising campaign, 2018

Millennials in particular are interested in more-sustainable solutions. By 2025, Bain projects that Millennials and Generation Z will account for 45% of the global personal luxury goods market. While that presents great opportunities for many brands, the challenges are also considerable because Millennials think and shop differently from previous generations.

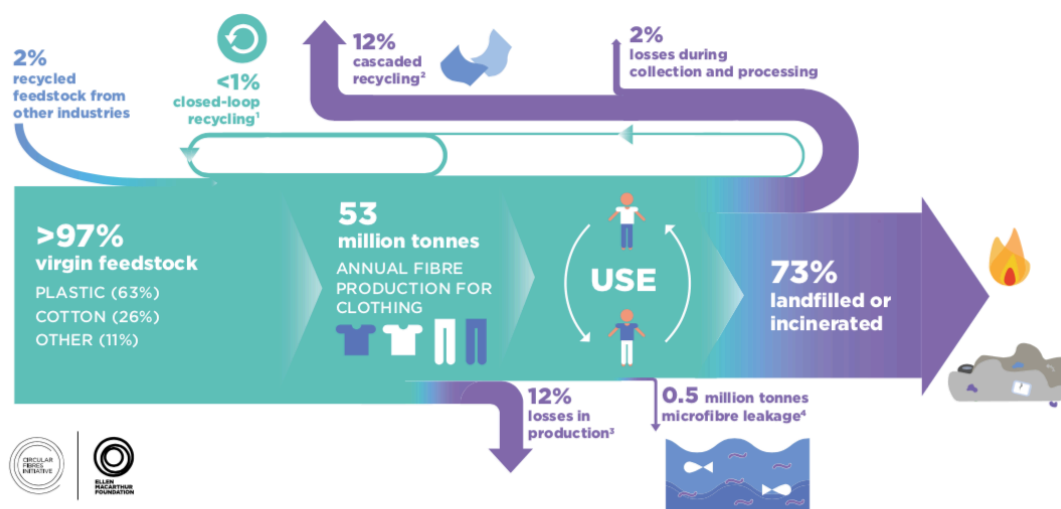
The industry's growing focus on sustainability is also being driven by passionate industry pioneers. For example, the Ellen MacArthur Foundation has created the Circular Fibres Initiative.

Launched in May 2017 at the Copenhagen Fashion Summit this initiative brings together leaders from across the fashion industry, including brands, cities, philanthropists, NGOs, and innovators. Its aim is to stimulate the level of collaboration and innovation necessary to create a new textiles economy, aligned with the principles of the circular economy.

One year later, at the 2018 Copenhagen Fashion Summit, the Circular Fibres Initiative begin its second phase: Make Fashion Circular. To develop, and not just survive, the fashion industry needs to radically redesign its operating model by transitioning to a circular system, where safe materials are kept in use and let the industry be able to unlock an enormous economic opportunity. Make Fashion Circular brings together industry leaders including Burberry, Gap Inc., H&M, HSBC, NIKE Inc., and Stella McCartney as Core Partners.

The starting point of this initiative is that clothing is massively underutilized, according to the report done by the foundation, the number of time a garment is used before it ceases has decreased by 36% compared to 15 years ago.

Globally, customers miss out on USD 460 billion of value each year by throwing away clothes that they could continue to wear.



- 1 Recycling of clothing into the same or similar quality applications
- 2 Recycling of clothing into other, lower-value applications such as insulation material, wiping cloths, or mattress stuffing
- 3 Includes factory offcuts and overstock liquidation
- 4 Plastic microfibres shed through the washing of all textiles released into the ocean

Figure 22: A new textile economy: redesigning fashion’s future, 2018

As the figure shows, less than 1% of material used to produce clothing is recycled into new clothing, representing a loss of more than USD 100 billion worth of materials

each year. Across the industry, only 13% of the total material input is in some way recycled after clothing use. Most of this recycling consists of cascading to other industries and use in lower-value applications, all of which are currently difficult to recapture and therefore likely constitute the final use.

Even though some countries have high collection rates for reuse and recycling (such as Germany, which collects 75% of textiles), much of the collected clothing in such countries is exported to countries with no collection infrastructure of their own. These valuable efforts increase clothing utilization, though ultimately most of these clothes end up in landfills or are cascaded to lower-value applications.

Today's linear system uses large amounts of resources and has negative impacts on the environment and people. The textiles industry relies mostly on non-renewable resources, 98 million tonnes in total per year, including oil to produce synthetic fibres, fertilizers to grow cotton, and chemicals to produce, dye, and finish fibres and textiles. Textiles production also uses around 93 billion cubic metres of water annually, contributing to problems in some water-scarce regions. The industry's immense footprint extends beyond the use of raw materials. In 2015, greenhouse gas (GHG) emissions from textiles production totalled 1.2 billion tonnes of CO₂ equivalent, more than those of all international flights and maritime shipping combined. The industry also has direct local impacts.

The ambition for a new textile economy not only puts a stop to these damaging trends, but also summons the creative power of the fashion industry to develop a new production chain. In such a system, clothes are designed to last longer and be worn more. New business models allow clothes to be rented, resold, or recycled more easily. And no toxic substances or pollutants are released when clothes are produced and used. The idea proposed by the Mac Arthur Foundation is composed by four phases:

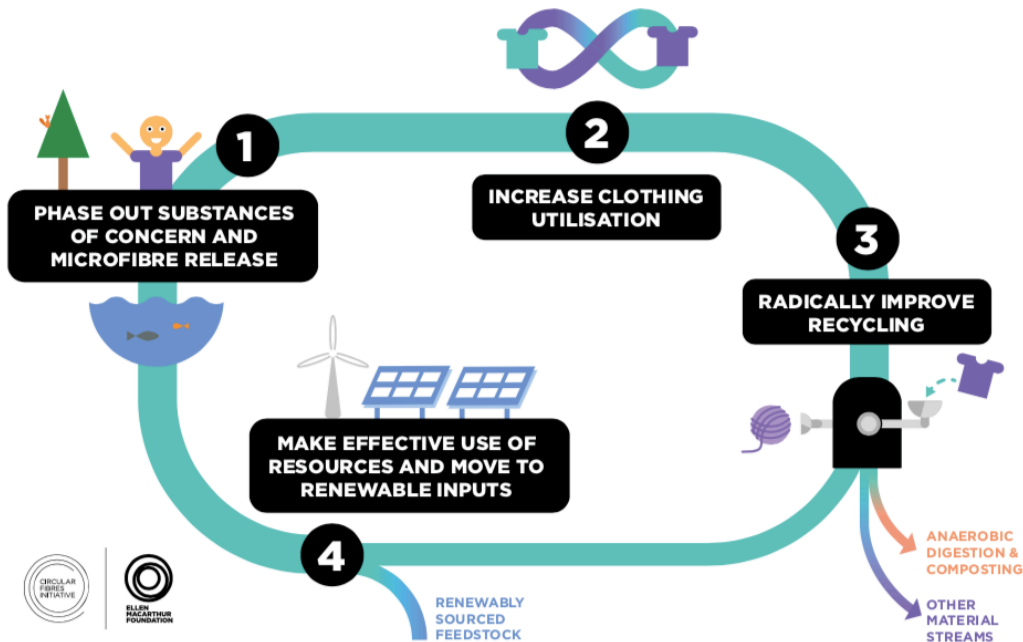


Figure 23: A new textile economy: redesigning fashion’s future, 2018

- Phase out substances of concern and microfiber release: a new economy must be sure that the input material is safe and healthy to avoid negative impact during production and in the after-use phase. This can be achieved by align industry efforts and coordinate innovation, improve transparency along the value chain and drastically reduce plastic microfiber release by substituting them with new materials and production processes that reduce the number of microfibers shed by clothing.
- Transform the way clothes are designed, sold and used to break free from their increasingly disposable nature: to increment the number of time clothes are worn would be successful to create a rental system that makes clothes more appealing for people to wear, make also durability more attractive and increase clothes utilization by focus on brand commitments and policies.

- Radically improve recycling by transform clothing design, collection and reprocessing by align clothing design and recycling processes. Moreover, pursue technological innovation to improve the economics and quality of recycling, stimulate demand for recycled materials and implementing clothing collection at scale.
- Make effective use of resources and move to renewable inputs: the need for raw materials would be drastically reduced due to higher clothes utilization and recycling. However, virgin material input will likely always be required. Where such input is needed and no recycled materials are available, it should increasingly come from renewable resources. This means using renewable feedstock for plastic-based fibres and regenerative agriculture to produce any renewable resources.³¹

In sum, 2018 has brought to fruition the next level of sustainability and has offered the potential of a competitive advantage for fashion companies who embrace it fully. As the commercial advantages become apparent, a dedicated group of sustainability champions will lead the way, showing the fashion industry how to drive innovation and value by integrating sustainability across the entire value chain.

3.5: Survey

In order to understand practically what is the perception that consumers have about luxury and its link with art, charity and CSR I have conducted a survey based on this new kind of luxury experience.

The sample has been taken out from 80 people between the age 20 – over 45.

³¹ AA. VV., *A new textile economy: redesigning fashion's future*, Ellen MacArthur Foundation, 2017

- 48.8 % of respondents were between 20 and 25 years so, we can consider this category as Millennials
- 31.3 % were in the range between 25 and 35
- 4.9 % were in the range between 35 and 45 years old
- 15 % were in the range over 45 years old

The respondent was asked firstly to assess if they have ever had a luxury experience and the response was “yes” for the 87.5% showing a positive attitude and curiosity toward luxury experiences and the sector in general.

The majority of these experiences was:

- 47.4% taking part to events, shopping experience, gifting from a specific brand
- 44.7% visiting museum of fashion foundation
- 7.9% taking part to philanthropic activities organized by a brand

After these general informations, I have analyzed more deeply the perception that respondents have about these kinds of activities.

The respondents were asked about the sensations that having an experience like this have left to them.

- The majority, 47.5% said that after the experience the value of the brand was accrued for them,
- 20% said that it has become more loyal to the brand
- 28.7% said that has experienced no differences.

The following question wanted to analyze which is the idea that people has about the fact that luxury sustains art in general.

- 50 % of respondents said that luxury brands, thanks to their financial results, should be an example for other sector to invest and sustain arts.
- 37.5 % of respondent said that investing in art can increase brand visibility

- 11.3 % said that it doesn't think that the two sectors are actually related but it's just a marketing strategy.

Respondents were then asked to which are the factors that make them visit a fashion foundation or a museum:

- 40% said that it is because they want to know more about the brand and the sector in general,
- 31.3 % said that are interest in art but not in the brand that sustain it
- 28.7 % said that they are emotionally attached to the brand, its story and this kind of initiatives.

Even if digital is catching on in this sector, for museum and foundations people still prefer to visit a physical place and not to have this experience online. But, if constrict to have this kind of experience online I have asked which contents they prefer to find on a platform:

- 61.3 % want to have interactive contents about brand history and recent activity
- 21.3 % want to have news about brand activities and initiatives sustained.
- 17.5 % want to have texts, images or videos that tell brand history

Given that museum and foundation are created, most of the times, to establish a link between brand history and the modern age, I posed the following question: "Inside a museum or foundation is important to underline brand history and link them to innovation?"

- 93.8 % of respondents said that a luxury brand should be able to respect its history and origins but, at the same time, be innovative and follow the sector changes.
- 6.2 % have responded that a luxury brand should enhanced its DNA and the result obtained during time.

The last question of this first part of my survey asked what people think in general about luxury and luxury experiences:

- 37.5 % have answered that luxury makes you feel better. This part of respondents is willing to pay a premium price because the service that receives back is excellent and repay the efforts.
- 33.8 % have answered that luxury makes you feel unique and gives you the possibility to possess something that not everybody can have.
- 28.7 % have answered that it is not interested in the sector and in the sensations or benefits that can give you back.

The second part of my survey was more focus on CSR activities intended as the efforts of a brand to behave correctly, impartially and equally and be aware of the consequences that the business can have on economics, social sphere and environment. Following a politic of social responsibility means to adopt a strategic and operative orientation focus on responding to the economic, environmental and social expectations of the individuals target of the company. This means to adopt productive processes that limits the environmental impact on territory and increase the realization of initiatives aimed at favoring sustainable consumption habits and promote socially active behaviors.

The first question of this part wanted to analyze which is the point of view of people about luxury brand that sustain and implement CSR activities.

- 35 % of respondents answered that luxury sector, also if it is not one the biggest sector, can change the production dynamics that are risky for the environment and resources and can be an example for other sectors.
- 25 % answered that are aware that luxury brand implement CSR activities during these last years and sustain this behavior.
- 22.5 % answer that it is not aware of the sustain that luxury give to CSR

- 17.5 % answered that it is not convinced about the real sustain of luxury to CSR but it is only to make marketing and hid the side of luxury connected with waste, excess and wealth.

Given that there are many methods with which a luxury brand can implement CSR behavior the second question ask to decide which is the most effective method and the one which has the biggest impact on people's way of think.

- 37.5 % of respondents said that the most effective way is to demonstrate publicly that the efforts of luxury brand have benefic effects and explain them to common people to make them aware that is not a joke or a marketing strategy.
- 28.7 % said that it is helpful to involve people in events and information campaigns.
- 25 % said that social media are the best way to spread effects and consequence of CSR behavior.
- 8.8 % respond that advertising should be used to inform about CSR activities that brands implement.

As already outlined in this analysis, sometimes luxury brands are not willing to share publicly the result of their CSR efforts because they are quoted and consequently not obliged or because they are small family business that don't consider this aspect as important as it is.

Given this I asked directly to common people if they prefer to have results diffused publicly or not when brands implement CSR activities:

- 68.8 % of respondents said yes because, by knowing exactly which the efforts of a brand are, they should also change the entire idea about this brand

- 25 % of respondents said yes because they do not really believe that brand implement these efforts. They want to make us trust on their activities but do not really implement them.
- 5 % of respondents answered no because it is not interested in this argument
- 1,2 % of respondents said no because by showing these results could create a damage for luxury brand and erode the aura of exclusivity that luxury as by itself.

In the last years many brands have started to turn into green activities and business process so, in order to make the point, I asked if these efforts are taking some results or not for people, environment and brands themselves.

- 58.8 % have answered that they are noticing some results coming from the efforts of luxury brands, but they can and they must implement them in the future
- 35 % have answered that they are not noticing the consequences of these efforts and that luxury brands must still develop this aspect of their business
- 6.3 % have answered that luxury brands are investing in green practices and this is notable from public

Given that the majority of people result to be aware of CSR practices and behavior of luxury brands I asked to report some examples.

Respondents mentioned mostly Brunello Cucinelli, one of the most committed Italian brand for sustainability issues and green practices and Stella Mc Cartney that, since years, has developed an almost completely green production chain by using organic cotton, fibers from forests and cashmere without harming wastes for the planet.

By defining itself as a vegetarian brand they believe in treating animals and their habitats with respect. For this reason, they use and put a fur-free-fur label on each garment and use only products that looks and feels like real fur without any of the

cruelty factor. The brand works with a few selected mills that produce materials and products in an environmentally sound way.

They are conscious that products are non-biodegradable, made from either acrylic, polyester, wool or mohair. Therefore, they encourage customers to care for their items and be responsible with their garments, never throwing them away because luxury doesn't mean landfill, it means forever.

Another example that has been reported is Tiffany that is applying many sustainable practices both at the production level, thus adapting green practices to the value chain starting from the sourcing of diamonds to distribution and after-sale. At the same time, it uses renewable energy and sustainable design within the offices, promotes integration at the working level without distinction of gender, ethnicity or religion. It also fights the problem of deforestation and CO2 emissions.

Finally, one respondent mentioned the LVMH LIFE 2020 program. The LVMH Group created the LVMH Initiatives for the Environment, or LIFE, program in 2012, accelerating an environmental and sustainable development strategy deployed since 1992.

By continue this analysis it is important to understand how important is for people in the moment of purchasing, how the product is produces and the materials that are used:

- 63.7 % of respondents said that it always tries to get some information of the provenience of materials and the production process implemented by the brand before completing the purchase
- 22.5 % of respondents said that by purchasing a luxury product they already consider the brand as a guarantee on quality and respectful behavior.
- 13.7 % of respondents said that it is not interested in this issue

Treating the purchasing moment, the most delicate for a luxury product, respondents were also asked to state if, by knowing that the brand behave green and sustain CSR, they would be more willing to complete the purchase:

- 58.8 % said that it would be happy to make a purchase that can have beneficial effects on others, environment or social conditions
- 28.7 % said that would perceive the brand as more human and close to common people
- 12.5 % said that the differences would be so big since they are interested in the brand and not in its activities behind the scene

To conclude this survey, I concentrated on charity activities in a more general manner by asking to respondents what they think about all those brand that invest on CSR and behave by respecting its principles.

- 46.3 % said that they sustain the idea that a luxury brand should devolve part of its revenues to no profit organizations or engage in charity activities
- 33.8 % said that it's a way to make the brand more benevolent to the eye of customers given that sometimes luxury is associated with wastes and opulence.
- 20 % said that it is not informed about this issue

Respondents were then asked to express which are the reason that push them to sustain luxury brands' charity initiatives.

- 70 % said that they effectively sustain these kinds of activities once they actually know the destination of the proceeds and their consequences
- 17.5 % said that the push is given by the fact that the brand sustains a cause in which they personally believe and so, this make them feel the brand very close to them and appreciate to share the same point of view
- 7.5 % said that it wouldn't take part to these kind of activities

- 5 % said that a luxury brand is already a guarantee, and this is enough for them to sustain those kinds of activities

Chapter 4: Analyzing the biggest consolidated group in the market and their efforts for arts and CSR: the specific case of LVMH and Kering.

To conclude my analysis on the luxury sector and its linkage with arts and CSR I will take into account the example of two of the biggest consolidated group of the sector that, in different manners and through different brands, have developed foundations, events and activities to sustain arts, culture, heritage, human rights and sustainability. The two specific case I want to analyze are LVMH Group and Kering.

4.1: LVMH Group shared vision between its Houses

The group is active on five principal axes of engagement.

- Art and culture
- Environment
- Economic footprint
- Social responsibility
- Corporate philanthropy

Over the past twenty years, LVMH has pursued a corporate philanthropy policy that resonates with the values of the Group and its Houses, respecting the image and communications strategies of individual brands. This commitment embodies the values all Houses share like savoir-faire, excellence and creativity and anchors them in their artistic, cultural and social environment.

The efforts dedicated to the cultural world have been initiated in 1990 by sharing passion for artistic disciplines and opportunities for new generation to get closer to this world.

The Group's diverse patronage for the arts and culture spans several areas in France and other countries: restoration of historical monuments, acquiring works for major museums, contributing to major national exhibitions and supporting the work of contemporary artists.

Thanks to the Louis Vuitton Foundation has been given support to more than 45 major exhibitions in France and overseas to enable millions of visitors to discover important artists from both the history of art and more modern works. Pupils from elementary and middle schools as well as art students can follow educational programs designed and implemented by the Group that allow them access to the best of culture, particularly in the field of fine arts and music.

Given the five different axes on engagement, different activities could be enumerated when talking about LVMH Group.

In this period, in fact, the 2018 edition of "Prize for Young Fashion Designers", ended.

The winner is Doublet by Masayuki Ino, a designer based in Tokyo who creates both feminine and masculine looks.



Figure 23: Masayuki Ino, LVMH Prize for Young Fashion Designers, 2018

Each edition of the LVMH Prize recognizes the talent of a particularly outstanding designer, selected by a jury of eight Artistic Directors from our Houses. This sponsorship initiative reflects the values of the Group: designers single out the talent of tomorrow, and they are rewarded and supported through the development of their House. The aim is to nurture the vitality and creativity of the fashion world at the international level.

The winner of the LVMH prize will receive a 300,000 euro grant and personalized assistance in the development of his or her company from a specific team within the Group, over a period of twelve months, as from the presentation of the LVMH Prize. This assistance is available from all the areas of expertise which may interest a burgeoning fashion House.

LVMH also support Monumenta since the first edition in 2007. The unique exhibition cycle invites a renowned international artist to create a single, grandiose and spectacular work in the enormous 13,500 m² Grand Palais nave. The last two editions

have seen: in 2016 Empires, by Huang Yong Ping. This work was a 254 meter (833 feet) long metal snake that weaves among hills and valleys made from giant shipping containers. In the midst of it all, a huge replica of Napoléon's cocked hat sits atop piles of containers. It is said to represent globalization (containers), and power struggles (hat), while the snake is both threatening and shows the cyclical nature of glory and destruction.



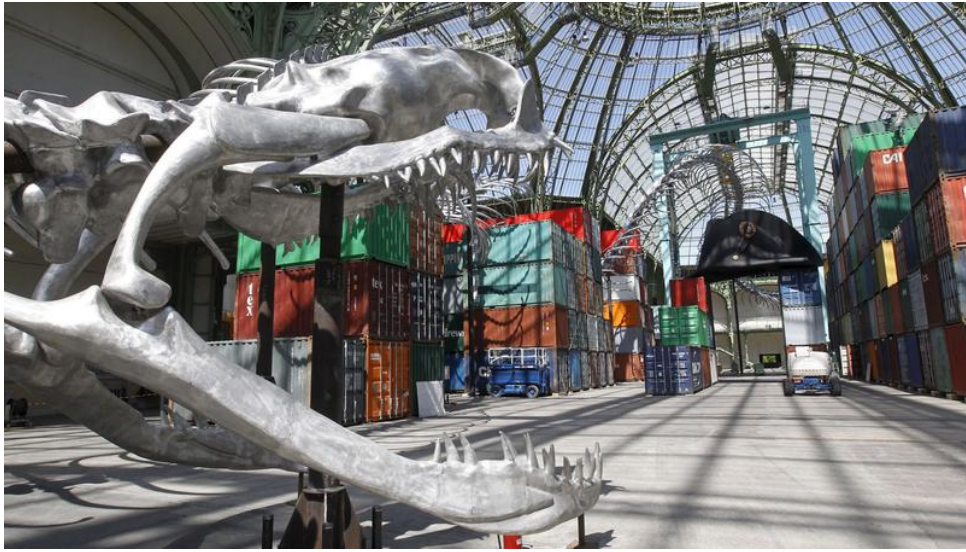
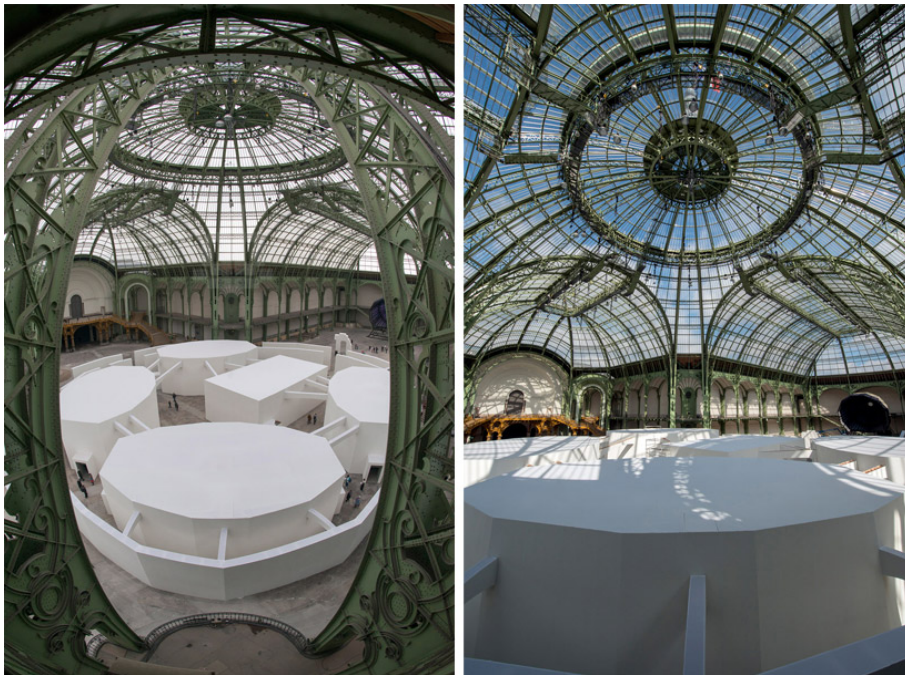


Figure 24
– 25:
Empires,
by Huang
Yong
Ping,

Monumenta, 2016

For the 2014 edition, Ylia and Emilia Kabakov transformed the nave into their “Strange City”, a befuddling labyrinth of a utopian city as well as an initiation journey.



The visiting public was invited to lose themselves in the five pavilions and two chapels included in the exhibit. The mysterious maze called into question the relationships between humanity and the divine.



Figure 26 – 27: Ylia and Emilia Kabakov, Monumenta, 2014

LVMH is also partner at Hyeres International Festival of Fashion and Photography: the Hyeres Festival is a platform designed to promote young creative talent in the fields of fashion and photography, and features exhibitions, round table discussions and two competitions: one in fashion and the other in photography.

Finally, the Group boasts a strong commitment toward teaching young people about art. Since 1997, LVMH has invested in order to allow young audiences to discover art. For this reason, has been create the LVMH Discovery and Learning Classes: a specific educational program offered to several dozen classes, for children aged 6 to 11. On the day that the exhibitions are closed to the public, the designated institution opens its

doors especially for the children attending the LVMH Classes. Throughout their visit, the children are encouraged to look closely at around a dozen works of art, which are specially chosen to develop their understanding of an artist's universe and of key artistic concepts such as color and composition. The next step is devoted to experimentation using the knowledge gained: immersed in the artist's universe, the children attend a workshop to experience the creative approach they have just discovered for themselves.

Related to everything that can concern with CSR activities the Group has developed many and many initiatives that are shared between the Houses. All brand under the LVMH's umbrella have grown and thrived thanks to a long-term vision and patience. Their products, crafted from natural raw materials that are often rare and exceptional, embody the quest for perfection, sustainability and transmission of savoir-faire that is the core of LVMH ideology on these issues.

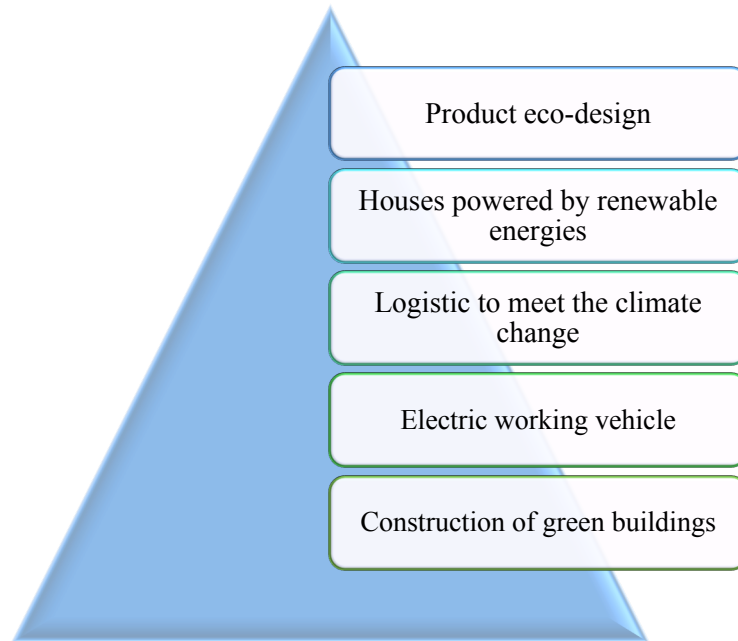
The most ambitious CSR project created by LVMH is LIFE, that stands for LVMH Initiatives For the Environment. It was created in 2012 to elevate the environmental performance of LVMH and its Maisons. This program makes environmental imperatives an integral part of management processes and facilitates the creation of new environmental management tools while encouraging innovative practices at the different Maisons.

The LIFE program is implemented by the executive committee of each Maison as an integral component in the strategic business plan. It centers on nine key environmental performance factors. Each Maison establishes an action plan focused on strategic priorities, along with indicators to track performance.

LVMH took its environmental commitments to a new level in 2016 with the launch of LIFE 2020, which sets four concrete objectives shared by all Maisons:

- Product objective: Improve the environmental performance of all our products.

- Supply Chain objective: Apply the highest environmental standards across 70% of our procurement chains.
- CO2 objective: Reduce CO2 emissions from energy consumption by 25% compared with 2013.



- Site objective: Improve the environmental performance of all sites and stores by at least 10%³²

The LIFE project has been shared by all the Houses of the Group.

LVMH Group commitment toward the planet and its resources can be explained through different activities and behavior. The efforts undertaken can be analyzed as a sort of pyramid that start from raw materials and plant to the final product.

³² LVMH website, 2018

To reduce the impact that production process can have on the environment, is it convenient to apply a strategy that start from the basis. By following this principle LVMH commits itself in create sites, warehouse, store and offices that turn into one with the territory in which are established.

Two truly remarkable projects illustrate this policy:

- Eole: in 2007 Louis Vuitton has opened this international warehouse that is the first logistics building in France built to the demanding HQE (High Environmental Quality) standard as part of a pilot project. Eole is extremely energy efficient, resulting in 40% lower energy consumption in four years, thanks to the use of geothermal heating and extensive use of natural daylight. The facility will continue to become even more energy efficient: after achieving ISO 14001 environmental certification for the warehouse in 2009, Louis Vuitton now aims to certify the site to the equivalent U.S. LEED green building standard.
- Chateau d'Yquem: this is an eco-friendly bottling unit built inside an historic heritage site. To minimize the visual impact the storage space has been built underground. The bottling unit enjoys very low energy consumption of just 4.16 kWh per square meter per year. This performance was achieved thanks to measures to optimize the building shell (including a thick ring of insulation made from glass beads), plus innovative installations that eliminate the need for heating and air-conditioning, and fluorescent lighting controlled by presence detectors in different zones.

The second step of the pyramid is the use of electric vehicle, not only for LVMH staff or guest by also to work. This is the case of Hennessy and Moët & Chandon that use green fleet and electric tractors.

Hennessy began acquiring green cars and delivery trucks in 2011. A study in 2014 showed that the majority of its employees used their company vehicles for trips of under 100 km, setting the stage for further progress. Switching to electric vehicles would cut CO2 emissions by 80% compared with the fossil fuel fleet. Today, a full 80% of the Hennessy fleet comprises Renault and BMW electric vehicles.

Related to the green construction and use of electric vehicle, there's of course the implementation of a logistic strategy that is able to meet climate change and reduces impact as much as possible.

LVMH has conducted environmental audits at most of its Houses since 2002, enabling precise measurement of the contribution of logistics to its greenhouse gas emissions. This has led to a series of actions over the past two decades to deliver merchandise using methods that combine operational performance and environmental excellence, whether the transport distances are long or short. Different example can be made.

To minimize the environmental impact of their logistics operations LVMH Fragrance Brands systematically opt for maritime transport rather than planes. In one year Guerlain has already eliminated seven metric tons of CO2 emissions.

Sephora is focused on green deliveries too. In France, 60% of the beauty retailer's stores are located in city centers, making deliveries complicated due to urban traffic. The company thus teamed with Transports Deret in 2009 to implement last kilometer deliveries by all-electric trucks.

For its part, Parfums Christian Dior signed an agreement with the Valet transport company in summer 2015 for deliveries to its Paris points of sale using vehicles powered by natural gas. As a result, Paris customers of the House now know that products have been delivered using clean technology.

Fourth point of the pyramid is that LVMH Houses are all powered with renewable energies. An example is Loro Piana's strategy and commitment.

Manufacturing textiles consumes large amounts of energy, which is why Loro Piana now produces 45% of the electricity it uses annually internally, including 4% from renewable sources. The Maison has installed 11,000 square meters of photovoltaic panels at four of its six sites in Italy, eliminating 750 metric tons of CO₂ each year. It has also set up in 2013 a cogeneration system to produce both electricity and heat, cutting greenhouse gas emissions by 30%. Already in 1994 Loro Piana became the first company in the textile industry to invest in a natural gas turbine. Both installations produce every year around 14,500 MWh of electricity and 20,000 MWh of thermal energy, with a reduction of over 2,250 tons of CO₂.

With the top of the pyramid we arrive at the final luxury product that, as already stated, is a triumph of quality, excellence, craftsmanship.

But what about a product with all characteristics that does not harm the environment, can be re-utilised and is able to shape the luxury dream?

LVMH has successfully answered to this question with the example of Guerlain eco-design. As part of the approach to continuing improvement, each new development is given a score from an IPE index (Indice de Performance Environnementale, calculated using software developed by the LVMH group). This score, which measures environmental impact, aims to ensure that each new development improves the House's overall average. Among the responsible innovations at Guerlain, the House has developed a refill for its star product: Orchidée Impériale. Available in Paris stores, it is not sold as is. Customers must bring their empty jars into the store and are then invited to enjoy an individual and exclusive ritual from a beauty advisor, such as beauty advice, a makeup application or a cup of tea. Meanwhile, behind the scenes, the jar is cleaned and the refill is inserted. In order to cut down on resources, the size of perfume gift sets has been reduced by 15% over the last three years. This represents

a saving of 35 metric tons of cardboard per year. In addition, the amount of recycled material used in all gift sets has been increased.

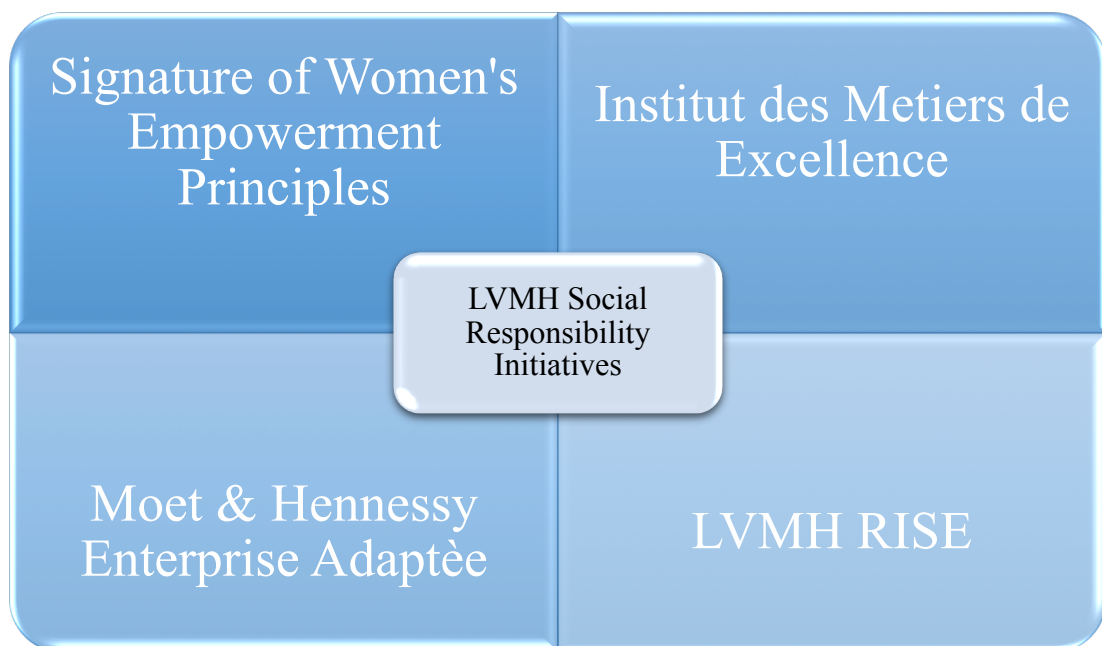
A particular example of this implementations of almost all these principles is given by Bulgari.

Since 2012, Bulgari has been certified RJC, “Responsible Jewellery Council”. This certification includes confirming the responsible origin of gold and diamonds and applies to all the players in the affiliate. The House plans to expand the scope of this certification in 2015 as it aims for the “RJC Chain of Custody” certificate, which includes precious metals such as palladium and platinum. Bulgari has also set itself the objective of increasing the number of environmental and social audits carried out among its suppliers, whether their business involves timepieces, jewelry, perfumery or leather goods.

Lastly, the Rome-based House aims to attain LEED certification for its new jewelry workshop in Valenza, Italy.

LEED, “Leadership in Energy and Environmental Design” certification, guarantees the implementation of best practices, in particular in terms of optimizing energy consumption. Bulgari also plays an active role in the LVMH Lighting project, which aims to install the best lighting technologies (such as LEDs) at all the stores in the Group. Sustainable construction and renovation work that takes environmental impact into account is another way to improve the energy performance of stores. The famous Bulgari store on Via Condotti in Rome is a case study in excellence in this regard. The entirely renovated store meets the highest standards of environmental protection and recommendations to combat climate change. The installation of all-LED lighting, for example, has reduced energy consumption by nearly 40%.

LVMH counts thousands of employees all around the world, that's why great importance is given also to human resources. The fundamental idea of the group is respect for people and making excellence a lever for social and professional inclusion. LVMH provides a work environment that lets each employee fully express their talent and apply their expertise under the best possible conditions. This ensures that each person's individuality is respected and enriched. LVMH's social responsibility is based on four pillars: workplace well-being and quality working conditions, developing talent and savoir-faire, preventing discrimination and supporting local communities.



Women's Empowerment Principles agreement, created by United nations, have been signed in 2013 by LVMH Group and 32 of its Houses with the aim to making every possible effort to offer women and men the same opportunities to exercise their full potential. In the fall of 2014, directors of Houses in the LVMH group based in the

United States also signed the agreement, bringing the total number of signatories from the Group's Houses to 41. The seven empowerment principles make reference to the education, training and professional development of women, as well as a commitment to ensuring equality in the highest levels of the company.

With the Institut des Metiers d'Excellence the group want to preserve the savoir-faire that characterize the quality of artisans' creations and to make new generations aware about these ancient and noble works. LVMH aims to raise awareness of its "métiers" and attract the most accomplished young people by offering them the chance to enter these professions based solely on their talent and motivation, with a view to fostering equal opportunities.

As a representation of LVMH's strong commitment when dealing with disability, Moët Hennessy Entreprise Adaptée (MHEA) offers innovative and practical solutions for the reassignment of employees who encounter professional difficulties following the onset of a disability. Launched in 2011, MHEA is a specially-created company located in Champagne that allows employees with special needs to work in surroundings which are perfectly adapted to their constraints, in terms for example of working conditions and production rate.

Finally, LVMH RISE offers the future leaders of the Group a chance to work alongside these social entrepreneurs to accelerate the development of their business. Support from these LVMH group employees extends over a period ranging from 6 to 9 months. By offering their expertise in the fields of finance, sales or marketing, participants give the social entrepreneurs access to a professional network and specific, high-level expertise.

Last two axes of engagement through which the Group interact with public are corporate philanthropy and the economic footprint.

The numerous initiatives undertaken by the Group 'Houses perfectly declare how much this aspect is a cornerstone for LVMH's image and a strategic component for the Group's development.

Also about the economic footprint, the Group's distinctive business model enables LVMH and its Houses to nurture excellence both upstream and downstream, from sourcing and production to the distribution of products through its own network of stores.

In 2017, LVMH and its Houses recruited 33,191 people, raising the total number of employees to 145,247. LVMH requires exemplary behavior by all its employees and partners. In order to stay true toward its heritage in craftsmanship, quality of materials and elaboration of the product, the Group push to create programs that stimulate innovation and encourage careers in these "métiers" between young people.

For this purpose, the LVMH Métiers d'Art has been created. This program implements a comprehensive sustainable development strategy: in the sourcing of quality, raw materials (often rare or increasingly scarce) and in enriching the transmission of savoir-faire (at times traditional, unique and specific to our industry). Beyond this, and in line with the Group's values, LVMH Métiers d'Art sharpens artisan creativity and innovation in all its forms, through shared projects, exchanges between "métiers" and external partnerships.

In this way, within the leather "métiers", LVMH Métiers d'Art for example joined forces with the Koh brothers in order to develop the Heng Long tannery in Singapore. Founded in 1950, it is now the leader in the tanning of crocodile hides.

It is not the only example, it must be mentioned also THELIOS. This is a joint venture with Marcolin that introduces an ambitious vision: make eyewear an essential accessory that follows the rhythm of ready to wear collections. Thélios has a long-term vision and is committed to developing employment in its host regions in France and

Italy's Longarone region, renowned for its eyewear manufacturing expertise. This joint venture is anchored by three key missions:

- Close collaboration with each LVMH partner House, respecting their identity
- Excellence at each stage of the production, gathering craftsmanship and innovation.
- Quality of the customer experience, with control over every aspect of distribution.

Finally, LVMH also invest in R&D with two sites: La Ruche and Helios.

La Ruche, first established in Paris and the Parisian suburbs, thanks to Guerlain, has been transformed in the so called Cosmetic Valley, a competitiveness cluster that unites key players in the cosmetics industry.

The new site spans 17 hectares, and the space dedicated to production has doubled. The new 21,000 m² building accompanies the House's ambition to increase its production while providing the best possible social and environmental conditions. This new production site complies with the most stringent quality and environmental standards, having notably been rated "Excellent" according to the French HQE certification of tertiary buildings.

La Ruche will produce 25 million finished goods each year, 75% of which will be exported. By choosing not to relocate and to root itself even more deeply in France, Guerlain has affirmed its commitment to the Made in France motto, which is an undeniable part of its DNA.

Hélios focuses entirely on research, creation and innovation. The 250 Group researchers who work at this 18,000-square-meter research hub for the Parfums Christian Dior, Guerlain, Parfums Givenchy and Fresh Houses enjoy access to one of the country's leading centers for cosmetics research and development. More than 20 professions are represented, including cell and molecular biology, chemical physics,

ethnobotany, sensory analysis, formulation and histology, split into three strategic pillars: Research, Development and Expertise.

4.2: Gucci: a new kind of experience through art

As final case of analysis, I decided to take into account Gucci given that is a very hot brand at the moment and has experienced incredible changes under the new creative director Alessandro Michele.

By being part of the Kering Group, also this brand has a wide developed strategy about sustainability.

Gucci, actually, has created “Gucci Equilibrium” a collection of all their values, positive instincts and ambitions. A different way to explain which their efforts toward planet and people are. The brand itself state on its website that this section is created to inspire and motivate. A place where desires and ambitions are balanced with Gucci’s values and commitment for a responsible future. The brand does not only want to explain to the customer which are the objective reached by behaving responsibly, it want that each individual became part of this sense of purpose that makes Gucci what it is.

This so called “Culture of purpose” is explained by the shared international standards, guidelines and procedure set by Kering Group that encourage every of its brand to reach their potential in the most sustainable manner. We can consider this concept as the thread with all the efforts undertake. Gucci infact is one of the brand that embrace the Fur Free philosophy for example.

In October 2017 the President and CEO, Marco Bizzarri, announced that Gucci would no longer have used animal fur in its garments. This prompted speculation at the first moment, everybody where asking why a luxury brand should not treat such a valuable raw material. The reason of this choice actually was simpler: attitude was

changed toward fur and as a material it didn't reflect anymore the values held by Gucci.

Beginning with the 2018 collection Gucci stopped using fur from animals that are specifically killed for their fur. This exactly reflects the values of Equilibrium. It also shows that the brand is willing to drop a material, rare or non-rare, when it cannot find a defensible reason to use it. This is a very modern and innovative way of thinking between fashion and luxury brand that are still very close to the rareness of a material without considering the method with which this material is obtained.

Gucci stopped using kangaroo fur in its loafer from early 2017 and replaced it with lambswool. At the end of 2017 the brand also took the decision to stop using angora.

Finally, the Gucci aesthetic often features imagery of big cats, like the advertising campaign for Spring 2017.



Figure 28: Gucci advertising campaign, 2017.

It sounded natural for the brand to create a partnership with Panthera, a no-profit organization dedicated to the conservation of wild cats. Gucci supports the Tiger forever Programme for the recovery of tigers in the wild environment.

The new way of thinking the organization for Gucci also comprehend human resources and production processes. In April 2018 the brand has opened “Gucci ArtLab” in Casellina that will become the centre of product development and laboratory testing where prototype for leather goods and shoe will be produced.

The space is interesting outside and inside: the plant is 37.000 squared metres with about 800 employees that work sharing the Gucci core purpose of pushing toward a better and smarter future. The brand wanted to create a futuristic centre of both industrial craftsmanship and experimentation. The walls are all decorated by murales created by young artist such as Unskilled Worker, Angelica Hicks and Coco Capitain that has also created some advertising murales in New York for Gucci.



Figure 29: Gucci ArtLab

Inside bring us to talk about the shared positivity that the brand emanates in this momentum of growth and expansion. Gucci states that want to create an environment in which people are able to express themselves and work to reach a common purpose. A simple example that clarify the idea that the brand wants to build for the public is the uniform that employees wear with the motto “Maison de l’amour” on the back.



Figure 30: Gucci ArtLab

Thanks to this rethinking of the work environment Gucci has been awarded with the certification of Top Employers for 2018.

Thank to the creative director, Alessandro Michele, strongly appassionedated by art, Gucci has developed an artistic side that has participated in the explosive growth of the brand last year and that has created a new type of experience for the customer.

First Gucci has developed a street art program as a new kind of advertising for the 2018 campaign called #GucciHallucination. The last two works created in partnership with the artist Ignasi Monreal were made in New York and Milan.

The New York installation emphasizes Gucci's new eyewear,



Figure 31: #GucciHallucination campaign, 2018

while Milan puts the spotlight on a classic art piece influenced by Jan van Eyck's popular 1434 painting "The Arnolfini Portrait" dressed with Michele's design from the new collection and Hieronymus Bosch's "The Garden of Earthly Delights".



Figure 32: #GucciHallucination campaign, 2018

Finally, Thanks also to the strong turnaround in the last three years, the replacement in the sector and the vision of Alessandro Michele, Gucci has renewed every point of contact between the brand and consumers (starting from stores concept, advertising, website and packaging) being able to create an experience that has been defined as “Guccification”.

Following the wave of success on January 9 the brand has inaugurated “Gucci Garden” in the ancient Palazzo della Mercanzia in Florence, where there was already the Gucci Museum from 2011.

This place is designed to let people explore the eclecticism that characterize Gucci's creations, not only pieces that come from historical archives but also recent creation, memorabilia not available for buy even online, a choice that goes against the philosophy of e-commerce that is developing now, and then ephemera and contemporary art.



Figure
33:
Gucci

Garden

The name has been chosen not only because the aesthetic of the brand makes recall to the natural world, flowers, animals and trees but also the metaphoric meaning.

Alessandro Michele has stated about:

“The Garden is real, but belong to the sphere of imagination, populated by plants and animals. As the snakes that infiltrates everywhere, and that, in a particular sense, it symbolizes a perpetual beginning and a perpetual return”



Figure 34: Gucci Garden

The first and second floor are occupied by the Gucci Garden Galleria created with the collaboration of Maria Luisa Frisa, critics and fashion curator.

The exhibition itinerary starts in the Guccification room, with the contemporary declination of the double G symbols such as Gucci Ghost by Trouble Andrew, Guccy, Guccify and Guccification itself that Michele has moved from online to fashion shows.

In the Paraphernalia room the focus is on brand's symbols and iconic objects designed by the different directors such as Tom Ford, Frida Giannini and Alessandro Michele.

The first floor ends with Cosmorama room, through which the visitor goes back to the origins of Gucci. In fact, there's an exposition of trunk, suitcases and accessory created by Guccio Gucci for the international jet set that has signed the success of the brand in the early Nineties.

The visitor proceeds then at the second floor with two rooms: De Rerum Natura in which there's an exposition of dresses and accessory all inspired to animals and

nature's world. The last room is Ephemera that retrace the long history of the brand with objects, videos and memories.

To complete the experience, since it's important to involve every sense, the visitor can experiment Gucci Osteria under the direction of Chef Massimo Bottura that has especially created a menu for this place.

Concluding, I wanted to use Gucci as specific I think this is the best example of the new kind of experience that brand can propose to consumers exploiting their history and arts. Gucci has made an incredible transition from what was simply its museum to a place in which the visitor is fully immersed in the brand, can live the history and not just listen, can use all the senses and will surely go out from there with a different impression and feelings toward the brand.

Gucci not only has put in practice what are the trends discussed during all this analysis by implementing a turnaround in design, product, way of think and businesses but has gone further by sharing also a vision that is able to attract the mind of a customers, retain and fidelize it.

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Summary: The new luxury experience through foundations, patronage and CSR activities.

In recent times luxury brand are more and more discovering that what really matters is the experience they provide to the customer. Consumer is not interested anymore in possess an object but, want to be involved into the brand and, for this reason, brands are relying on their heritage to transmit it. Brand heritage can be considered as a dimension of a brand's identity found in its track record, longevity, core values, use of symbols, and particularly in an organizational belief that brand history is important.

Given this, brand have focused their attention on the creation of foundations that emphasize their quality in craftsmanship, excellence of material and design, history and codes. Those has evolved then also into places that, not only show a brand's past, but also look at the future by giving sustain to art in all its expression and by developing patronage and CSR activities that pander customer need and expectations and go beyond the traditional media that brand use to communicate.

On the other side, heritage is also characterized by its orientation toward future transmission and brands exploit this in order to continuously engage consumers in new way and focus also on new generation needs and expectations. The aim is to make heritage cool in order to attract also young people.

This way of thinking introduces us to the concept of luxury brand as slow retailer and the ability of a brand to be a bearer of experiences and narratives out of the ordinary. For this reason, the proliferation of luxury museum and fashion foundations has permitted to check the presence of a slow narrative rhythm that is not anymore just a traditional auto-celebration of a brand but has the purpose to create a larger perspective. Brands now want to celebrate their historic dimension but, at the same time, be spokesperson of the contemporary artistic and cultural world.

On the other hand, we have different cases of permanent museum that were born initially as archives reserved to personnel, but they have evolved into temples of heritage and excellence for brands. What is important to note is that, due to this kind of places in which brand invest to maintain their image, there's also a strict link between luxury and architecture. Also, by exploiting this link, luxury brands are able to feed the dream towards customers.

Art and luxury are trying to create a new quality canon in order to distil the best and preserve it. We are in a moment in which luxury brands are passing from “take”, meaning that they exploit art to polish their names, to “give” by providing museums, initiatives and new ideas to promote artistic concepts.

In addition to this will to promote art there is also the intention to support international talents, in line with a trend that see luxury brands in the role of promoting new generations in the art world.

Concerning the physical spaces, foundations are studied in detail to communicate a clear message about the identity of the brand to visitors. The aim is to make them able to live an experience that creates total involvement where architecture, style and decoration recall the anti-conformist aesthetic of the brand.

Beside the interest in the cultural world, luxury brands are also concerned with sustainability and charity activities. Particularly in fashion, the interest for a sustainable luxury is growing and brands are adapting their behavior to this trend.

People want good design, craftsmanship, and high-quality materials but, they pay a premium for something more than that. And increasingly, that high status is suggested by words like: “organic,” “sustainable,” “ethical.” Sustainability is a growing priority and will become more critical if we look at younger generation who grew up steeped in aspirational culture.

This new kind of consumers enter the market with clear tastes and behavior influencing other generations. Millennials set the bar high and demand more transparency and responsibility from corporations and the recognition of their buying power will influence not only the luxury sector but also many other industries in the future. They are well informed about products and initiatives, responsive and interested in brands that are more similar to not only their values but also their passions.

The luxury brands have extended their philanthropic activities also in support of the artistic heritage, especially in Italy, financing various works of restructuring of monuments or historical buildings.

Luxury brands are understanding that our society is living through big changes that are impacting now on people but will also have an impact in the future and so they're trying to involve people by becoming more active on the human side than on the market side.

Luxury does not fulfill a social mission, other than exclusivity, social status and self-pleasure to consumers.

The most important aspect to be considered are: brand value and brand equity, how CSR activities can improve those values and how both can have an impact on revenues for a luxury brand.

First of all, brand value is considered as a strategic asset and is able to provide a long-term mean to assess the type of actions a brand has to implement and to support the decision making-process. Based on several studies brand value has been a fundamental variable for luxury sector growth, especially in Italy. Thanks to a study from Brand Finance, that I have analyzed, there have been declared the strongest ten Italian brand about brand value. The particular case that I have analyzed in my work are Gucci, as part of a consolidated group, and Prada, as an independent brand.

Another important aspect to mention when talking about what can have an impact on revenues of a luxury brand is CSR.

Luxury sector was a late adopter of CSR, and that adoption started as a response to stakeholder pressures, government regulation and trade standards that have also contributed to more responsible practices within the luxury industry.

CSR cannot be ignored anymore, it is important for luxury brand to learn how to integrate ethical practices and policies in their businesses and how to respond to social demands. In addition, it's important to remember that just a small portion of the global population has access to luxury and has the possibility to pay high margins for products. Given this they're starting to require explanations about materials, quality and production processes. Brand cannot hide anymore behind the façade of being green, they must act green.

On the other side of this issue, luxury do not sell essential products but, given the high price, consumers tend to keep them for a long time and this reduce their environmental footprint.

Analyzing CSR could be difficult because many luxury brands tend to avoid disclosing information about their CSR practices. This is especially the case with family owned and/or not publicly listed companies, as they do not have a legal requirement to disclose financial or business-related information. Obviously, being silent about CSR could be helpful for brands. They cannot forecast how people can react to their practices and again CSR disclosure could be associated with a lower brand evaluation. As already stated luxury is about creating a dream and, therefore, communicating ethical concerns to consumers could put a cloud on that dream.

Thus, considering that brands are assets, assets have value and CSR has an effect on brands; CSR may influence the value of a brand. On the opposite side there are brand

that want to make visible their practices and give detailed explanation of their activities.

A special mention must be done for Kering that, strongly concerned with the issue of sustainability, has launched the “2025 Sustainability Strategy” and the innovative tool to measure footprint’s effects named Environmental Profit and Loss. The strategy is supported by three pillars that translate vision into action: “Care, Collaborate, Create”. CSR can contribute to differentiation, increase the reputation or image status that may lead to financial gains. It also provides a number of monetary and non-monetary benefits to businesses.

While CSR is recognized as a creator of brand value and can pose significant advantages to firms; it is important to note that in certain cases, it could also impact a brand negatively and be detrimental. A potential explanation of this negative link between CSR and brand value could be greenwashing.

Since luxury brands are already offering superior quality and a superior experience, the incorporation of CSR into that mix can be a natural step for the industry to go further. An implication of CSR adoption, as already outlined, is that it can result in increased brand reputation and higher brand value for luxury brands.

Luxury brands should avoid using CSR as a way to exaggerate the advertising efforts they already conduct. In fact, brands should avoid trying to portray these efforts as ‘more comprehensive CSR implementation’ strategies, as doing so can reduce trust in the brand and put in doubt the legitimacy of the brand’s actions.

It is possible that luxury brands create a strategy focused on conveying the perception that they are serious about CSR and portray themselves as socially responsible even if they are not. However, given the existence of social media, which has made it easier for both activists and consumers to convey negative news about an organization, brands could be damaged by exaggerating their CSR achievements. Furthermore,

while some brands already have relatively comprehensive CSR programs in place, there are also brands that are working to create strong programs relate to this issue from scratch and this is quite positive for the entire sector because by developing them to the public they can raise awareness.

The luxury environment is continuously changing, and customers expect a perfect functionality and immediate support at all times. Customer attention is also tuned to new communications channels. In some ways they are becoming also less brand loyal, especially Millennials.

While they are very price sensitive, they also base more of their purchasing decisions on whether a company's practices and mission align with their values. This is a generation that has higher expectations on what a company should be able to deliver: convenience, quality, values orientation, newness and price. For this reason, we expect personalization to be one of the major themes in the fashion industry for next years. Fashion companies will deliver personalization in many forms.

Indeed, The State of Fashion 2018 conducted by Business of Fashion and Mc Kinsey identified personalization as the number one trend in 2018. One reason for these trends development is consumers' growing desire to use their fashion and luxury choices to express their own style, self-image, and values. Consumers prefer brands that align with their values, and so they seek authenticity from the fashion companies they engage with.

Consumers are also becoming pickier. This boosts demand for more unconventional and signature items, and for products with higher quality, better prices, exclusivity and authentic and engaging stories. Consumers know what they want and are not hesitant to shop around for it, choosing products ideally suited to their needs from a variety of brands and companies.

We can consider foundations and the linkage between art and luxury as a form of brand extension to give a customer the most unique and personalized luxury experience possible.

From a consumer perspective, the idea of having access to an exclusive space dedicated to the arts, understanding or not understanding it, can arguably be considered as a further occasion to be considered as part of that elite that the brand is addressing. Moreover, the experience of visiting the foundations, at the contrary of a Louis Vuitton bag, cannot be counterfeit. Finally, the opportunity to dedicate time to experiences, is a luxurious aspect that interconnect the brand and its foundation in the eyes of the consumer, experiencing cultural initiatives can arguably be considered as that certain something that can 'generate value' in the luxury industry, not only 'extract value'.

Luxury brands creating art foundations gives rise to the coexistence of two conflicting concepts: the exclusivity of the luxury brand, and the inclusivity of cultural institutions.

Another interesting aspect that emerged is that on the cultural institution and the brand side, there is an interesting mix of technology advancement and preservation of tradition. While luxury fashion brands are reconnecting with culture through the exhibition of art, museums are digitizing their collections in an attempt to connect with more of the public as possible.

Finally, the main aspect of public engagement is that it aims at generating personal development and in creating well-being. The idea of luxury brands becoming socially useful could be considered as being one of the key elements behind the creation of art foundations. The idea is that a brand should be more than just a product, people are looking for authenticity and they expect brands and corporations to start taking responsibility and acting for something more than just profits. The fashion brands

‘foundations can arguably be seen as an example of how brands can state and emphasize what their values are and how people should perceive them.

Foundations are a key element to increasing exclusivity for the brand image. Museums use ‘dwell time’ as a means to analyze how long people stay in their institutions, and according to this view, people are definitely spending more time in the foundations than in the brands’ flagship store, and, even if the foundations are not utterly branded, the public is actually immersed in the brand for a longer time on the assumption that that brand is kind of permeating your experience. However, on the other side, there is the idea that more people are buying a luxury product than visiting the foundation, so from this perspective, the foundation is more exclusive. Luxury has an allure of being unattainable and aspirational so, creating links with a wider culture of visual arts and buildings that are accessible to the public, will help a brand.

The foundation let consumers associate themselves with something not commercial, with something perceived as being more important and valuable than products. The idea that an haute couture dress is valued as a piece of art fully explains how there has always been the perception that fashion is not valuable, superficial, but the association with an artwork at a brand level could make the difference. Moreover, the key point is this idea of art being something that lasts longer and can allow a brand to create a legacy to be remembered for longer and as something more than a mere commercial activity.

The proliferation of foundations and this new kind of attraction for customers, has shaped the concept of M(art) World, a market that contains art within its identity. This is more referred to shop but can actually explain the perception that customers have of this new kind of experience offered by luxury brands.

A trend that has brought to the birth of this concept is that customers are becoming more and more visual in their culture and so the movement toward aestheticization has become stronger.

Related to CSR there is also a downside of luxury visibility that expose it to criticism. In the current context, sustainable development has become a key issue for all businesses: it now also includes luxury not so much because of its size but because luxury symbolizes the growth of a consumption based on other motives than functionality. This has been called the positional economy or the appearance business. As a result, those luxury brands which have a high iconic status are more in the viewfinder of activists looking for symbolic trophies of their fight for a better world. By comparing the components of sustainable development with those of luxury, it becomes possible to identify potential elements of contradiction.

More generally, it can be said that people do support corporate social responsibility and ethical concerns but are not ready to pay more for them. In order to transform ethical concerns into behaviors, consumer must feel that their simple actions have a market influence. On the other side, consumers tend to purposefully ignore sustainability issues when they purchase, even though they say they are concerned; but this willful ignorance has a goal: to protect consumers from negative emotions.

Another two important pillars of luxury and sustainability's compatibility are: slow growth and social harmony.

About the latter, it can be said that luxury is felt as opposite with sustainable development when consumers perceive it as superficial and as a mean that create social differences.

Luxury consumers are willing to boycott a brand when misbehaviors are discovered concerning sustainable development. The first reason emerging is that today the real

class is to buy luxury products respectful of the planet, the second being considering their price, it is the least one can expect from luxury brands.

Thus, what makes people not care about sustainability when buying is firstly because they think of their own pleasure at that moment and then they are not able to tell what brands are doing a lot in terms of sustainability.

Indeed, consumers are particularly interested in sustainability when they perceive that their choice has an immediate impact.

Generally, contradiction is lower for customers who define luxury as extreme quality. It is instead much more intense for those who define luxury as expensive or rare, two factors which induce high selectivity. As a result, if the luxury brands do not communicate directly on sustainable features of their products or services, they will have to increasingly highlight product quality, their being handmade, their rare craftsmanship rather than only rarity of supply or high price. In the last years, more and more luxury houses have intensified communication activities on the social networks around the values of luxury such as the use of extreme quality materials and talented craftsmen.

Starting to analyze the consumer behavior in the current market it become visible that we speak today of a disenchanted and competent consumer, able to discriminate between all market's offers, demanding and selective. But, above all, consumer today is a holistic one, in the sense that for the purpose of its choice, it involves all the dimensions at stake. Consumption today as become the language through which the individual expresses its identity. As stated in Altagamma 2017 Worldwide Luxury Market Monitor, luxury consumption has passed from an end in itself to a means to self-express.

In the past consumption lead to being recognized as a part of a group with a shared status, today is intended as a way to feel part of a group with shared values. Consumers

want to live brand stories, and brand in consequence must be able to inspire them with dialogue, immersion and a sensation of feeling at home when engaging with the brand. Consumers have come to appreciate sustainability and to look for ethical products as a benchmark for high quality and reliability. Such buying behavior was defined as ethical purchase behavior or ethical consumption.

In order to understand practically what is the perception that consumers have about luxury and its link with art, charity and CSR I have conducted a survey based on this new kind of luxury experience. The sample has been taken out from 80 people between the age 20 – over 45.

To conclude my analysis on the luxury sector and its linkage with arts and CSR I will take into account the example of two of the biggest consolidated group of the sector that, in different manners and through different brands, have developed foundations, events and activities to sustain arts, culture, heritage, human rights and sustainability. The two specific case I want to analyze are LVMH Group through its numerous activities related to philanthropy and CSR and Kering, specifically through Gucci given the extremely positive growth that has conducted during 2017 and 2018.

