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The analysis of the compatibility between Luxury and
Sustainability

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Abstract

Introduction

The strongest potential of Luxury Brands is that they are able to sell themselves. Represented by high-quality products, skilled craftsmanship and unsurpassed aesthetic beauty, luxury products are the only option for those people who have the means to buy them. Burberry trench coat for professionals, Mercedes for executives after gaining the promotion and Cartier engagement ring for a young investor. The iconic status of these products is still strong, but as time has changed as consumers demand is in a constant evolution. According to Bain and Company Luxury market continues to shine being one of the most relevant engines of growth in many countries, as a matter of fact, the market grew 5% in 2018, to an estimated €1.2 trillion globally, registering positive performance across most segments. Luxury goods and experiences have been comprised by Bain in nine segments led by luxury cars, luxury hospitality and personal luxury goods, which together represent more than 80% of the total market. Luxury cars sale is growing by 5% at constant exchange rates to €495 billion, and also hospitality grew by 5% from the previous year. The market for personal luxury goods reached €260 billion representing a growth of 6% from the previous year. The main driver of this specific segment is the more robust local consumption, while tourists purchasing stayed flat. The top luxury growth categories are shoes and jewelry, gaining 7% each, followed by handbags and beauty. The lackluster sales in the menswear segment make remained flat the watches category and suffered apparel.

However, the global luxury market has registered a rapid growth over the past decades despite the consequences of the 2008 worldwide economic crisis, in particular in developing countries where middle-class consumers have the main beneficiaries by the economic growth. Yet, it is possible to notice how the luxury sector serves a larger and more differentiated range of consumers by the time relatively also to an increase in the complexity of the market. Today, luxury finds its consumers all over the world, each one with its own cultural and aesthetic demand to the market. Consumers are both men and women, in contrast to more traditional luxury products that have historically addressed to men, since the buying power of women is increased, they create a new and strong demand in the market. Nowadays consumers belong to a wide range of socioeconomic backgrounds, as middle-class customers can afford aspirational items. They use internet to validate the quality and the price of luxury products as they would do for other

purchases type. To translate, they require more in exchange of their luxury money because the association of the brand is not enough anymore. Brand need to be proven, refreshed and renewed for today's costumers. Rather than brand with high-status, are preferred brands with high-value. It is true that a condition to spend more is feeling wealthier, even if the recent recession has increased the uncertainty around people's daily life, influencing their consumer choices. Conspicuous consumption can be recalled conscientious consumption. Modern society is characterized by income rising but the indulgence and hedonism of the past generate a demanding, sophisticated and well-informed contemporary consumers. The willing of higher quality is followed by service expectations and today's luxury consumers are looking for a more personalized and authentic relationship with the luxury brand that they mean. An important element which is starting to be highlight from costumer lens is to see luxury brands deeply involved in environmental and ethical issues. The global financial crisis begun in 2008 brought as a consequence a reduction in the purchasing power and wealth, especially in Western countries, but this condition increased consumer's expectations of better products and created higher value perception of money. Thus, luxury is not immune to the trends which lead to a more waste-conscious behavior, paying more attention to details and being more concerned with budgeting. The importance that luxury consumers give to sustainability is greater than the past, thus its idealization is applied also in the cultural movement toward environmentalism and sustainability. Today's luxury costumers are more interested in knowing from where is coming the luxury item and which is its social and environmental impact; as there is more awareness about environmental issues, they maturate an expectation about their consumption impact of the society and the environment. Therefore, the opportunity for luxury companies to match sustainability and their brand development is a central issue in their business. Sustainability maybe will become a competitive advantage and an added value to attract luxury costumers and make them happy to buy aspirational products not just in order to let them project a positive image of themselves, but also because they would feel to positively contribute to the society. Therefore, sustainability must be seen as a great opportunity to deeply innovate the offer, a chance to improve the identity of the brand and a way to strengthen the relationship with costumers.

Therefore, it is increasing the attention that luxury consumers are devoting to sustainability, about the quite inherent sustainable nature of most of the luxury companies' practices, and about the potential success that luxury brands may reach by combining traditional luxury dimensions with sustainability. In particular, is interesting to notice how consumer perception, in particular from Millennials generation, see luxury industry far

from sustainability and the majority of them do not perceive luxury industry close to sustainable parameters and this dissertation seeks to understand which are the reasons behind. In order to do that, a consumer survey has been launch, and in particular, a discrimination of luxury brands has been led. Luxury brands are compatible with sustainability as they are characterized by some key element, such as, limited quantity, durability and craftsmanship which lead to the idea of a positive contribution to the environment, the territory they operate, the employees and their manufacturing skills. The reasons which generated this opposite perception of luxury respect of what it really is will be analyzed through the survey, which will try to discriminate what is the true luxury from what is not.

Inside Luxury: Main Features and Evolving Trends

The luxury business can be saw as one of the most interesting opportunities addressed to those companies which are willing to put in the market products characterized by excellent quality and that are able to deal also with the constant evolution of this particular business. As a matter of fact in the last 10 years or more, this specific sector has been characterized by changes in terms of customers approach to high-end products and also in relation to the different product features offered by operating companies.

Pamela Danziger, a branding consultant, in her 2014 article explains how luxury is moving away from the traditional link with specific products and with experiences that customers perceive as luxurious, basing her analysis on a psychological study, which describe how experiences are able to transmit a source of satisfaction and happiness greater than material objects.

Pine and Gilmore, advanced the idea that “when a person buys a service, he purchases a set of intangible activities carried out on his behalf. But when he buys an experience, he pays to spend time enjoying a series of memorable events that a company stages to engage him in a personal way”. Therefore, what characterized the most the luxury consumer’s approach to luxury items is the experiential marketing, which “is about taking the essence of a product and amplifying it into a set of tangible, physical and interactive experiences that reinforce the offer” (Atwal and Williams 2009).

Pamela Danziger’s article, which talks about the “new luxury” and how it is market by distance from the traditional concept about conspicuous consumption of beauty, expensive and unnecessary, has been commented by several researchers. Some of which agree about the

ways in which the luxury market is expanding, and others disagree regarding the transmission of the luxury experiences. The fact that exist a “new luxury” is true, but it represents just one changing element, which is affecting the luxury market.

The evolving demands of luxury customers related to what is considered luxury and why and the evolving geographical locations of where the luxury products are sold are all elements which are having significant effects on the luxury market and, as a consequence, on its approach in keeping the luxury customers. Therefore, it is possible to highlight the need of a deep analysis of all those elements that characterize and shape consumer’s behaviors and ideas, in order to understand luxury.

In this part, definitions of luxury will be described in relation to the changing luxury customer, the economic and geographic trends which affect luxury demand and some challenges of the luxury market related to these issues.

According to the most relevant past literature on luxury (e.g., Dubois et al.

2001) excellent quality, scarcity, aesthetic beauty, ancestral heritage and personal history and very high price seem to be some of the key characteristics that make a product luxurious.

Quality. The association of luxury with high-quality is the most relevant characteristic under costumer’s point of view. High-quality refers both to the nature of material and manufacturing skills. The ideal production process of a luxury item, in fact, consists in reaching for scarce natural resources and assemble them thanks to a top level craftsmanship. Manufacturing skills in luxury are about the hand-made production of “elite” artisan who have preserved unique technic traditions and who allow luxury brands to constantly offer excellence. An element of quality is time, because a durable product require time to be make, in fact, a Bottega Veneta leather good requires many hours of highly specialized labor. Moreover, in costumer’s perception from a high-quality product follow other association like expensiveness, low accessibility and snobbish appeal. This because quality, is most of the time related to unique raw materials and production process related to specific and researched geographic areas, like Tuscany in Italy for leather and Tanzania for tanzanite. In particular, the place of origin is translating on the product through the “made in” concept, which is highly related to the quality perception.

Scarcity. Typically, luxury products are exclusive and this characteristic is seen as a strong magnet for costumers all over the world. Indeed, the idea of possessing something that nobody or very few can join increase the value of the thing. Exclusive embrace the rarity concept, which results from the research of scares natural resources and the raw materials, which are proceed by artisans with uncommon skills who are able to deliver excellence.

Sometimes, rarity is given by the specific raw materials used and the manufacturing skilled employed in the product. Moreover, rarity is given by a limited production as a choice of the company, an example of this situation is given by Ferrari car production choice of making around 9,000 cars per year. This strategy is run in order to create scarcity and control the product distribution through specific channels. Thus, quality and scarcity are both elements which contribute to make a luxury product exclusive and for which worth the high price dimension. The success of the image of a luxury brand can be found in matching the hard equilibrium between exclusivity and accessibility. On one hand, there is the preservation of uniqueness and on the other, the opportunity to appeal aspirational costumers. Indeed, the balance between uniqueness and costumer's targeting is one of the hardest challenges faced by luxury brand management and which make compete luxury brands between each other and, under a marketing point of view, which differentiate luxury brands from non-luxury brands.

Beauty. An essential element which need to be combine with quality and craftsmanship in order to describe a product belong to the luxury sector, is the aesthetic beauty. Indeed, the combination between those three characteristics is hard to find outside luxury industry. The taste for aesthetic finds its origin in the art world, and the concept of "wearable art" is connected with luxury fashion in terms of forms and appearance, which are very attractive for costumers. In the luxury world, is strong the connection between designers and artisan know-hows which has in common the aesthetic considerations and thanks to is possible to shape the stylistic identity through the artisan's product. Designers and artisans create, develop and enhance together the luxury brand DNA, being the central ingredient in order to be differentiated in the huge market and create value for the costumers. As the designer and artisan relationship is essential under an aesthetic point of view, the relationship between designer and manager determined the brand's commercial survival. Thus, another important balance is needed between artistic creativity and rational managerial soul. Today, the collaboration of designer and manager over the company's decision-making is considered as the most successful partnership model. Perhaps, the necessary combination between creativity and rationality can be considered as one of the distinguishing characteristics of the luxury industry, and which makes it so challenging and interesting. As an example, Yves Saint Laurent company had had a great designer behind but without the great managerial skills of the entrepreneur Pier Berger it would not have been so successful. This kind of collaborations have been very successful because they have been built as partnership models in which the creative activities with a marketing and commercial orientation of the designer has been combined with the focus

on market performance with a sense of beauty of the manager. The two roles, then, seems to be complementary and balanced since they share the same decision-making power in the company. Crucial then, was also the collaboration between the Louis Vuitton chairman and chief executive, Yves Carcelle and his designer hired in 1997, Marc Jacobs. The designer had the responsibility to design all main types of products such as ready-to-wear, accessories and shoes. By the way, the undeniable talent of Marc Jacobs joint with the managerial ability of Yves Carcelle made the LVMH's Group visibility and revenues kept growing year by year globally.

Heritage. Most prestigious luxury brands have ancestral heritage and personal history, especially European brands, while USA brands are used to play more with the storytelling. Gucci in Florence in 1921, Cartier in Lyon in 1847, Ralph Lauren in Beverly Hills in 1967, all of them have an origin country, an history that make them the nowadays brand and increase their authenticity and prestige. In luxury, the country of origin (CO) is really effective, because it shows the association between the brand and the special characteristic represented by that specific country. For this reason, it is easy to associate France or Italy with high-end fashion. In particular, France is associated with champagne industry, fragrance and haute couture, while Italy is related to leather goods, ready-to-wear, accessories and recognized for its creativity and design.

Fulfillment of dream. High-quality, scarcity, beauty and heritage inevitably create a strong symbolic meaning for costumer, creating the fulfillment of dreams. Luxury goods usually lead emotional and hedonic benefits to consumers, letting them to dream and communicate to the society their status and their individual identity. The fact that a luxury item does not really fulfill a need but a willing, is the reason why the term "superfluosness" has been used in literature to define it. It is still globally present the consumer perception of luxury seen as an index of wealth or prestige.

Price. Charging quite high prices by the luxury companies is an instrument to convey the rarity, good quality, beauty and exclusivity characteristics of their products. For years the idea of high prices has been associated with luxury, but Kapferer and Laurent studies demonstrates as the price perception in the luxury sector can change from country to country. Before the 2008 financial crisis, mass-market players were using the same tactics used in luxury. License relationship, a well-known designer, trendy logo, celebrity engagement and so on. An example of this model is the collaboration between the US company Gap, Inc. and Derek Lam in creating an athletic wear line; or the collaboration

between Big Box store Target and designers as Missoni and Lilly Pulitzer. This kind of collaborations were aimed to reduce the gap between mass-market products and luxury. However, after the crisis prices of high-ends goods in the department stores have been cut. Since mass-market brands were looking to imitate luxury brands and the department stores have chipped away the distinctive pricing of luxury goods, the luxury boundaries became even more unclear and blurred. As a result, the middle ground became crowded and the consumers became more confused about the boundaries of ordinary and luxury. On the other hand, luxury goods companies contributed to the undefined boundaries perception by broadening their products range in order to enlarge the number of consumers and since nonluxury companies are keeping pushing their products upwards, the final result is the development of “trading up” products. Which refers to typical luxury products with a premium price, so more affordable. Therefore, mass-market consumers can enter in the luxury world thanks to more accessible items and buying them at a premium price, they are able to save money in other product categories which don’t convey the same emotional value. Silverstein called this mechanism “trading down” in consumption. Going over this confusion, luxury brands can still strengthen their position in the market by keeping underscoring the unique qualities of their products such as, quality, scarcity, aesthetics and heritage through distinctive pricing.

The consumer’s perception about luxury items is significantly shaped by each of the luxury product’s characteristics mentioned above. However, in luxury exists the need for a stronger and more effective marketing approach exactly because consumer’s ideas and perception about the listed characteristics can widely vary. Practically talking, different individuals living in different cultural and social context associate luxury with a wide range of desires, products and service, as the concept of luxury is extremely subjective. Therefore, defining what is ordinary and what is luxurious depends from society, despite the apparent stability of human needs nature. A product can be perceived as a non-luxury product in one country, as a conventional or as a luxury product in another. For example, cars such as Mercedes or BMW are typically perceived as luxurious in developing countries, rather than the home market in Germany, which perceive as more luxurious a less known globally brand, such as Maybach. However, the definition of luxury does not change just in relation to cultural and social context, in fact, it depends also on individual’s life standard. In particular, for an individual, when standard of living improves, his or her perception about goods and services can change as a response and if a product has been considered luxurious yesterday, it can be considered conventional today. At the same time, luxury can evolve by the time and goods and services which were considered luxurious in the past, might not be considered like this today anymore.

For example, premium perfume as Chanel No.5 or Jean-Paul Gaultier, today are considered less exclusive than how they were perceived 20 years ago, when they could be afforded just by a limited number of consumers. Today, is still increasing the number of customers who purchase premium perfume, which can be considered more accessible than the past. A strong element which can make luxury a bit more accessible then how it was used to be is the development of Internet and thus the possibility of purchasing online and information accessibility. As a matter of fact, thanks to social network account and web sites, is possible to know what the luxury brands do, what and how they produce, comparing different brands in terms of images and price of the products.

Is possible to say that one of the causes of the distance reduction between consumers and luxury brands has been given by the Internet. Considering the nature of luxury, which is seeking for the top quality, rarity, exclusivity, heritage and aesthetics, products in this category have very high standards to achieve in order to demonstrate customers that the luxury product is worth the price.

i. Luxury Customers: where are they?

When it comes to relevance exclusivity, heritage, price or aesthetics in the evaluation of a luxury product, different customers may have different perceptions. As a matter of fact, due to the globalization phenomena of luxury demand, the factors that are able to influence customers demand is becoming more complex and varied.

Cities like Milan, Paris, London, Tokyo or New York have always been associated with the origin of the luxury demand and it still exist a relevant share of sales globally which affect the mature markets. Worldwide, the personal luxury good market see growth across most regions: Europe remains the top region for sales, followed by USA, then Asia and Japan. However, people purchasing practices are changing fast, especially in the developing countries since they are paying more attention on the way their money are spent after the drastic shock coming from the 2008 financial crisis. The situation in the Western markets is that people belonging to high or low social classes are taking care more about their household financial management and are more willing to exploit the good opportunities in purchasing specific products without being victimized by the negative condition of the general economy. Moreover, also looking for online payment or tools in order to save money are practices that are becoming common, nowadays.

On the other, countries as Brazil, Russia, China and India are emerging as main luxury goods market ad this transition was moving before the financial crisis and after it gained strength. As a matter of fact, the 2008 crisis created two parallel situations: on one side,

the already developed markets saw a growth slow down and on the other, the developing markets started growing at a faster rate than the developed markets, since they were indirectly affected by the crisis. Both markets, represents a strong potential for luxury companies. Especially because, in the emerging markets the purchasing power of consumers is growing. According to a study conducted by Price Waterhouse Coopers (PwC), India and China represents two out of the three top world economy in 2050. In particular, Chinese consumers are leading the growth trend, registering 33% of the global luxury spending. Between the year 2015 and the 2018, the purchases by Chinese consumers contributed the double sized of growth in absolute value as their abroad purchases. Personal wealth in emerging markets is increasing and so is doing as well as the opportunity to have a wide consumption power and portfolio. This movement will create for luxury companies the necessity to welcome the middle-class consumer's demand and so, develop advantageous relationships with their progressively climbing.

Consumers from developing markets are willing to purchase high level quality product, to explore new kind of services never tried before and to invest in travel experience and leisure. Indeed, this kind of customers are characterized by an optimistic vision about the future, in fact, people in India and Russia believe that the future generations will enjoy prosperity and better life conditions. In general, in developing countries but in Asian countries in particular, the social status of a person is strongly related to his financial situation. Now, millions of people in Asia and South America are willing to test new products and services in order to be able to increase their life conditions and social status. At the end, all companies in the global market will enjoy this kind of development.

As a Managing Director of an European luxury brand stated "the real challenge is represented by the turn that Western consumers had due to changes of the values of society and the hyperinflation, that is bringing them to move a little away from products belonging to the hard luxury, as watches, accessories and jewelry, and get closer to lifestyle related goods and services able to generate lasting emotions, as going to vacations, having a car or buying a house. Instead, the eastern consumer is still putting greater attention to ostentation and hedonism values, using luxury as a vehicle to declare social status. Luxury companies all over the world have seen that, year after year, one or two percentage points of their total sales have been moving from the western to the eastern countries".

Luxury demand is facing a situation in which, on one hand there is an evolving mature market which is willing to embrace a wider range or experiential luxury products, on the other there is a booming market demanding for luxury in order to show and determined its social status. As Mandel et al (2006) stated, consumer's desire for luxury brands is increased just by reading stories about similar successful others, and so, showing how

luxury products can be considered to be instrumental in improving consumer's image in a social environment.

Those differences are challenging the luxury market. The Boston Consulting Group identified two negative effects consequently of the developing countries growth. The first effect concern with the fact that luxury companies can weaken their presence in those places which are considered the center of the demand, in order to be able to penetrate the emerging markets, thus risking of losing growth opportunities. The second effect is the sacrifice of some core luxury from companies, while they are focusing on expand the business and establish a foothold into the emerging markets. For example, as Burberry found itself to be too much represented on Hong Kong and China territories, adopted the strategy of closing some stores with the aim of avoiding the brand dilution. In this rush situation, the company may fail in find out key elements of differences in the taste and behavior of customers and fail in adapting the retail presence and offer according to the specific market need. Also Louis Vuitton decided to close around 50 stores in mainland China due to issues related to the slowing Chinese economy and the corruption of Chinese government, which was found out to approve some gift-giving practices, in which people were used to give as a gift luxurious items in exchange of business advantages.

ii. Luxury Customers: who are they?

The Boston Consulting Group led a study in which 12,000 people respond, and in which is possible to see that there are 10 largest worldwide luxury markets, which are covering 85% of the total luxury sales value. The luxury market has reached €920 billion in 2018, with between 4 and 5% of annual expected growth until 2025.

Regarding the identification of the luxury consumer generation and its evolution, the Millennials predicted to grow from 32% to 50% of personal luxury market by 2025, which means that 130% of growth between 2018 and 2025 expected to come from Millennials. Today, the Generation Z represent only 4% of personal luxury, but this particular generation have a clearly different set of values and behaviors that companies need to monitor and try to understand.

The true luxury consumers as studied by BCG-Altgamma, see 30% of global luxury market reaching €278 billion which is expected to be €395 billion by 2025. The largest market growth contribution is given by Status Seeker, Little Prince and Fashionista

segments, which are seeking for fun, extravagance and new form of creativity in brands and products.

The unique set of behaviors and values carried by the young Generation Z, concern in several trends, such as purchase collaborations, growth lever for 2nd hand, influenced by sustainability, high social media interaction and embrace from traditional luxury brands to premium, fast fashion and niche brands. In particular, 64% of Millennials and 59% of the overall True-Luxury consumers is influenced by sustainability in their purchase. Exist several aspects of Luxury consumer behavior which are impacted by sustainability, and they are increasingly informed about what is sustainable and what is not, resulting in greater influence over purchase decisions. 17% of luxury consumers in the second-hand market purchase pre-owned since it's a truly sustainable behavior, 13% of luxury consumers that shifted their purchase from traditional brands to niche luxury, attributed their shift to sustainability and 10% of luxury consumers consider sustainability as a top three characteristic when is asked to define luxury. As a matter of fact, 56% of consumers investigate a brand's social responsibility and for a given item, over 60% of consumers would purchase from the more sustainable brand.

Luxury and Sustainability

The relationship between the luxury industry and sustainability is not easy. At a first and fast impression, the values whit which luxury is associated and those promoted as sustainable are seen quite far from each other. On one side, luxury is associated with excess, superficiality, hedonism and ostentation, on the other sustainability is linked with altruism, morality, sobriety and restraint. Under an economic point of view, the luxury industry seeks really high gross margins and, as a result, its providers are not focused on cost reduction, but rather on value creation, with the aim of giving the consumers the feel of being a celebrity. The major weight given on quality rather than costs exist along all the value chain, starting with the selection of high-end production materials, followed by the processes of production, servicing, selling and branding.

On the other, sustainable development is focused on values such as moderate consumption, parsimony and equality, which privilege the cost over high quality. Despite the superficial distance between luxury and sustainability in reality, the approach promoted by luxury brands in terms of consumption and production can be considered sustainable by definition. The previous part highlights the characteristics of luxury goods

putting emphasis on very high quality, scarcity, high-skilled craftsmanship and superior durability. Those last elements are able to drive companies to produce and put in the market specific products with high social and environmental values. Luxury goods companies find their resources in high-quality materials and in order to ensure their ongoing production resources, they are dedicated to the sustainable use of those materials. If we suppose it were absurd that luxury companies use inferior materials and not high-skilled craftsmanship, it would not allow a luxury business's ability to market their production as rare. Therefore, it can be seen as an obligation for luxury brands to invest in the maintenance and preservation of the environment, laborers and systems that support their processes of production. Under this light, luxury is the against the destruction of resources, the mass production and the over-consumption. Luxury can be seen "sustainable" by definition because for luxury brands, durability and lasting represent the core business value. Many companies in the luxury sector when promoting their product highlight the long-investment advantage in making the purchase. As an example, the Patek Philippe advertising slogan "You never actually own a Patek Phillippe. You merely look after it for the next generation." Illustrate how Patek Philippe products are not going out of fashion after a season but are timeless. The fact that is possible to hold these products for many years, means that there is no need for a repeated production and a consequently waste. A Hermès bag can last for decades without any loss of functionality or prestige. A luxury consumer, can buy just one luxury bag with the awareness that it will last for many years, instead of buying many bags from the mass market saving on the cost, but loosing quality and durability. Environmentally, the consequence is translated in fewer bags produced, which means, fewer products discarded and fewer consumed resources. Due to the increase of the awareness concerning environmental issues from the global luxury consumers and having raised their expectations of the companies, luxury houses act according to their environmental practices. As a matter of fact, luxury companies began to embrace sustainable practices, lead by the sector leaders who are increasingly giving importance about implementing sustainable practices to the industry. According to a manager of a European luxury company, "sustainability can be developed even in companies operating in the luxury sector through the use of codes of ethics and conduct, addressing and managing innovation, technology development, according to the criteria of social equity and environmental responsibility. All these factors contribute to stress, even in the eyes of the users of the final product, the credibility and the faith in a specific brand." And Bernard Arnault writes in his message on the first page of the LVMH 2014 Environmental Report that his Group's environmental commitment reflects the values and the responsibility of the Company as a "corporate citizen" and it is also "closely linked to

our business activities.” Arnault means that luxury businesses are not allowed to ignore or escape environmental issues. Moreover, Arnault underlines how luxury brands are involved in preserving intangible environmental capital, which is “secret” to their success in creating dreams and exploiting beauty. As a matter of fact, the number of dedicated programs for making luxury companies’ production processes and final products more sustainable have been flourishing.

i. History of Sustainability

Throughout history, too often took place situations in which governments, authorities, institutions and individuals focused on a critical issue only after it has already given its negative effects. Nowadays, has no exception the human behavior reflected in the environment. The awareness of the fact that economic development can not be though separately from environmental protection have increased in the recent decades due to the pollution growing, climate change, the ongoing depletion of non-renewable resources, ecosystem decay and ecological catastrophes. To address the environment condition as a prominent global concern is the responsibility of the international community. However, this is not a new concern, since sustainable development has been recognized as a priority on the diplomatic agenda and international business of the United Nations Stockholm conference in 1972. During the international Union for Conservation of Nature in 1980, came for the first time the environmental movement, in particular with The World Conservation Strategy presentation. Thanks to these two events, took place the creation of the World Commission on Environment and Development in 1982. The WCED’s report of 1987, called “Our Common Future”, introduced for the first time the “sustainable development” concept. In the report is possible to find a foreword by Gro Harlem Brundtland who wrote: “the environment is where we live and development is what we all do in attempting to improve our lot within that abode. The two are inseparable”. One decade after, the focus on environmental issues bring the UN to hold in 2012 the Conference on Sustainable Development which aims were: securing political commitment to sustainable development, assessing the implementation and the progress in achieve agree-upon commitments, addressing new challenges. “The Future We Want” is the name of the final report which included a mandate to organize an Open Working Group in order to establish sustainable development goals for appropriate actions by the General Assembly. The session number 13 of the Open Working Group was in 2014, and 17 goals were defined and willing to achieved in 2015, focusing on poverty, renewable energy, gender equality, climate change and sustainable economic development and growth. The

Brundtland Commission defined the term sustainable development as “the ability to [...] meet the need of the present without compromising the ability of future generations to meet their own needs”. Even if the definition is clear, it has been criticized because it is lacking in detail about how to interpret and implement it and has given rise to several different interpretations. As a matter of fact, many organizations, both public and private, adapted the meaning “sustainable” in order to match their own interests by gathering in an opportunistic way under the sustainable development behaviors tent.

However, the Brundtland Commission offers a clear set of posts in order to distinguish what is sustainable from what is not, even if, it has been difficult for individuals, institutions, companies and countries to concretely move in the name of sustainability interest and be sure that their actions are effectively limiting environmental damage and resource use. This kind of difficulties are in part caused by the fact that institutions miss the ability in measuring the achievements and then maintaining extended improvement.

ii. The compatibility between Luxury and Sustainability

Although the awareness of the fact that sustainability should be central in a business like a luxury brand is increasing, many managers have neglected sustainability objectives under a business point of view, because their kind of industry do not need to be sustainable to sell well. In particular, before the social media rise, luxury brand companies were absolutely ignoring the fact that in order to sell their product, they had to consider about sustainability issues.

The belief according to which the uncontested selling power held by luxury brands can not be over-ride by the relatively customer concern about environmental issues, was used to be the rule for a long time.

According to a top manager of a European luxury company “from an economic and environmental side, the, the interconnection between sustainability and luxury is not so easy to be found: for luxury firms the necessity of being profitable is often more relevant than considering other different elements, as a consequence some luxury production processes go to the detriment of sustainable management requirements.”

Recently, luxury companies have taken some steps with the aim of increasing their responsibility to sustainability, while still trying to understand and manage their potential contribution to this movement. In particular, the effort has been made in terms of limiting the energy consumption, preserving resources, limiting the use and waste of toxic materials and providing respectful employment.

It is true that in the luxury industry there is still a lot that needs to be done in order to improve the approach to sustainability, but it is true also that the development toward that aim is becoming a spread issue for luxury brand, which can generate long-term value.

Kering's CEO François-Henri Pinault, as reported by Kapferer and Michaut, stated that sustainability-based approach is the key for the long-term competitive advantages and future beneficial effects for the group's brands. It is possible to say that the CEO represents one of the most influential people of the luxury sector, for this reason his opinions have a significant impact on public opinion. His advocacy of including more sustainability practices in his business is a sign of the evolution in luxury's approach of sustainability. Since the policies that he is promoting can be perceived as a best practice by all over luxury industry and groups worldwide, Pinault's position on sustainability matter can be central for sustainable development in this sector. Moreover, if an important group as Kering would be able to convey the idea that luxury and sustainability are compatible and that the second one can create value for the first one, the competition in luxury sector would be characterized by a more sustainable approach, generating a general trading up of the competitive system. Following this line of thinking, Kering's group has launched several initiatives through Gucci, Bottega Veneta, Saint Laurent, Balenciaga and Boucheron. In 2013, the Group published for the first time an annual "Environmental Profit & Loss" report which aim was to control and monitor the environmental impact of the different activities of all the group's brands. Since then, the whole group is working in a way finalized to integrate sustainability through products and processes which respect the brand identity, while having positive impacts on the environment and society at large. An example of brand which was born with a sustainable soul is Stella McCartney. Her fashion line is built up on a sustainable supply chain through elimination of animal products, reduction of toxic chemical use, preservation and protection of water, minimization of greenhouse gas emissions and through educating consumers about garment care. In Kenya, Stella McCartney produces hand-made recycled canvas tote bags collaborating with the International Trade Centre's Ethical Fashion Initiatives. The final aim of this initiative is fostering economic independence for artisans and creating training and jobs for African disadvantaged communities. Gucci, in 2012, has launched an innovative model of sunglasses made from an eco-friendly and biodegradable material called "liquid wood", which represents a green alternative to plastic. Same initiative has been taken for the packaging, which consists in a recyclable version aimed to reduce stocking place and, as a consequence, CO2 emissions. Kering experience, by the way, is not the only one exploring the more sustainable practices world. As a matter of fact, LVMH Group is also integrating sustainability in its business by embracing environmental and social responsibility and philanthropy. Through the Group initiatives we can find the project of LVMH Environmental Department working on the Group's brands in order to reduce their environmental impact. The

sustainability goal consists in reaching an high level of environmental performance through fostering a collective commitment, controlling environmental risks and designing high-quality products combining environmental innovation and creativity. The cognac brand Hennessy has started using wood that coming from sustainably managed and PEFC-certified forests. In line with those objectives, the company also owns a forest, which has been one of the first private-wooded areas certified PEFC in France. While perfume and skincare brand Guerlain has modified its skincare line, Orchidée Impériale, in terms of experience. In fact, customers who bring the empty jars into the store, can have it cleaned and refilled by the staff. Giving value to these efforts, the World Wildlife Fund (WWF) has included both Kering and LVMH Group among the top ten international groups ranked according to their environmental, social and governance performance (ESG). Companies in the luxury industry are not only pursuing sustainability goals through individual actions, but also increasing the general awareness engaging in collaborations and partnerships with the aim to raise standards for the entire marketplace. The Sustainable Luxury Working Group, including Cartier, Chloé, Kering, Mulberry Group, Ralph Lauren, LVMH and Tiffany&Co aim to provide a global platform for stakeholders and luxury companies that are willing to identify, understand and prioritize solutions for emerging sustainability issues in the processes of their value chain. It is sure to say that the company above mentioned are willing to collectively developing and adopting new high-level principles for the sourcing of leather, fur and other kind of exotic skins, through analyzing new solutions aimed at reducing waste among the luxury value chain.

Stella McCartney. Stella McCartney maybe is the best example to highlight when talking about sustainability in the fashion luxury industry. Since today, the textile, clothing and fashion are considered as one of the most polluting and resource-draining business industries which has serious impacts on the environment. This unsustainability has been fed by different unethical practices of production such as the great amount of greenhouse gases emissions and the widespread of use of chemicals during the manufacturing of textiles and clothing.

Stella Sustainability Strategy is based on a series of commitments concerning the development of a sustainable supply chain, preserving and protecting water, a total elimination of the use of animal products, a minimization of greenhouse gas emissions, reduction of toxic chemical use and a willing to educate the consumers about garment.

Being aware of the fact that the biggest environmental impact comes from growing and producing wool, cotton, viscose and cashmere at the farm level, the supply chain of Stella turns that use in sustainable raw materials, such as sustainable wool from Patagonia grasslands. In their handbags production are used recycled and innovated materials, such as polyester from waste plastic water bottles and recycled cashmere made from pre-consumer manufacturing waste. In looking for

resources all the team ensure that all cellulose fabrics are sourced from sustainably managed forests because being sure about not contributing to the destruction of ancient and endangered forest is a priority for the company. Sustainably policy is put in practice also in the water use, since water usage and water pollution are a concern at all stages of production. It can take more than 20,000 litres of water to produce 1kg of cotton, which is the equivalent to a single t-shirt and one pair of jeans. As a matter of fact, Stella's company work with fabric producers who act responsibly and are governed by strict rules on water management and pollution. Moreover, through a collaboration with Adidas, in the production are used dyeing technologies such as DryDye, using pressurized carbon dioxide in place of traditional water.

More than a billion animals are killed each year for fur and leather and producing a fur of animal skin jacket consumes 20 times the amount of energy needed to produce a coat made from natural fibres or synthetic materials. Stella McCartney brand doesn't use leather, fur, skins of feathers in any products and no adhesives that have an origin from animals. There is the use of only cruelty free wool and the company requires that every wool supplier provides certified and signed documentation stating that they practice animal friendly farming practices. In addition, there are no test products on animals, including the fragrances.

Large quantities of chemicals are used in the production of fibres like cotton, while waste water discharges containing toxic chemicals can enter in public waterways, polluting the rivers and entering in human bodies. For those reason, Stella McCartney adhered to Kering group's restricted substance list and used NRDC's Clean by Design programme to help the fabric mills improve their model of working. Along the supply chain, whenever is possible, are used just source certified organic cotton and other organic fibres which are less toxic. The company is willing to achieve the the "Cradle to Cradle" certification, in order to ensure that no toxic chemicals are used at any step of production. This particular certification is referring to the approach which suggests that the industry must protect and enrich the ecosystems and nature's biological metabolism. In particular, Cradle to Cradle is an economic, industrial and social framework which seeks to create systems that are not only efficient but also waste free.

An unmissable element in the production of fibers and textiles and apparel products is fossil fuel, accounting for approximately 10% of the global total carbon impact. That is why, Stella's company side which operate in the United Kingdom powers all its operation through wind energy. Moreover, the company is working with specific suppliers in order to reduce the amount of energy used and wasted in textile manufacturing. In order to reduce energy and carbon impact during the raw material production, the supply chain require to use recycled cashmere and sustainable wool. The last but not the least factor included in Stella McCartney Sustainable Strategy consist in educating the consumer about the garment care. As a matter of fact, the way consumers clean and care for garments can have a large impact on water and energy use. In particular, the aim of the

designer is making product that can last, in order to let people be able to use them for a lifetime. Moreover, one of the tool which is possible to use in order to educate consumers is using Clevercare labels which inform them on how they can reduce the impact from washing and drying their garments.

iii. Three Dimension of Sustainability

Since the players in the luxury industry have to manage with the necessity to integrate their business in the larger sustainable culture, a lot of approaches have been developed in order to define what sustainability is and which are the drivers that the players have to adopted in their business activities.

One approach is the multipillar model called “Triple Bottom Line”, created in 1994 by John Elkington. The framework has the aim to evaluate the business performance focusing on three different dimensions through which the value is created: ecological, social and economic. The model is also known as the three Ps, referring to Planet, People and Profit and in particular the ecological dimension refers to environment and human activities interactions. Moreover, the ecological dimension deals with the depletion of natural resources, pollution and waste. A company which is working on the ecological dimension has to minimize the environmental impact of its business activities in terms of value chain process, from reaching raw materials to waste disposal. In order to improve their ecological bottom line, companies need to manage efficiently their energy consumption and non-renewable resources, comply with legal disposal mandates and decrease waste and pollution.

The social dimension deals with employment opportunities, social justice, social cohesion between cities and communities, working conditions and poverty reduction. Companies need to consider the impact of their business on people and preserve dignity and safety of their employees through modifying some practices. In order to do that, child labor is not acceptable, such as employees exploitation by paying the minimum salary, companies need to ensure healthy conditions of labor, providing health care, educational and financial assistance in order to contribute to the development of all the community.

The economic dimension includes the adoption by the companies of an economic development model aimed to create healthy economies through which is possible to provide better living standards to citizens. Since a company need the profit to survive and in order to be able to help the community, the relationship between economy and sustainability performance can be seen with a double exit, in fact, sustainability can influence the financial performance, and financial performance can result in an higher Corporate Social Responsibility level.

The CSR is summarized by the investment company specialized on sustainability investment RobecoSAM as “a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments”.

The TBL approach is proposing to companies a new framework which allows them to look forward the traditional performance based on profit, shareholder value and return on investment. In fact, it is providing a new paradigm in order to evaluating performance and implement business processes, encouraging the companies to include environmental, social and economic issues.

Regarding the environmental dimension, luxury brands have been accused of contributing, with their business practices to ecological collapse and climate change, in particular they have been criticized for the use of low-cost manufacturers which based was low labor standards countries (social dimension), and for implementing unfair pricing strategies which aim was discouraging competition, generating in the meanwhile really high margins (economic dimension).

Environmental issues are faced from luxury industry in particular referring to the production process and to the sourcing and misapplication of raw material, considered unethical. As an example, the practice of using fur or skin can bring to animals endangered and building luxury infrastructure can lead to water resources exploitation. The textile and clothing are considered to be one of the most polluted and resource-draining practices, since the widespread use of chemicals and the significant greenhouse gases emission resulting from the processes of creation. Several character, as Non-Governmental Organization focused their energy calling attention on these situations demanding to end them.

The root of the critics both social and economic come from the lack justification for luxury purchases. In particular, referring to the irrationality in paying a huge amount of money for a product which can be found, with the same functionality, at a lower price. In developing economies, where the extreme prosperity cohabits with the extreme poverty, luxury is seen as one of the first contributor for the income inequalities growth.

In this context, the luxury consumers is seen as an accomplice who is taking part to social scourges like mistreatment of animals or child labor through contributing to the growth of those companies which allow these kind of practices.

Why Luxury is associated with unsustainability

Previously, it has been argued that sustainability and luxury are two complementary concepts, and showed, how in the luxury market are present some of the early moves towards a more sustainable behavior.

On the other, we saw how there is an increase in luxury consumer's sensitivity toward sustainability and how companies, for this reason, are pushing in order to adopt sustainability standards. Responsible consumers are becoming more informed about the nature of the brand and the products that they are willing to buy, because their "conspicuous consumption" is becoming a "conscientious consumption".

According to Bendell and Kleanthous (2007), consistency with their aspirations and concerns is the characteristic that luxury consumers are looking for in their brand purchasing, matching therefore, their vision of a better world.

Consumers are also driven to have a positive or a negative approach in relation to brands which embrace or neglect the role of environmental and social excellence. Given the increasing demand for sustainable luxury, there is the need for managers to consider social and environmental performance as essential element able to improve the luxury brand value.

The respond to the maturity of this new sensitivity is a demand increasing for products which are able to meet the environmental standards, which are realized in a sustainable way, which respect the planet, the economy and people. Meeting sustainable standards, and so, working on improving the sustainable development in the business insight, can also be seen as a great opportunity for luxury brands in order to differentiate themselves by competitors.

Shifting a "tradition" business model into a more sustainable one, of course, have some economic consequences. According to Harris and Freeman (2008), there is the willing by consumers to pay a premium price for a "green" product.

As reported by Kang et al. (2012), United States hotel guests who are more sensitive to environmental causes, declared that they are willing to pay a premium price for a structure which is leading green initiatives. Nielsen conducted a study (2013) in which showed how about 40% of global interviewers spent a premium price in order to have products from sustainability supporter companies.

The fact that luxury companies are able to capitalize on the willingness of paying more for sustainable products since their well-positioning it is true, but they are not alone in trying to influence consumer's behavior or taking its attention. As a matter of fact, luxury

brands rarely first moved in a sustainable context. In 1991, for example, Levi Strauss has been the first US company which enforced and developed a conduct code addressed to its suppliers, by the integration of environmental and ethical concepts. In 1992, Esprit followed the initiative by launching its Eco collection.

With the attention growing around climate change, pollution, deforestation and social issues as labor exploitation, consumers began to demand to companies to be more concern about this kind of delicate issues. Consumers started recognizing the importance and the reality of these problems and the mass market have been the first one who started to make inroads the idea of protecting the environment, the protection of worker's rights and the sustainability issue in general.

Thanks to its spread worldwide and its undeniable visibility, the luxury market found itself in a favorable position to promote a responsible consumption. The new attitude of creating a leadership position in environmental awareness by the legendary luxury brands, it is starting to give its effect on the mass consumption. Luxury brands represent a positive influence, reference point, they are admired, inspired, imitated and forget and they can be helpful in distinguishing what is real green from what is just greenwashing.

Explaining some of the ways in which the line between mass market and luxury is blurred, can be crucial in order to understand why consumers, generally associate luxury with unsustainability and unsustainable practices.

i. Blurred Boundaries between Luxury and Mass Markets

When we talk about mass market, we are referring to that kind of goods which are the opposite of niche products, since they are sold at a very high volume. Their creation is not addressed to any particular target, because the ideal customer represents a wide range of parameters which make the final target very diverse and broad. Mass media as magazine, television and newspaper are chosen as the main advertisement tool of this particular kind of market. In order to attract the largest number of customers, the price of the products is set as lower as possible, that is why retailers do not push a lot on durability and high quality, but more on satisfying a short-term need at a really competitive price.

The late nineteenth century, when the Industrial Revolution began, is the period in which the mass market concept appeared for the first time. In particular, when the fast fashion and consequently the unsustainable production practices have been seen for the first time. Is possible to find so many links between unsustainability and its practices with mass production and its globalization which allow rapid product changes and fast retail sales.

A particular clear example is given by the fashion industry. As a matter of fact, even after the law introduction aimed to reduce pollution, the majority of businesses kept on running the same business model in order to let their customers buy a huge amount of their products at regular intervals, representing the sustainability antithesis.

Partly for the reasons discussed previously, luxury might be considered more sustainable than mass market, since the first is producing a limited quantity of products, which durability and high-quality standard are guaranteed.

Marie-Claire Daveu, from Kering said that “in terms of sustainability, luxury has rapidly caught up over the last years and the focus on raw materials, which are key to luxury’s value proposition, places us apart from other sectors in the fashion industry. We require high quality, responsible and sustainable materials in our products, such as cashmere and silk. If there is any comparison, luxury is more like the food and beverage sector where the focus is on sustainable supply chain since raw material availability is a significant factor for continued success”.

Despite the wide difference from the definition between luxury and mass market goods, one of the reasons why of the emerging of the blurred line phenomena is given by two interrelated production situations.

The first one, called “trading up”, is involving mass market brands which offer designed products with higher-quality and surrounded by the same methods, higher-end materials and advertising strategies used in the luxury market. The technic of trading up make the mass market higher-quality product more accessible to the general customers. In this situation, is possible to assist to many players not-belonged to the luxury industry, which are using strategies employed by luxury brands as celebrity endorsement, presenting limited collections and creating an attractive and fashionable logo. The second situation is called “trading down”. It is involving the luxury brands which, in order to make their brands reach a larger size of customers, started developing those kind of business strategies which contributed largely in the confusion between the two market categories and, moreover, can be seen as the main cause of the consumer’s perception about the association between Luxury and Unsustainability. Thus, in order to attract more consumers, luxury brands tent to extend their product lines through licensing agreement (which will be deeply discussed later), broad their product range pushing on vertical extension while lowering the price. Moreover, with the explosion of new technologies and innovation platform, luxury became more and more accessible through the online purchase.

The aim of trading down is increasing the growth opportunities through attracting a bigger audience and introducing new and younger customers in the target range.

It is really easy to find situations like trading down in a luxury company strategy, often related to diversifying its product line in order to include less expensive and smaller products, as accessories, perfumes and fragrances.

The two opposite phenomena led the creation of a new segment in the market, called *masstige*, which refers to a mix between mass and prestige and to a democratization of luxury. *Masstige* products cover a spot in the market between the class and the mass. It is really likely, for mass-market companies, creating product lines in collaborations with celebrities or well-known luxury designers.

In trading down, pricing is important since *masstige* products are defined “premium but attainable” products (Silverstein and Fiske, 2003). As a matter of fact, compared to conventional products, they are sold at a premium price, but always below super luxury goods.

Under a marketing point of view, the techniques used to promote *masstige* products follow the luxury brands style, such as presenting limited editions and thus with the aim of creating scarcity.

As referred by a study conducted by Garegnani et al. (2015), the commitment to sustainability and CSR is growing among a sample of approximately 250 Italian companies listed on the Italy’s electronic share market (MTA), despite the economic pressure that companies had to face after the financial crisis of 2008. Garegnani’s research shows how companies are taking more care about sustainability integration in the supply chain, both downstream and upstream. Moreover, 94% of companies on the Italian territory have increased the investments in favor of the worker rights and conditions and have increased the attention on the development and preservation of the territory in which they operate.

But apparently, there is still a lot that needs to be done in order to convince back the consumers about the compatibility of luxury with sustainability.

ii. True Luxury and Fake luxury

Thanks to the survey that will be presented later, is possible to outline the general idea that consumers mostly associate luxury with unsustainability, in contrast with relevant research studies. In this dissertation it is argued that luxury not only should be associated with sustainability, but that luxury is inherently sustainable. As a matter of fact, luxury products are characterized by a longer life than conventional ones, and this factor reduces the waste amount related to the natural resources use.

Moreover, the luxury companies committed in fashion market play an important role in sustainable development because of their intrinsic bond with “hand-made” quality, which allows them to market their products as “timeless” designed and based on preservation of artisan’s skills and craftsmanship.

As already mentioned, does not exist a single definition of luxury but a product in order to be defined as a luxury good needs to respect certain characteristics such as the top-quality, spreading elegance and excellence. Second, a luxury good needs to be rare and exclusive, which is strictly connected with the use of hard-to-find natural resources and fine raw materials, which are labored by highly skilled artisans. Third, a luxury good needs to have a strong heritage which needs to be very easy to relate with. In the heritage are included traditions and time-consuming techniques of craftsmanship in the process of production. As a consequence, heritage implies the durability and therefore, the value of the product. The key features of luxury (top quality, rarity, heritage and durability) are able to reduce the gap between luxury and sustainability, as assumed by Guercini and Ranfagni in 2013 “luxury and sustainability, especially in its environment dimension, converge the features of durability and rarity, which constitute possible bridges between them”. In the beginning of the sustainability movement, many luxury companies get involved in this context promoting their brands to customers seeking for a more reflective consumption even if they were not necessarily adding any sustainable program. Today, something is changing, and one of the reasons why is the evolution of the consumers demand and the new challenges that the industry need to face.

Luxury industry today, in particular in the handbags and accessories world, is moving fast and players need to be updated. The threats of obsolescence to core activities and core assets seem to be one of the reasons of changing. The core activities threat affects the durability of the resources, while the latter affects the repeated activities, which represent the center of the industry profitability. The luxury industry had found itself in the middle of a intermediating change, in which the core assets keep their capacity since they are utilized in a more lucrative way, while the core assets are going to be endangered. One of the challenges which need to be faced by the industry is the protection of the assets and re organize their key relationships con currently. The luxury concept has been undervalued by some trends in the past years. The rise of new market like Russia and China is one of them. In 2011, China had become the largest market in luxury goods and in 2018 it was still growing of 20%. However, already exist a debate about the Asian country’s growth, in fact, many analysts are wondering that there will be a sudden decline while others are believing in its long-term sustainability.

As already mentioned before, today we can assist at a scenery in which the separation of boundaries between luxury and non-luxury is very blurred and consumers have become more and more confuse about the delineation among luxury and ordinary. The issue became stronger when department stores started offering high-end products at a lower price and mass-market brands have tried to look like luxury brands. On one hand, non-luxury companies are keeping pushing their product upward (trading up) and on the other, in order to attract more consumers, luxury brands tent to extend their product lines through licensing agreement (which will be deeply discussed later), broad their product range pushing on vertical extension while lowering the prince.

However, the reason behind the customer's perception on the association between luxury and unsustainable practices is given by the fact that, the products coming out from the trading down phenomena, not always offer a higher level of quality and taste as expected by products made by luxury brands.

One example is Polo Ralph Lauren by Ralph Lauren, a trendy and modern line and more affordable among other lines of the brand. In particular, the most expensive line, called Ralph Lauren purple label, is characterized by items of superlative materials and construction made in Europe. The Polo Ralph Lauren derivations from the classic and luxurious Ralph Lauren, gives it a prestigious appeal even with a much lower price point than the average brand. However, from the consumer's point of view exists a particular expectation from the product, since it is still belonging to a luxury brand, such as good quality and craftsmanship which respect sustainable parameters. Unfortunately, the production delocalization, which is often a consequence of business strategies such as the extension of line product, weight enormously on consumer's perception. As a matter of fact, the fact that Polo Ralph Lauren t-shirt are produced in Bangladesh is a representation of how the luxury brand principles in term of sustainability are totally corrupted and not respected.

As is possible to see, the more and more blurred border line between luxury and ordinary made unclear also some new differences inside the luxury world itself. Some of the luxury industry strategies seeking to extend the consumer's audience create a big misunderstanding between those true luxury brand which are still "pure" and those which adapt their business to licensing, the creation of a second line, delocalization of the production and the distribution channel organizations. In particular, this misunderstanding can be seen as the main reason why luxury, from a consumer's perception, is seen far from sustainability, rather than compatible with environmentally friendly values as we have seen in the previous part of the dissertation.

Licensing. The meaning of Brand licensing is “renting” a company’s well-known brand, or trademark, to other companies which, in exchange, will pay royalties in order to use this brand to launch different products.

A brand is a symbol, sign and a name with strong awareness, and when customers see the brand, it is really easy for them to link that sign with a specific subject perception related to that brand world.

Due to the fact that putting a strong brand on a product increase its desirability, consumer’s demand and retailer’s acceptance, companies are willing to pay royalties in order to borrow the power that the brand can brings to them.

Under a legal point of view, brand licensing refers to the delegation of both products manufacturing and distribution for a limited period of time, for specific categories or for specific countries. While, the design creation and the communication around are usually a combination between the brand owner and the licensee minds.

An example of a brand, famous for its licensing, is Calvin Klein. In particular, the Perfume & Fragrances category signed by Calvin Klein have been actually made by Coty. Due to the fact that Calvin Klein has no sales or technical know-how in the perfumes field, Coty brought all the know-how and took care about the marketing and distribution part of the business. Even if, in most of the licensing agreement, taking care of all the business side is addressed to the licensee, the “intellectual property” of the products created through the collaboration belongs to the brand-owner.

The combination between licensing and luxury is tricky. As a matter of fact, today licensing a luxury brand is seen as contradictory by many businesses. Since luxury characteristics are related with excellence, rarity, craftsmanship and quality, the luxury perfect business model should imply a full control of the processes of design, manufacturing and distribution of the products.

Hermès, for example, can be seen as the symbol of top luxury, in which all the product categories are 100% designed, made and distributes in house. The company, in fact, owns a crocodile and ostrich farm and a watch factory, in order to guarantee the selection of the high-level quality of materials used in the production in order to respect the specific standards required by the company.

The pure luxury business follows the though “no license”. Another example is given by Louis Vuitton, which is strictly following this philosophy with the launch of the perfume by LV, created internally and sold in an exclusive way just in selected Louis Vuitton stores worldwide. It is important to consider that just few luxury companies can afford 0% licensing. Licensing is a strategic decision made by the top managers of a company whose aim is the brand extension. Calvin Klein, as an example, deal on license agreement in

order to increase the revenues without investing in advertising, since it is an expense addressed to the licensee. The easiest business model to find among luxury companies is the “hybrid model”, which stand between the extreme models of 100% and 0% licensing, whereby they have the all core business under control internally or they license some of their peripheral non-core activities.

Between the post II World War and the early 90’s, brand licensing strategy played a key role for international expansion out of Europe and diversification of the products of many luxury companies. The wheel run for approximately 20 years, the concept of licensing moves from a new and strategic business expansion model into a poison leading to the corruption of the luxury brands. As a matter of fact, nowadays, the two bug groups LVMH and Kering, declared to be against licensing strategy.

In order to act accordingly to this principle, a lot of luxury brands decided to end or bought back their licensees. After Dior had been bought by Bernard Arnault, it was decided to put an end to all the brand licenses all over the world, especially in Japan, where Dior disappeared from the market just right before being relaunched through a wholly-owned subsidiary and direct imports.

When Yves Saint Laurent entered in Kering, it was not able to make any profit for the first 10 years after the acquisition. The reason why is because the brand has been brave and strong enough to terminate all its licenses and decided to integrate all the manufacturing and distribution process and take charge of all the costs.

Another example of brands that change their mind about the beneficial effects of licensing is the case of Ralph Lauren and Burberry. In Asia, the two brands terminated all their licensing contracts in order to take the direct control of the business. All these highly visible examples seem to show as a progressive and complete divorce between luxury brands and licensing is actually real.

That is the reason why, if a brand is still doing licensing, its reputation as a luxury brand it is very easily to question and, moreover, the perception of it under a sustainable point of view is very easily compromised.

However, for particular categories such as eyewear, perfume and watches the number of licensing contracts signed nowadays is really high. In particular, for already established luxury brands, licensing can bring specific expertise:

- Since 1999 Chanel signed a global license with the world first place player in the eyewear industry, the Italian company Luxottica;
- Fendi signed a global license with Simonetta, an Italian wear specialist for kids;
- Ralph Lauren launched watches through a licensing contract with a joint-venture company established with the watches and jewelry expert, Richemont;

- In 2010 Armani opened an hotel inside the world tallest skyscraper in Dubai, the Burj Khalifa

Currently, licensors in the luxury sectors are prepared to the fact that licensing can become a drug, and that is why it need to be consumed in limited quantities. A company who manage to control its core business at 100%, is holding a key to a long-term success which will be always superior that whatever revenues licensing can bring. For a luxury brand, image consistency must come first.

<p>1. From where do you come from?</p> <p>Option 1. Europe</p> <p>Option 2. Asia</p> <p>Option 3. Africa</p>
<p>2. At which age range do you belong?</p> <p>Option 1. 15 or less</p> <p>Option 2. 16-25</p> <p>Option 3. 26-44</p> <p>Option 4. 45-60</p> <p>Option 5. 60+</p>
<p>3. Are you sensible to Luxury?</p> <p>Option 1. Yes</p> <p>Option 2. No</p>
<p>4. Do you perceive luxury industry close to sustainability?</p> <p>Option 1. Yes</p> <p>Option 2. No</p>
<p>5. Which is the last luxury item that you bought?</p> <p><i>Open answer</i></p>
<p>6. Among these 9 brands:</p> <ul style="list-style-type: none">- Hermès- Brunello Cucinelli- Louis Vuitton- Alexander McQueen- Versace- Armani- Ralph Lauren- Supreme

- Michael Kors

Option 1. Just the first 2 are luxury brands

Option 2. Just the first 6 are luxury brands

Option 3. All of them are luxury brands

iii. Consumer's survey: discrimination of luxury

As it has been possible to understand, the argument defended in this dissertation is that luxury not only should be associated with sustainability, but that luxury is inherently sustainable. As a matter of fact, luxury products are characterized by a longer life than conventional ones, and this factor reduces the waste amount related to the natural resources use.

However, the trading down phenomena showed how a luxury brand can modify its traditional principals in order to enlarge the number of customers and let growing the revenues. That is why is important to be able to distinguish and discriminate what, today, can still be considered True Luxury and what is not luxury anymore.

The survey has been launched in order to understand and try to justify why luxury industry can not be considered in line with sustainability principles. In particular, the results prove that one of the reasons behind this negative perception is given by a significant misunderstanding of what we can still call today true luxury and what is not. What originally was possible to call luxury, nowadays reached too much compromises which put them far away from what true luxury is. Moreover, the survey propose itself as a tool in order to discriminate what is considered luxury and what is not from the consumer's point of view.

The survey has been proposed to 200 people in which 78% European, 17% Chinese and 3% African. Among the interviewers, 77% are Millennials since they belong to the age range 16-25. A great size of interviewers they seem to be sensible to luxury, since 80% of them are used to buy luxury in one or more than one category. The answer at the question about the compatibility of luxury industry with sustainability showed how the majority has a negative perception, as a matter of fact 68% of people gave a negative answer. In order to try to discriminate in consumer's perception what is true luxury from what is not,

a list of nine brands has been proposed: Hermès, Brunello Cucinelli, Louis Vuitton, Alexander McQueen, Versace, Armani, Supreme, Ralph Lauren and Michael Kors. It has been asked to the interviewers if they would consider all of the brands presented in the list as luxurious, if only the first six or if only the first three. Just 21% consider the first two as luxury brands, 38% just the first six and the majority of 40% consider all the nine brands as luxurious. In terms of country of origin, 80% of Chinese candidates assumed that all of the brands were luxury brands. On the European side, 48% of the interviewers assumed that just the first 6 brands are luxury brands, the second biggest portion of 32% believe that all of them are luxury brands and just the 18% think that just the first two are luxury brands. This result is particularly significant because it shows how in the perception of what is luxury from what is not plays a big role also the country of origin. Even if the blurred boundaries exist in both segments, European Millennials seem to be more aware of the distinction, probably because they saw the Made-in concept as close to their reality. We cannot say the same for Chinese Millennials, whom majority tends to take for granted the quality from any European brands.

The authenticity of Hermes. The position hold by Hermès in the luxury market has been valued at €260 billion in 2018. Today, the group register 14,284 employees all over the world and 310 exclusive stores. Although the brand has achieved a relevant international presence and stature, it has never lost its human touch and its unique craftsmanship tradition.

The history of Maison Hermès began in 1837 by Mr Thierry Hermès in Paris and gradually, generation after generation, the House innovated but remaining always loyal to the primordial equestrian world. Hermès, for over 150 years, on one hand has been synonymous with saddlery and on the other has enriched its house without deviating from its strict quality standards. The list of items offered by the house includes leather goods, watches, boot making, jewellery, silk, crystal, precious metals and fragrances, men's and women's ready-to-wear. In all this product category, the sixth-generation family-run House extends the reach of the values of craftsmanship without changing the country of production, France.

Hermès can be considered a luxury brand belonged to the authentic and still “true” luxury for several reasons. The fact that from 1837 to today is still a family business who has remained faithful at the brand's values, the fact that the company does not have a marketing department, they don't do commercial studies and don't ask people what they want or look at what the other people do. Hermès' believe is that they need to be true to their style and just through this, the brand is able to create desire for their clients. Meeting

the consumers' need for convenience and speed does not affect the brand's need to maintain its craftsmanship and heritage. What is important for the brand is the integrity of the product. Axel Dumas, CEO of Hermès when the demand for Birkin Bags far surpassed the quantity the brand could produce, declared: "I pointed out that what was more important for us was the integrity of the product...yes, people want convenience, but when they are buying a product prized for its craftsmanship and authenticity, those qualities are more important. In the long term, it's a positive thing for the company and the client, because both parties know that there has been no compromise". Hermès reached to securing the strength and heritage of its craftsmanship as the brand grew bigger. It maintained the balance of its different know-how, since it is a very strong added value for the future. Having a strong balance of countries in which distributing is really important for a luxury brand, as a matter of fact, Hermès is still investing in Europe and in China. The company takes care also about the digital side in a way in which they stay true to the brand while making use of the convenience of the internet. Hermès is all about storytelling, and the digital world is one of the best ways to tell a story and then, create dreams for customers.

Moreover, Hermès can be seen as a symbol of top luxury, also because, all the products belonging to the different categories are 100% designed, made and distributed in-house. Seeking for excellence goes as far as to acquire a crocodile and ostrich farm, making sure that in the production is used only the best available selected skin. There are no licensing agreements neither in the watched category, in fact in order to stretch the brand respecting the high quality standards required by the House, Hermès bought a watch factory.

The quality guaranteed in all the steps of Hermès production is strictly connected with the sustainable behavior carried out by the company business. As a matter of fact, Hermès' actions for sustainable development are founded on the values transmitted through generations by the artisans who have shaped the house and its object since 1837. The raw materials used in the production are clearly and openly described by the company in terms of nature and place of origin, and since the production is localized, the sources used, as leather, are the only elements which come from a place different from France.

What makes the brand a true luxury brand is also its ability in balancing the being a holistic brand while staying true to the original DNA and identity. The unique style by Hermès is unmissable in any production, which is the reason why the brand never does licensing, which are really common for perfume and other accessories.

To sum up, the family business stamp, the relatively not massive presence worldwide, the light marketing strategy and the not easy accessibility on the website, the absence of licensing, the transparency regarding what kind of materials are used in the production

and where they come from, make Hermès a true luxury brand which respect all the proper luxury characteristic. For this reason, it is compatible with sustainability parameters. Moreover, Hermès can be seen as the practical proof of the fact that the true luxury respect those criteria.

The Made-In of Brunello Cucinelli. The Italian maison of Brunello Cucinelli is operating in the absolute luxury goods sector, specialized in cashmere is nowadays considered as one of the most exclusive brands in the international informal luxury, the everyday luxury. The company was founded in 1978 by the designer and entrepreneur Mr. Cucinelli which revenues reached €399.693 million in 2018 with 1,600 employees. Today, the brand is internationally distributed over 60 countries through just 123 boutiques. The company's success is rooted in its legacy and history of fine craftsmanship combined with innovation and modern design. The care and attention that Brunello Cucinelli takes in manufacturing its products are expressed through the use of raw materials of the highest quality, craftsmanship and tailoring of an exclusive Made-in Italy production. All of this makes the Italian company one of the most exclusive testimonials of the Italian lifestyle globally. Moreover, the relationship between luxury sustainability and "Made In" is summarized perfectly by the brand Brunello Cucinelli. The company emphasize the way its brand is strongly rooted in the attributes of the region of origin, Umbria and its values. "The 'Made-in Italy' paradigm is part of our DNA. Our company began producing in Italy. In fact, we could go even more local and use a 'Made-in Umbria' label, seeing as 80% of producers' workshops we partner with are located in our region. This concept is so closely linked, even intrinsic to our brand, that our customers, stakeholders take it as a given. We have always paid special attention to producers' workshops whom we partner with. They are the ones who really contribute the added value of our products, with their high levels of craftsmanship and handiwork. The arts of craftsmanship are considered humble profession, but in reality they are anything but. I think that these need to be recognized with the correct level of economic dignity, so that workshops can survive and keep working with a degree of certainty. Continuity and handovers through the generations should also be ensured". According to the "Top 100 Luxury good companies" published by Deloitte in 2017, Brunello Cucinelli, known as "king of cashmere" covers one of the top 15. As Hermès, neither Brunello Cucinelli has a marketing department in the company, but a communication team keeps update the social networks profile of the brand sharing its value, philosophy and initiatives.

The strong Made-In DNA, the modest international presence, the absent marketing strategies and the transparency regarding the discoverability of the resources are all

characteristics that can let Brunello Cucinelli matching with that true luxury close to sustainability parameters.

The level of social, cultural and environmental awareness is growing and in markets, society and between people is growing also the advocacy for meaningful principles and new way of acting on different levels. Today, defining mission, vision and values is a job which is obsolete if, at the core, there is not a real message, honest and authentic. A necessity for companies is to evolve if they are willing to create better future, a future determined by social and cultural intelligence, not only artificial. This evolution can be synthesized in five pillars:

1. The willing to do “what is right” and contribute to a new definition of result and profit
2. Finding the genuine style and essence of each company
3. Being open-minded and honest
4. Adopting new principles and change attitude
5. Aligning global vision with daily actions

It clearly possible to see these pillars in Brunello Cucinelli and not so much in other luxury houses which put their future at risk as they damage their brand imagine and legacy, loosing the opportunity to improve their contribution to the society.

It is not possible to confirm how much of Cucinelli’s believe can impact on his financial report but it can be recognized that the company is trying to do “what is right” for the present and the future wellbeing of society, through giving personal satisfaction and serenity, which in the long run, can bring make negative results.

Alexander McQueen. Emmanuel Gintzburger, the man tasked with transforming Alexander McQueen into a global fashion powerhouse assumed: ”Alexander McQueen is about complete creative freedom, integrity and authentic storytelling, all anchored in Britishness”, he added “The eternal juxtapositions between strength and vulnerability, romance and rebellion, the touch of the hand and innovation, individualism and a sense of community, hyper-femininity and masculinity, are all upheld. By remaining true to who we are, our distinctive voice will be relevant in a crowded marketplace”.

The brand Alexander McQueen offers niche items well-known for being high-quality products, unique and desirable. The brand has a strong reputation globally and is well-recognized, as well as its high financial status and its defined market position.

Despite an asserted presence globally, is possible to find the brand just in twenty-one stores and online is not possible to proceed with the purchase for many of the products,

affecting the accessibility to customers. The nature of Alexander McQueen products remains exclusive, rare and not affordable for the mass market, restricting a potential target market and its market growth, but, being a true luxury brand, strengthening its brand image.

Alexander McQueen's social media marketing strategy is weaker than the competitors, although the Instagram profile is currently maintained, it doesn't communicate completely about collections evolution and campaigns. Another factor that makes the brand recognizable as still true luxury is the fact that it has limited celebrity endorsements, even if it can be seen as a risk of losing relevance in the modernized fashion world.

The ubiquity of Louis Vuitton. LVMH comprises 70 prestigious maisons organized into six business groups: wine & spirits, fashion & leather goods, perfume & cosmetics, watches & jewelry, selective retailing and other activities concerning structures and boats. The group's revenues are coming from all over the world, since all the items belong to the group are crossing 70 countries from United States to Asia, claiming approximately 4,374 stores and 145,247 employees. In 2018, the revenues reached 46.826 billion.

LVMH is investing heavily on marketing and selling expenses. In 2017, 39% of the corporation's revenue of €42.6 billion has been allocated just for marketing and selling expenses. In particular, the brand Louis Vuitton, valued \$33.6 billion, generate \$12.9 billion in sales and invests \$5.4 billion, which is around 43% of sales, on company advertising. Hermès, on the other side spent 30% of its €5.5 billion revenues to selling, marketing and administrative expenses and a 5% of sales on advertising. Hermès' approach to advertising is subtly and quiet, while the one by Louis Vuitton can be defined wide exposure. Louis Vuitton's logo, being first introduced in 1896, has a heritage which last more than a century and LV bags may be the world's biggest "perpetrator of logo pollution". Ubiquity, stands in opposition to the conduct's code of an authentic luxury brand. Celebrity endorsement, used as a marketing strategy, is fully embraced by LV brand which in 2011 spend around \$8 million for a campaign with Angelina Jolie. We can see how LV breaks a cardinal rule of luxury brand marketing described by Jean-Noël Kapferer and Vincent Bastien in a chapter in 2013's *Luxury Marketing: A challenge for Theory and Practice* "Celebrities are to be used with caution in the luxury strategy, if the brand wants to build its pricing power, distinction, style and sustained appeal. They are not used as selling agents, for new customers to buy the product through an imitation model". An authentic brand cannot be heavily promoted or designed with the aim to appeal everyone, part of being a luxury brand is being exclusive, rare and hard to get. Louis Vuitton operated in 460 branded boutiques (Hermès has 300). In addition, LV is widely

distributed all over the world in numerous luxury department stores, so it does not match with inaccessibility at all. Hermès strictly limits production and distribution of its products showing the explicit intention to enhance and not to meet consumer's demand, while LV answers to the pressures of its stockholders to drive growth, which requires a big distribution in more places. Authentic luxury is at the core of Hermès brands, while for LV is more like a matter of appearance. As a matter of fact, according to a study reported by Business of Korea, the production of Louis Vuitton shoes takes place in Romania, then the product is moved to Italy for the final step, the attachment of the soles. Thanks to this strategy, the brand can legally affix on the product the "Made in Italy" tag because, according to the European Union rules, the country of origin can be claimed where the final step of production is carried out and not where the majority of the production actually took place. Louis Vuitton did a great job in maintaining aggressive growth through marketing and management at expert level, but the brand is playing fast in growth and loose its authenticity, which can lead to a positioning of the brand far from sustainable parameters.

The lines of Armani. Armani brand can be considered as an empire that stretches in both price and product class dimensions. This can seem as a source of brand confusion that would be able to dilute the luxury characteristics and appeal of the brand, also in terms of sustainability. Giorgio Armani, is the main line. It is recognized for its very high-quality, classic design and highest prices. This line, which meant to compete with Hermes for upscale clothing, belonged to the true luxury category which can be considered compatible with sustainable parameters since it matches perfectly with scarcity of resources, no wastes and very high-skilled craftsmanship. Armani Prive, started in 2005 and represent the haute couture line, known for their red carpet pieces. This line is matching with sustainability as well, since it belonged to a very high-level couture, intended exclusively for celebrities. Armani Collezioni, known for tailored suits and shirts, it is aesthetically close to the main line but the prices are cheaper. From this collection is possible to feel the beginning of the blur between the "true" luxury and the "fake" one, since cheaper means compromise and sustainability is the first one that companies are willing to compromise. Emporio Armani, is the biggest and most successful brand under Armani. This brand is more modern and fashion than the first lines but is much less expensive. The production background between this line and the previous is already very different. Armani Jeans, is the bridge-line collection of denim related clothing and it is cheaper than the lines above mentioned. The last line is called Armani Exchange, it is trendy and modern and the most affordable among all the lines. This "cheap" lines production has

been run in Bangladesh from years, same for H&M, Wal-Mart, Zara and also for other designer brands as Ralph Lauren and Hugo Boss. Having outsourced manufacturing in Bangladesh has been highlight especially after several fatal accidents concerning the workers safety. In particular, in 2013 the Rana Plaza building collapsed and caused 1,134 deaths and 2,500 injured. Due to the really low production cost, high-end labels often use the same factories. Giorgio Armani in 2012 received a shipment of 21,600 pounds of T-shirt and underwear made in a factory in the city of Chittagong (Bangladesh). The production of the fashion's most basic item, the t-shirt shows the high-low incongruity. In London, a t-shirt made in Bangladesh from the designer brand G-Star Raw has a price of £60, while in Wal-Mart the same shirt is sold at £4. The aim to reach more consumers, however, weight undoubtedly to the profit but disadvantaged the perception of the brand in terms of its matching with luxury characteristics. A European brand which production is in China or Bangladesh cannot be considered sustainable, and even if the first two lines respect the sustainable paraments, cause they can be defined true luxury, the fact that the lines live under the same Armani roof, this situation can confuse the consumer's idea about the sustainability in luxury, and therefore, can let them think about the fact that sustainability doesn't exist in luxury at all.

Supreme. The brand Supreme was founded by James Jebbia in 1994 in New York and at the beginning it started with a small store which main target were New Yorkers skaters and which sell everything from T-shirt and key-rings, to fake-fur coats and skateboard decks. It can be seen belonged to the "luxury t-shirt" sector, where the price for a t-shirt can cost at least \$600. At the end of 2018, the brand has been valued at over \$1billion. The brand's popularity increased in the skater's environment since, thanks to the seductive logo, professional skaters chose to show up with its clothes at international competitions. In 2017, the influence of the brand is so strong that Supreme starts collaborations with Louis Vuitton, Nike, The North Face, Jordan, Levis's or Comme Des Garcon and its marketing campaign saw endorsement with celebrities as Neil Young, Lady Gaga, Kate Moss, Mike Tyson and Lou Reed. The brand's world domination is really down to Jebbia's creation and ownership of a real "Supreme drop culture". As a matter of fact, every Thursday at 11am, all the Supreme stores around the world receive a very limited amount of stock. The reaction is that, eager buyers among young skaters and adults, queue hours and hours in order to have the chance to join the stock. The exclusivity shade that the brand established around itself is determined also by the fact that all around the world exist just 10 Supreme stores, 6 of which are in Japan. As a consequence, the website traffic

plays a strong role for the brand's revenue, which, as a matter of fact, in 2018 increased of 17.000%.

Supreme brand's characteristics such as high price and exclusivity can make it feel like a luxury brand, but on the other hand, the essential celebrity endorsement and the huge online selling make the first sensation move away. Regarding the environmental impact of the brand, Supreme, does not provide information about how it is reducing its impact, in particular, it doesn't disclose any information about how, where and whom its items are produced and which materials are used during the process. As far as we discussed, transparency in terms of ethic and sustainability is a tricky issue in the luxury fashion world, which is challenging more and more the credibility of the most well-known luxury brands. That is why, if a brand does not expose itself at all on this point cannot be considered luxury.

Michael Kors. Michael Kors is a company, before being a brand. It is a global fashion luxury brands run by the skills combination of a management team and renowned designers. The Michael Kors brand had been launched 35 years ago by Michael Kors, who brought the brand out of the US reaching 100 countries through company-operated retail stores and e-commerce sites, leading department stores and selecting licensing partners.

Michael Kors brand has three primary collections: the Michael Kors Collection luxury line, the MICHAEL Michael Kors accessible luxury line and the Michael Kors Mens line. All of the three collections are possible to be bough online thanks to the successful Michael Kors e-commerce site. In particular, the first one is a sophisticated designer collection for women, which includes ready-to-wear, hand-bags, small leather goods and footwear. The price range of the handbags and leather goods move from \$300 to \$6,000, while the footwear category from \$300 to \$1,500 and the ready-to wear from \$400 to \$7,500.

The second line MICHAEL Michael Kors has a strong focus on women's handbags, leather goods, footwear and apparel and the range price of all the categories is between \$45 for the cheapest item to \$600 for the most expensive.

The third line called Michal Kors Mens is focused on men's ready-to-wear, accessories and footwear which range move between \$40 for the cheapest item to \$800 for the most expensive one.

Regarding the licensing products range price, for the watches it is from \$150 to \$595, for Jewelry from \$55 to \$500, for Eyewear from \$100 to \$210 and for Frangrance and beauty it is between \$30 and \$125.

The advertising and marketing strategy are really powerful, as a matter of fact, in the fiscal year 2018, the company recognized \$167.1 million in marketing expenses globally. The strategy is engaged across various marketing channels, including email, print and outdoor advertising, digital marketing, social media, direct print mailings, public relations, visual merchandising and partnership marketing. Moreover, the celebrity endorsement is an important component of the company's business, since it collaborated with celebrities such as Cate Blanchett, Ashley Graham, Scarlet Johansson, Nicole Kidman, Blake Lively and Gwyneth Paltrow.

The authenticity and uniqueness of the brand items is quite inexistent since for the majority of the product's category offered by the brand there is an associate licensing agreement. For fragrance & cosmetics, the licensee is Estee Lauder, for the watches and jewelry the partner is Fossil, eyewear's section is covered by Marchon eyewear, the shoes production is made by Iris and the Handbags and all the leather goods are from Le Tanneur & CIE.

Regarding the Manufacturing process, Michael Kors company does not take any responsibility for any steps of the process, in fact, it has several contracts for purchasing finished goods with independent third-parties. The company allocate product manufacturing among third-party agents based on their skills, production capacity, delivery and pricing. In the fiscal year 2018, the largest manufacturing contractor of Michael Kors, who primarily produced its products, is located in China. In particular, by dollar volume, approximately 94.7% of Michael Kors products were produced in Asia. Even if, manufacturing contractors and agents operate under the close supervision of Michael Kors global manufacturing division headquartered in the USA, the huge production delocalization which characterize the company business can not be an element through which is possible to classify Michael Kors brand as a true luxury brand which respect sustainable parameters.

Moreover, Michael Kors as a brand, is not exclusive or with an hard accessibility, its business is dominated by licensing, its marketing strategy's investment are really high as much as celebrity endorsement and the authenticity and made-in does not exist at all. To conclude, Michael Kors can not be considered as a luxury brand, therefore, its business model which is not compatible with sustainability can be seen as a proof of the distorted perception that is moving nowadays among the luxury fashion world.

Conclusion

Luxury can be easily associated with words like hedonism, status and excess, while sustainability is related to equity, altruism and sobriety. It is easy to question how these two concepts, carrying such far and opposite association can be related, and how the idea of a sustainable luxury can be the core of a dissertation. In the last two decades, sustainability become a very hot topic and consumers of luxury goods all over the world have been becoming more sensitive to their potential contribution to society, people and environment through their actions and also their purchases. Luxury companies, seem to have become more aware on how is important be more sustainable, as a matter of fact, is possible to see how many sustainable initiatives have been undertaken by big luxury companies, although many of them are still skeptical about the opportunity of improve the perceived value of their luxury brand through the association with sustainability. Moreover, the general consumer perception has been more supportive to the idea that luxury and sustainability are conflicting and incompatible concepts. The cause of this negative perception has to be associated with the business strategies adopted by some famous luxury brands such as, brand extension, licensing, the second more affordable line and production delocalization. This business strategies, aimed of course at enlarging the number of customers on one side, helped make even more blurred the boundaries between mass market and luxury and, on the other, creates a big misunderstanding in consumer's mind for who is difficult to relate luxury business with sustainable practices.

The aim of the dissertation has been proposing the idea of luxury and sustainability as complementary concepts. Moreover, it has been proposed that luxury should be considered inherent to sustainability because of its intrinsic characteristics such as the "Made in" paradigm, quality, excellence, limited-production, scarcity, exclusivity, heritage, aesthetic beauty and fulfillment of dreams and have been described who is the nowadays luxury consumers.

The dissertation has entered also into the dimension of sustainability, describing the Triple Botton Line approach, according to which business can be sustainable form an ecological, social and economic point of view.

After described a survey in which is shown how consumer's perception about luxury is related to unsustainability, there were also the try to justify this kind of negative perception by offer interviewers the chance to discriminate luxury brands. In particular, the results showed that the majority of interviewers consider luxury brands also some brands that do

not respect the luxury “rules”. Moreover, due to the business strategies already mentioned above, some luxury brands lost their traditional nature and became something else, a reason strictly related to the phenomena of blurred boundaries between luxury and mass market.

Overall, this dissertation is suggesting managers that they should be fully aware of the fact that luxury consumers are openly asking luxury brands to pay more attention to environmental issues. The sustainability issue is already an hot topic for people and society in general and this tendency will become stronger and stronger in the short and long term, and since in the dissertation is proposed the idea of true luxury and sustainability as complementary concepts, rather than conflicting, managers should not allow any kind of confusion creation about what is luxury and what is not. In order to be able to talk about sustainability in luxury, it is important to make a discrimination of luxury, talking just about the true luxury which is respecting sustainable parameters and which is fully inherent with concepts as “Made in”, production localization and be trustful to the core values of the luxury brands.

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Abstract

Company Luxury market continues to shine being one of the most relevant engines of growth in many countries, as a matter of fact, the market grew 5% in 2018, to an estimated €1.2 trillion globally, registering positive performance across most segments. Luxury goods and experiences have been comprised by Bain & Company in nine segments led by luxury cars, luxury hospitality and personal luxury goods, which together represent more than 80% of the total market. Luxury cars sale is growing by 5% at constant exchange rates to €495 billion, and also hospitality grew by 5% from the previous year. The market for personal luxury goods reached €260 billion representing a growth of 6% from the previous year. The main driven of this specific segment is the more robust local consumption, while tourists purchasing stayed flat. The top luxury growth categories are shoes and jewelry, gaining 7% each, followed by handbags and beauty. Today, luxury finds its consumers all over the world, each one with its own cultural and aesthetic demand to the market. Consumers are both men and women, in contrast to more traditional luxury products that have historically addressed to men, since the buying power of women is increased, they create a new and strong demand in the market. Nowadays consumers belong to a wide range of socioeconomic backgrounds, as middle-class customers can afford aspirational items. They use internet to validate the quality and the price of luxury products as they would do for other purchases type. To translate, they require more in exchange of their luxury money because the association of the brand is not enough anymore. Brand need to be proven, refreshed and renewed for today's costumers. Rather than brand with high-status, are preferred brands with high-value. Thus, luxury is not immune to the trends which lead to a more waste-conscious behavior, paying more attention to details and being more concerned with budgeting. The importance that luxury consumers give to sustainability is greater than the past, thus its idealization is applied also in the cultural movement toward environmentalism and sustainability. Today's luxury costumers are more interested in knowing from where is coming the luxury item and which is its social and environmental impact; as there is more awareness about environmental issues, they maturate an expectation about their consumption impact of the society and the environment. Therefore, the opportunity for luxury companies to match sustainability and their brand development is a central issue in their business. Sustainability maybe will become a competitive advantage and an added value to attract luxury costumers and make them happy to buy aspirational products not just in order to let them project a positive image of themselves, but also because they would feel to

positively contribute to the society. In particular, is interesting to notice how consumer perception, in particular from Millennials generation, see luxury industry far from sustainability and the majority of them do not perceive luxury industry close to sustainable parameters and this dissertation seeks to understand which are the reasons behind. In order to do that, a consumer survey has been launch, and in particular, a discrimination of luxury brands has been led. Luxury brands are compatible with sustainability as they are characterized by some key element, such as, limited quantity, durability and craftsmanship which lead to the idea of a positive contribution to the environment, the territory they operate, the employees and their manufacturing skills. The reasons which generated this opposite perception of luxury respect of what it really is will be analyzed through the survey, which will try to discriminate what is the true luxury from what is not.

Through the first chapter, the dissertation describes the complex and fascinating universe of luxury brands and their businesses. It starts with the illustration of luxury's distinctive and main features, such as quality, beauty, prestige and heritage, and then focus on how luxury is perceived by consumers. Following this line, the framework of luxury consumers is described in terms of regional highlights and identification of consumers in terms of generations. Overall, the main aim of the first chapter is to advance the concept that luxury companies need to find the right balance between the core values of the business, which have always characterized luxury in a unique way, and the evolving trend and values that characterize consumers. While luxury has always delivered aspirations and dreams, the unpredictability and uncertainty that are characterizing the individual existence nowadays, have gradually made the dream wider than in the past. As a respond, luxury companies increased the accessibility of their brands while trying to preserve the core value, but, unfortunately, not always they manage to do it. This has been reflected in the tendency by luxury companies to introduce more accessible items, in order to allow new customers access the portfolio and, at the same time, meet the desire.

An element that cannot be ignored is the very important trend of sustainability and the preservation of human and natural resources: an issue which is characterizing nowadays society. In the moment in which, luxury has been considered and perceived, especially by Millennials, a far concept from sustainability, the idea advanced in this dissertation is that luxury is inherently compatible due to its intrinsic elements such as, quality, limited production, durability and production localization. These practices, as definition, have a positive contribution to the environment, local communities and society.

In the second chapter, is explain the fact that, although luxury and sustainability are perceives as contrasting concept, luxury can be considered sustainable by definition, due to the fact that many of the practices employed by luxury brands are sustainable. As a

matter of fact, luxury brands embrace increasingly sustainability and are making sustainability as a central point in their business strategies. The “Made in” paradigm is the perfect example of alignment between luxury and sustainability. Luxury brands, through emphasizing on culture and craftsmanship, highlight the scarcity power of their products, which is the know-how and manufacturing processes result typically related to values such as quality, preservation of artisans, protection of raw materials, support to the local supply chain. All of these values, ensure the long-term vision of the brand, thanks to the long-term life of the products. The second chapter has entered also into the dimension of sustainability, giving a brief about its history and describing the Triple Bottom Line approach, according to which business can be sustainable from an ecological, social and economic point of view.

The third chapter focuses on the fact that from a consumer perception, luxury is associated with unsustainability and on which can be the causes of this misunderstanding. In particular, are explained some of the ways in which the line between mass market and luxury is blurred. One of the reasons why of the emerging of the blurred line phenomena is given by two interrelated production situations.

The first one, called “trading up”, is involving mass market brands which offer designed products with higher-quality and surrounded by the same methods, higher-end materials and advertising strategies used in the luxury market. The technic of trading up make the mass market higher-quality product more accessible to the general customers. In this situation, is possible to assist to many players not-belonged to the luxury industry, which are using strategies employed by luxury brands as celebrity endorsement, presenting limited collections and creating an attractive and fashionable logo. The second situation is called “trading down” and it is involving the luxury brands which, in order to make their brands reach a larger size of customers, started developing those kind of business strategies which contributed largely in the confusion between the two market categories and, moreover, can be seen as the main cause of the consumer’s perception about the association between Luxury and Unsustainability. Thus, in order to attract more consumers, luxury brands tend to extend their product lines through licensing agreement (which will be deeply discussed later), broad their product range pushing on vertical extension while lowering the price.

In this dissertation it is argued that luxury not only should be associated with sustainability, but that luxury is inherently sustainable. As a matter of fact, luxury products are characterized by a longer life than conventional ones, and this factor reduces the waste amount related to the natural resources use. Moreover, the luxury companies committed in fashion market play an important role in sustainable development because of their

intrinsic bond with “hand-made” quality, which allows them to market their products as “timeless” designed and based on preservation of artisan’s skills and craftsmanship.

However, the reason behind the customer’s perception on the association between luxury and unsustainable practices is given by the fact that, the products coming out from the trading down phenomena, not always offer a higher level of quality and taste as expected by products made by luxury brands.

One example is Polo Ralph Lauren by Ralph Lauren, a trendy and modern line and more affordable among other lines of the brand. In particular, the most expensive line, called Ralph Lauren purple label, is characterized by items of superlative materials and construction made in Europe. The Polo Ralph Lauren derivations from the classic and luxurious Ralph Lauren, gives it a prestigious appeal even with a much lower price point than the average brand. However, from the consumer’s point of view exists a particular expectation from the product, since it is still belonging to a luxury brand, such as good quality and craftsmanship which respect sustainable parameters. Unfortunately, the production delocalization, which is often a consequence of business strategies such as the extension of line product, weight enormously on consumer’s perception. As a matter of fact, the fact that Polo Ralph Lauren t-shirt are produced in Bangladesh is a representation of how the luxury brand principles in term of sustainability are totally corrupted and not respected.

As it has been possible to understand, the argument defended in this dissertation is that luxury not only should be associated with sustainability, but that luxury is inherently sustainable. As a matter of fact, luxury products are characterized by a longer life than conventional ones, and this factor reduces the waste amount related to the natural resources use.

However, the trading down phenomena showed how a luxury brand can modify its traditional principals in order to enlarge the number of customers and let growing the revenues. That is why is important to be able to distinguish and discriminate what, today, can still be considered True Luxury and what is not luxury anymore.

The survey has been launched in order to understand and try to justify why luxury industry cannot be considered in line with sustainability principles. In particular, the results prove that one of the reasons behind this negative perception is given by a significant misunderstanding of what we can still call today true luxury and what is not. What originally was possible to call luxury, nowadays reached too much compromises which put them far away from what true luxury is. Moreover, the survey propose itself as a tool in order to discriminate what is considered luxury and what is not from the consumer’s point of view. 40% consider all the nine brands as luxurious. The results of the survey is

proving that the reason why consumers considered luxury unsustainable is that is not clear, nowadays, what can be considered luxury and what is not. That is why, for some brands presented in the survey is described the house origins, the business strategies adopted and the reasons why each of them can be considered true luxury or fake luxury. The extreme comparison between Hermès and Michael Kors can make clear the difference between what it can be called luxury and what is not. For over 150 years of business Hermès always stayed loyal to its core value. The list of items offered by the house, such as jewelry, fragrances and leather goods are all Made-in France, all of them are 100% designed, made and distributed in-house. The production is owned by the house directly, which, therefore, can have total control of the operations. As a consequence of this business assets, Hermès does not do any licensing, so it is not risking ruin or make opinable the brand reputation in anyway. On the opposite side there is Michael Kors, that more than a luxury brand can be seen as a very successful company who reached 100 countries and listed many different items such as fragrance, watches, eyewear, shoes and leather goods. However, the authenticity and uniqueness of the brand items is quite inexistent since for the majority of the product's category offered by the brand there is an associate licensing agreement. Regarding the Manufacturing process, Michael Kors company does not take any responsibility for any steps of the process, in fact, it has several contracts for purchasing finished goods with independent third-parties. The company allocate product manufacturing among third-party agents based on their skills, production capacity, delivery and pricing. In the fiscal year 2018, the largest manufacturing contractor of Michael Kors, who primarily produced its products, is located in China. In particular, by dollar volume, approximately 94.7% of Michael Kors products were produced in Asia. Even if, manufacturing contractors and agents operate under the close supervision of Michael Kors global manufacturing division headquartered in the USA, the huge production delocalization which characterize the company business can not be an element through which is possible to classify Michael Kors brand as a true luxury brand which respect sustainable parameters. Overall, this dissertation is suggesting managers that they should be fully aware of the fact that luxury consumers are openly asking luxury brands to pay more attention to environmental issues. The sustainability issue is already an hot topic for people and society in general and this tendency will become stronger and stronger in the short and long term, and since in the dissertation is proposed the idea of true luxury and sustainability as complementary concepts, rather than conflicting, managers should not allow any kind of confusion creation about what is luxury and what is not. In order to be able to talk about sustainability in luxury, it is important to make a discrimination of luxury, talking just about the true luxury which is respecting sustainable parameters and

which is fully inherent with concepts as “Made in”, production localization and be trustful to the core values of the luxury brands.